

KACHKOVSKY & FISHER, INC.

Registered Investment Advisor

Phoenix Office

3610 N. 44th Street
Suite 220
Phoenix, AZ 85018

Phone: 602.604.9711
Toll-Free: 866.604.9711
Fax: 602.604.9712

Evergreen Office

1524 Belford Court
Evergreen, CO 80439

Email : garry@kachkovskyandfisher.com
kris@kachkovskyandfisher.com
emily@kachkovskyandfisher.com
website : kachkovskyandfisher.com

Spring 2016

With spring in full bloom, it's a great time of year to get some fresh air and tend to our gardens and yards. We hope you're able to spend some time outside – maybe even visit your local nursery – and get your plants and flowers looking their best. It's also a great time to wish you a happy Earth Day. More than 175 countries celebrate Earth Day, but the April 22 holiday we observe in our country was put into motion by a U.S. senator back in 1970. Let's take a look at the numbers.

	(As of 3/31/16)
Dow Jones Industrials	+ 2.20%
S&P 500 Index	+ 1.35%
NASDAQ Composite	- 2.43%
MSCI EAFE Index	- 3.01%

Major Bond Indexes	(As of 3/31/16)
Lipper U.S. Government	+ 2.61%
Lipper Short-term Investment Grade	+ 0.88%
Lipper Corporate A-Rated	+ 3.95%

Major Mutual Funds Indexes	(As of 3/31/16)
Lipper Large-Cap Core	+ 0.82%
Lipper Mid-Cap Core Index	+ 1.67%
Lipper Small-Cap Core Index	+ 1.49%
Lipper International Index	- 1.54%

Source: The Wall Street Journal and Barron's

*Inclusion of these unmanaged indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

FINANCIAL AND INVESTMENT PLANNING

A man lived by the side of the road and sold hot dogs. He was hard of hearing, so he had no radio. He had trouble with his eyes, so he had no newspapers, but he sold hot dogs. He put up a sign on the highway, telling how good they were. He stood by the side of the road and cried, 'Buy a hot dog, mister' and people bought. He increased his meat and bun orders and he bought a bigger stove to take care of his trade. He got his son home from college to help him, but something happened. His son said, 'Father, haven't you been listening to the radio? There's a big recession on. The international situation is terrible, and the domestic situation is even worse.' Whereupon, the father thought, 'Well, my son has been to college. He listens to the radio and reads the papers, so he ought to know.' So, the father cut down his bun order, took down his advertising signs, and no longer bothered to stand on the highway to sell hot dogs. His hot dog sales fell almost overnight. 'You were right, son' the father said to the boy. 'We are certainly in the middle of a great recession.'

... Author Unknown

On the morning of the 22nd of March, three coordinated bombings occurred in Belgium, which resulted in 32 deaths and over 300 injured. The world and the global markets took a backseat to these senseless suicide attacks. As stated by PIMCO in the March Global, "The second act of European terrorism within four months heightened tensions in a region already challenged by a growing migrant crisis. The March agreement between the European Union (EU) and Turkey to reduce the flow of refugees into Europe highlighted a growing trend toward nationalistic sentiment that could have repercussions for the political landscape in the region, including in the U.K. as the "Brexit" referendum approaches in June. Speculation over a "yes" vote has continued to build. Currency markets have priced in a steep spike in volatility around the time of the vote, so twists and turns in the debate will likely continue to drive headlines and test UK markets. Polls suggest a tight vote, and while our base case is for the UK to remain in the EU, we assign a significant probability – as high as 40% – to a Brexit event. If the UK does ultimately vote to leave, the market response depends on what kind of separation ensues. We see two possible scenarios. The first: a co-operative separation accompanied by tempered negotiations leading to a relatively benign macroeconomic impact. The second scenario would be an unpleasant divorce, under which volatility could last longer. If it were to occur, there also could be further pressure on the British pound, but also with support for gilts as rate-hike expectations are pushed even further down the road.

"This nationalistic trend was also apparent in the U.S., particularly as the Democratic and Republican presidential nomination process gathered steam in March. Highly charged topics such as immigration figured prominently across state caucuses and primaries. Meanwhile in Brazil, the political drama continued to unfold, though signs that embattled President Rousseff's term could end prematurely cheered markets, with Brazilian equities gaining 17% in the month. Brazil helped drive impressive gains for emerging markets more broadly, both in equities and local currency bonds. It was clear from developments in March that shifting political winds will continue to be an important consideration for both developed and emerging markets."

