FPS
FINANCIAL, INC.

919 Old Highway 8 NW, Suite 400
New Brighton, MN 55112
651.633.2689 • FAX 651.633.2847
www.fpsfinancial.net

November 25, 2013

SPECIAL MARKET UPDATE:
Thoughts on Financial Markets and Investment Expectations

Dear Investor,

I hope you are doing well and that your upcoming holidays will be truly memorable! I wanted to drop you a quick note with some thoughts regarding the financial markets and investment expectations.

As you may know, the U.S. stock markets are at, or near, all-time highs. The stock market has been rising without any significant setback since August 2011[1]; this is one of the longest stretches of an increasing market without a correction since 1950. Please keep in mind, that stock markets will typically have a 10% correction once or twice every 12 months[2]. As a result, it would be only normal if, in the shorter term, we see a pullback in the markets. Although, I still remain optimistic about the longer term prospects for growth.

In the last couple of quarters there has been a return to economic growth across the globe, with the exception of Greece. This worldwide economic recovery may provide opportunities for long term investment growth for US and foreign companies. Now more than ever, I believe it's important to have a good exposure to foreign investment securities from developed and emerging markets.

If you're old enough, you may remember the early 1980's when interest rates on money markets were in the mid-teens. Since the early 80's, interest rates have been declining on a pretty steady basis and reached a low point in May 2013[3]. Typically, when interest rates are declining, bond values will increase. Over the last 30 years, we have seen very robust total returns from the bond markets. But, since May 2013, interest rates have started to increase; this has created head winds for bond investments. I anticipate that interest rates will continue to gradually increase in the years ahead, creating an environment for smaller returns from bond investments when compared to the last generation. However, I believe that maintaining a dose of bond/fixed income investments can be an important element in reducing overall volatility for portfolios.

In summary, if you are aware of any large expenses coming up within the next year for which you'll need to withdraw funds from your portfolio, please let me know so we can discuss the best strategy to accommodate your unique situation. Expectations for investment returns on portfolio strategies should be recalibrated when compared to the returns we have seen over the last several years. A well diversified portfolio of US and foreign stocks and bond investments have a long history of providing investors opportunities to achieve financial goals with some bumps along the way. I would expect this to be the case going forward, as well.

Thanks, again, for the opportunity to work with you. Don't hesitate to call or email if you have any additional questions regarding your overall wealth management plan.

Sincerely,

Mike Ovshak
CFP®

[1] *In reference to the S&P 500 which is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. All indices are unmanaged, and investors cannot invest directly in an index. Past performance is no guarantee of future results.*

[2] *Source: BTN Research*

[3] *Source: JP Morgan*