



NEW ENGLAND GUILD WEALTH ADVISORS

INVEST IN CONTEXT

Market Spotlight

Returns as of 06/30/15

Index	2nd QTR	1 YR	Annual 3 YR	10 YR
	S&P 500 (inc. div.)	0.3%	7.4%	17.3%
Russell 2000	0.4%	6.4%	17.8%	8.4%
MSCI AC World xUS	0.5%	-5.3%	9.4%	5.5%
MSCI AC World	0.4%	0.7%	13.0%	6.4%
REITs	-9.1%	3.6%	8.3%	5.9%
Barcap Agg. Bond	-1.7%	1.9%	1.8%	4.4%
90 Day T-Bills	0.0%	0.0%	0.1%	1.4%

As winter weather finally lost its chokehold on the U.S. economy, investors grew increasingly comfortable with the Federal Reserve's slow-and-steady approach to determining when to raise short-term interest rates. Historic all time highs were reached by all the indexes including the S&P 500, Dow, Nasdaq, and Russell 2000 during the second quarter. Unfortunately, gains for the quarter in domestic and international equities were all but wiped out as the financial crisis in Greece affected markets domestically and around the world. Potentially higher interest rates negatively impacted REITs. U.S. Treasury prices declined with corresponding yields making their biggest gains since 2013 (i.e. yields rise as bond prices fall). The decrease in bond prices was largely attributable to improved investor confidence in equity markets, as an improving economy and lower unemployment rates encouraged investors to shift money from bonds to equities. (Data Source: Broadridge Investor Communications).

With the first half of 2015 now behind us, there has clearly been a changing of the guard in global markets. The stark contrast between asset classes illustrated in the JP Morgan Chart of the Week, (on the next page) reminds investors not only of the importance of time horizon, but also of the need for diversification. After several years of double-digit returns, the S&P 500 is lagging other equity markets as the effect of lower oil prices and a stronger U.S. dollar have been too much for an improving economy to offset.

Investment Commentary

Vanguard's Chief Economist, Joe Davis, has referred to the current global economy as "frustratingly fragile". Recent economic woes seen in Greece, China, and Puerto Rico have certainly shown just how fragile the economy really is in other parts of the world! These financial crises and other world events have touched off renewed market volatility that can be unsettling for investors. However, there appears to be growing consensus among many economists that the outcome in Greece poses little to no long-term threat to the global economy or financial markets; nor will it lead to contagion. Also, we would point out that the central banks in the European Union and Japan have both launched major quantitative easing plans, which are beginning to take hold. Despite economic uncertainty abroad, the United States remains resilient; with the U.S. economy on track for slow but steady growth.

This turbulent environment has understandably raised questions from investors as to the best course of action for navigating market unrest. In a recent article titled "Greece, global debt and ongoing uncertainty", Vanguard recommends that the "best course of action may be to take no action at all". We agree! And we would add that global diversification in portfolios remains important. The European recovery is on more solid footing with improved earnings poised to boost equity prices. And since these economies are early in the recovery process with the potential for growth in asset prices, international equities may very well continue to reward as we move into the second half of 2015. Diversifying across global opportunities has paid off handsomely for investors as international equities have significantly outperformed domestic stocks year-to-date.

In the face of market volatility and headline news from endless talking heads, we recognize that it's not always easy to stay calm and disciplined during market flare-ups. However, history has taught that maintaining discipline and staying the course serves investors well in the long run. On the note of staying calm (and cool), and in the spirit of summer, we thought we'd take this opportunity to share *J.P. Morgan's 16th Annual Summer Reading List* with you. From technological innovations in education to the creative process of entrepreneurs to first hand tips on resiliency all around the world, the 2015 list offers an exploration of themes applicable to business leaders, entrepreneurs, philanthropists and emerging family leaders worldwide. They include:

Creative Schools: The Grassroots Revolution That's Transforming Education, by Ken Robinson and Lou Aronica. In his latest work, Ken Robinson makes the case for tapping our advanced technological capital—and creativity—to foster learning and to revamp public education systems.

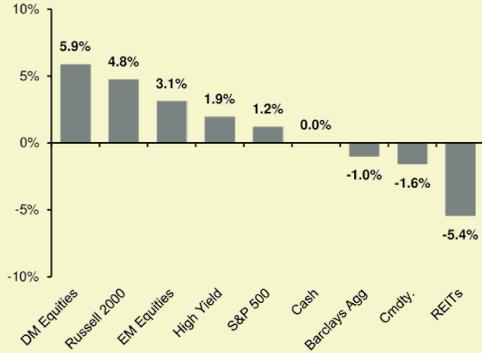
Deep Down Dark: The Untold Stories of 33 Men Buried in a Chilean Mine, and the Miracle That Set Them Free, by Héctor Tobar. When 33 men were trapped in a mine 2,000 feet underground, they vowed to tell their story together if they survived. Pulitzer Prize-winning journalist Héctor Tobar was selected to write their saga.