Like untamed mustangs of the Wild West, the global markets took investors for a blustery ride the first quarter of this year. Anxiety of a global recession hit stocks hard in January and February. Domestically the first one and a half months provided for the worst stock market start to a new year. By February 11th, most major global indexes were down double digits. That action was quickly followed by a very strong March. And as of this missive, many global equity markets (with the exception of the NASDAQ Composite) are positive for the year. By April, the aforementioned recessionary fears subsided with the help of lawmaking influences.

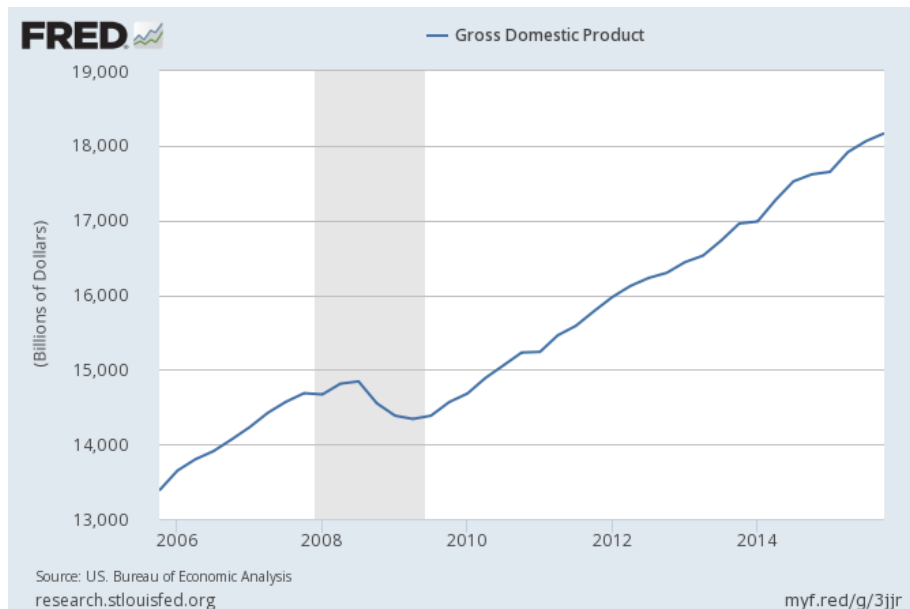
At home, although our economy has been growing, one wouldn't believe that to be the case as stated by many political pundits, news media and penned articles. One might even be led to believe that the U.S. economy has not grown for years. Investor sentiment has certainly been negative; however, upon further examination it's clear that most economic indicators are positive. Showing signs of life in the U.S. economy is manufacturing. Over the past 12 months, nominal U.S. manufacturing output has grown 3.3%. Domestic demand is driving U.S. manufacturing – not exactly a signal for an upcoming recession. Housing continues to be a bright spot. The number of households remained near record highs, at 117.7 million. Home ownership has edged up to 63.8%. There is a lot of pent up demand, as millennials continue to rent. As income and job growth continue to recover, home ownership should continue its upward trajectory. Indeed, over the past five months, we have seen 2 million more jobs created in the labor force. Again, not another metric one sees of an economy headed towards a recession.

Central banks facilitated the global markets' uphill path. Early in March, the European Central Bank (ECB) presented an enlarged monetary easing plan that contained a blend of lower rates, grander monthly purchases and expansion of the range of assets to include corporate bonds. ECB's President Mario Draghi also indicated a swing in emphasis toward credit expansion in lieu of more negative rates, boosting risk assets while euro appreciated. Bank of Japan (BOJ) employed a negative interest rate policy to help spur economic growth. Domestically, the Fed Chair Yellen struck a cautious tone in several speeches, indicating that global developments very much weighed on the

Fed's outlook. The fact that she continued to see some slack in the labor market even as core inflation measures were beginning to turn higher suggested the Fed may even let the economy "run hot." (PIMCO)

Growth, as measure by GDP, continues to be stable and the U.S Federal Reserve most likely will continue their cautious pace of raising rates. All told, central banks returned to being suppressors of volatility rather than contributors to it. Said dovish comments and actions by central banks helped maintain the global stock rally. It should be noted that policy divergence between the Fed and the ECB and BOJ will likely continue. As the Fed slowly tries to normalize rates and policy, we should continue to experience heightened volatility. While there are headwinds, which are certain to persist in all economic climates and cycles, and regardless of what you hear in the media, the underlying economy driven by capitalism is alive and well. The chart below illustrates U.S. GDP growth over the previous 10 years.

10 year GDP – Fed Graph



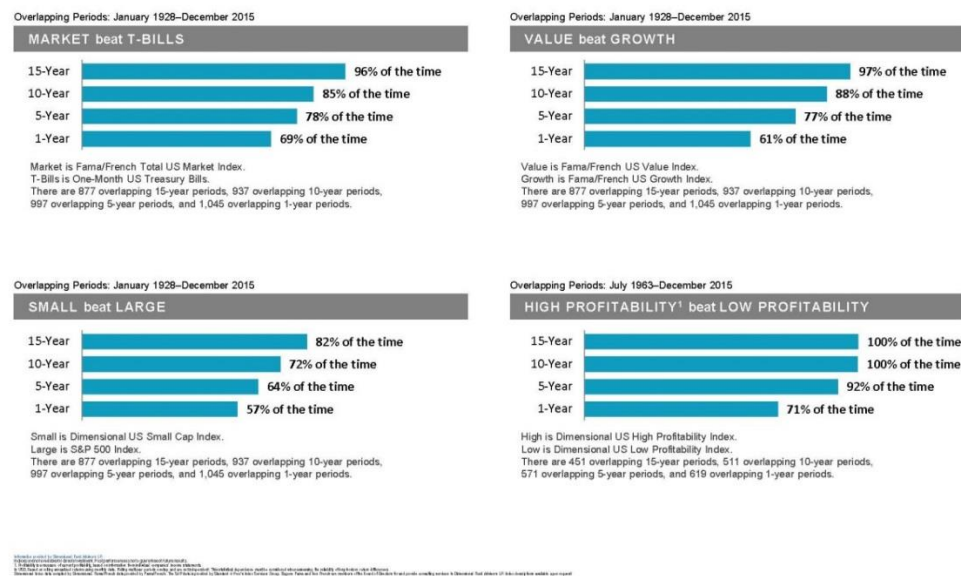
Now shifting gears to portfolio management, we try to bridge the gap between great academic research and applying those findings. We hold the empirical research of the great academic minds in the highest regards. As we continually work on making the findings relevant and applicable to our clients, we also search for firms with a similar mindset and philosophy. The good folks at Dimensional are one of those firms. They state, "If we look hard enough we can always find patterns in historical data, so we are skeptical about patterns that don't make sense. Once armed with a sensible story about why a variable might be related to expected returns, Research then tests the historical data to make sure the pattern is persistent across time and pervasive across markets. Dimensional is vigilant about the danger of data-mined results. Evidence replicated across sample periods, regions, and variables adds to our assurance that what we are seeing is reliable and possibly worth pursuing for clients. Investors can have greater confidence in our strategies when they know we are targeting premiums that are sensible, have been observed using market data, and can be pursued in a diversified, cost-efficient way." As we construct portfolios, we embrace certain investing tenants. They include:

- Avoid market timing
- Resist chasing past performance
- Diversification
- Avoid making emotional decisions
- Construct portfolios with drivers of returns

The chart below illustrates the market premiums that we know exist over extended periods of time. As you look at the 1-Year numbers below, you can see it's a little more than a coin flip if value stocks will outperform growth stocks in any given year. However, as the rolling periods are extended 5, 10 and 15 years, the probability increases dramatically.

Historical Performance of Premiums over Rolling Periods

US Markets



- Investing involves risk and investors may incur a profit or loss.
- The information contained in this report does not purport to be a complete description of the securities, markets or developments referred to in this material. Any opinions of this date and are subject to change without notice.
- Past performance is not a guarantee of future results. Individuals cannot invest in an index directly.
- Lipper indexes are based on the 30 largest funds by asset size within the Lipper objective and do not include multiple share classes of similar funds.
- The **Dow Jones Industrial Average (DJIA)**, commonly known as “The Dow”, is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal.
- The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material accurate or complete.
- The S&P 500 is an unmanaged index of 500 widely held stocks that’s generally considered representative of the U.S. stock market.
- The **NASDAQ Composite Index** measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market and includes over 3,000 companies.
- Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. Bonds are subject to credit and interest rate risk. Timely payments of interest and principal payments are based on the financial condition of the issuer. Yield and market value will fluctuate with changes in market conditions. There is an inverse relationship between interest movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. Diversification does not insure a profit or a guarantee against a loss. Investing involves risk and you may incur a profit or loss regardless of strategy selected. Please note that international investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility.