Every Gift Matters: How Your Passion Can Change the World, by Carrie Morgridge and John Perry. "Giving transforms two lives: the one who receives and the one who gives," writes Carrie Morgridge, who has worked for 15 years with her husband at the Morgridge Family Foundation.

Saturday Night Live: The Book, by Alison Castle. Devotees of Saturday Night Live will enjoy celebrating the iconic program's 40th anniversary with this comprehensive look.



The case for diversification
Asset class returns, USD, total return excluding commodities



Note: JP Morgan Chart illustrates Year-to-Date asset class returns as of July 6, 2015.

On the other hand, U.S. small caps have benefitted from their domestic orientation, returning 4.8%. Outside the U.S., both emerging and developed equity markets have regained some ground this year, rising 3.1% and 5.9%, respectively. At the same time, Europe and Japan benefitted from quantitative easing, while emerging markets saw signs of stabilization. That being said, interest rate sensitive asset classes such as fixed income and REITs have suffered at the hand of higher and more volatile interest rates. High yield fixed income has returned almost 2% as spreads tightened against a backdrop of rising rates; and commodities continued to struggle, falling 1.6% during the first half of 2015. (JP Morgan Weekly Market Recap, July 6, 2015).

In the months ahead, we would expect that a combination of policy normalization in the U.S. (i.e. an increase in interest rates for the first time in over nine years by the Federal Reserve to more normal levels) and policy easing abroad will most likely continue to drive volatility higher across all financial markets.

How to Fly a Horse: The Secret History of Creation, Invention, and Discovery, by Kevin Ashton. For readers curious about the roots of innovation, Kevin Ashton’s How to Fly a Horse is a conversation starter. An entrepreneur and technology pioneer at MIT, Ashton chronicles the creative ingenuity, persistence and sometimes lonely path creators follow to move from idea to breakthrough.

Rain: A Natural and Cultural History, by Cynthia Barnett. Blending science and history—and a dedication to the environment—Cynthia Barnett’s Rain traces the evolution of one of the most common, precious and sometimes destructive forces in nature.

The Resilience Dividend: Being Strong in a World Where Things Go Wrong, by Judith Rodin. The strength of leaders, organizations and communities can often be measured by their ability to bounce back from a crisis, observes Judith Rodin, president of The Rockefeller Foundation. In The Resilience Dividend, she offers stories of communities and businesses that have faced catastrophic events—ranging from weather or disease to political or economic crises—and then persevered and came away even stronger.

Where Chefs Eat: A Guide to Chefs’ Favorite Restaurants, by Joe Warwick. Food writer and restaurant critic Joe Warwick presents a guide to more than 3,000 restaurants, based on recommendations from more than 400 of the world’s top chefs.

World Order, by Henry Kissinger. Few people in the last century have been closer to the pulse of international politics than Henry Kissinger. The Nobel Peace Prize winner knows firsthand what lies behind recent international accords as well as the global discord that remains.

The Wright Brothers, by David McCullough. Although with every attempt to fly, Wilbur and Orville Wright risked their lives, the brothers were determined to change history. Two-time Pulitzer Prize-winning historian David McCullough tells the story of their family and childhood, genius and ingenuity, successes and failures.

“...Rare is a list where Henry Kissinger, Saturday Night Live and the Wright Brothers stand side by side” (Darin Oduyoye, CCO for J.P. Morgan’s Asset Management). Enjoy your summer and happy reading!



We’ve moved to the Second Floor

We are delighted to announce that our entire team is now all together on the second floor of our office building. As a result, our entrance is in the rear of the building where you will find ample parking. Enjoy the summer and we look forward to giving you a tour of our newly renovated space.

Good News – and always trying to better serve our clients!

We have successfully negotiated transaction fee reductions of approximately 40% on mutual fund trades for all accounts maintained at Charles Schwab; the reductions took effect July 1st. As a firm, we have always been very mindful of the impact of fees on net investment returns. Our due diligence process for selecting and monitoring mutual funds and exchange traded funds (ETF) has always included a review of all fees associated with their investments. Given the impact that it can have on net investment returns, that criterion remains an integral component of our “scoring” process. Transaction fees charged by Charles Schwab have always been competitive with other custodians. However, this reduction in fees enables us to better serve our clients by further improving their net investment returns.

OUR FIRM CONTINUES TO GROW BY REFERRALS FROM OUR CLIENTS. THANK YOU FOR RECOMMENDING US.

NEW ENGLAND GUILD WEALTH ADVISORS TEAM

- Harold L. Rives III, CPA, Principal
- William R. Pfeiffer, Jr.
- Brendan F. Fitzgerald
- Susan M. Grayson, Principal
- Claudia G. Flannery
- Eliot P. Williams, CFA, Of Counsel
- E. Patrick Logue, CPA, Principal
- Patrick P. Dowling-Logue

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