PERSONAL

“French fries!” screamed Kora, as she gained more and more speed skiing down the mountain. Despite Kris’ best efforts, the five year old daughter consistently beat him down the slope to the ski lift. The two signed up for ski lessons in January, as neither one had ever skied before. After the third lesson, dad promised they would have a father-daughter day on the mountain - no ski instructors. Kora learned two key words from her lessons – pizza and French fries. Pizza meaning the skier should angle the skis into the shape of a wedge to help slow down. French fries equate to keeping the skis parallel to help increase speed. Dad thought the two should work on their turns, controlling their ski runs down the mountain. Kora had her own idea - skiing fast, “French fries all the time!” From driving up I-70 together and playing “I spy”, riding up the chair lifts, to skiing down the mountain for hours and eating lunch in the lodge with dad, Kora couldn’t stop talking about how this was the best day ever. As happy as his daughter was, dad’s heart was equally, if not more full!

At home, Macy and Kora enjoy being detectives in the front yard. After a fresh snow fall, they often find foot prints. They quickly decide it’s either a bunny, squirrel or fox and are determined to find the critter. After the search ends in not locating the elusive furry animal, they conclude it was either very sneaky or something bigger must have eaten it. Inside the house, the girls sing and dance endlessly. The most common words are, “Mom, watch this. Dad, watch this. Did you guys see that?!” Macy’s go-to move is the twirl. She loves to spin and watch her dress twirl around her. Kora loves to practice her ballet and always ends with a curtsy. When they’re not investigating the wildlife and dancing across the house, they love their hikes and feeding the ducks at the lake. The adorable girls have mom and dad wrapped around the fingers.



It's hard to tell if life is speeding by because every day, month and year is an ever decreasing portion of life that's already passed, or, perhaps, that's the nature of busy life with kids. Regardless, Garry and Emily are happily raising two very active and jovial girls. Ava, who is approaching the mature age of four and a half, can't quite muster the energy to sit still. Her interests are boundless – dancing, painting while running up and down the halls, playing tag, racing her bike, and in general being “THE FASTEST!” at everything. When she does find a moment of tranquility, Ava is doting on her little sister, showering her with kisses, hugs and the frequent, “Elle, I love you in my heart”.

Elle, who recently turned one is proving to be even more of a firecracker than her older sibling. She is ultra-determined to be heard, often quieting the room with her emphatic announcements that only she understands at this point. Walking without the assistance of a couch or hand is very new and exciting for everyone in the house. Well, maybe not for mom. The look of purpose comes over Elle as she darts for cupboards, pulling, examining and often discarding contents inside. But her favorite pastime is interacting with the family's dogs, particularly Duke, affectionately called Duka. So much so that every dog Elle sees is “Duka”.

Elle's first birthday was spent with grandparents in San Diego. Unfortunately, the trip was capped off with Emily's great-grand-father's funeral. Charles Matson was a fighter pilot, who flew 50 missions in World War II, helping the Allies defeat Hitler and the Axis Powers. He was a fascinating man with many interests and endless stories. In his 100 years, Charles touched the lives of many and left a memorable impression on those he came in contact with. The funeral was followed by a moving reception at the historic Mission Inn Hotel, in Riverside, CA. Despite the circumstances, it was great to reconnect with family members.

**‘To be satisfied with what one has, that is wealth.
As long as one sorely needs a certain additional amount, that man isn't rich.’**

Mark Twain

Thank you for your trust, confidence and friendship.

A handwritten signature in blue ink, appearing to be 'Garry Kachkovsky'.

Garry Kachkovsky, CFP®
Financial Planner

A handwritten signature in blue ink, appearing to be 'Kristian R. Fisher'.

Kristian R. Fisher, CFP®
Financial Planner