



February 2016

Vol. VI No. 2

WWM Client Newsletter

The Three Best Slides for 2016

Independent research firm Morningstar, Inc. recently released its

MORNINGSTAR MARKETS OBSERVER

First Quarter 2016

Given the market volatility of 2016, we select three Morningstar slides to discuss here:

- **Market Downturns and Recoveries**
- **2015 Asset Class Returns**
- **Global Forecasts**

Click [here](#) for the 58-page **MORNINGSTAR MARKETS OBSERVER**

for Morningstar's:

- **Market Overview**
- **Equities**
- **Fixed Income**
- **Funds**
- **Economic Indicators**

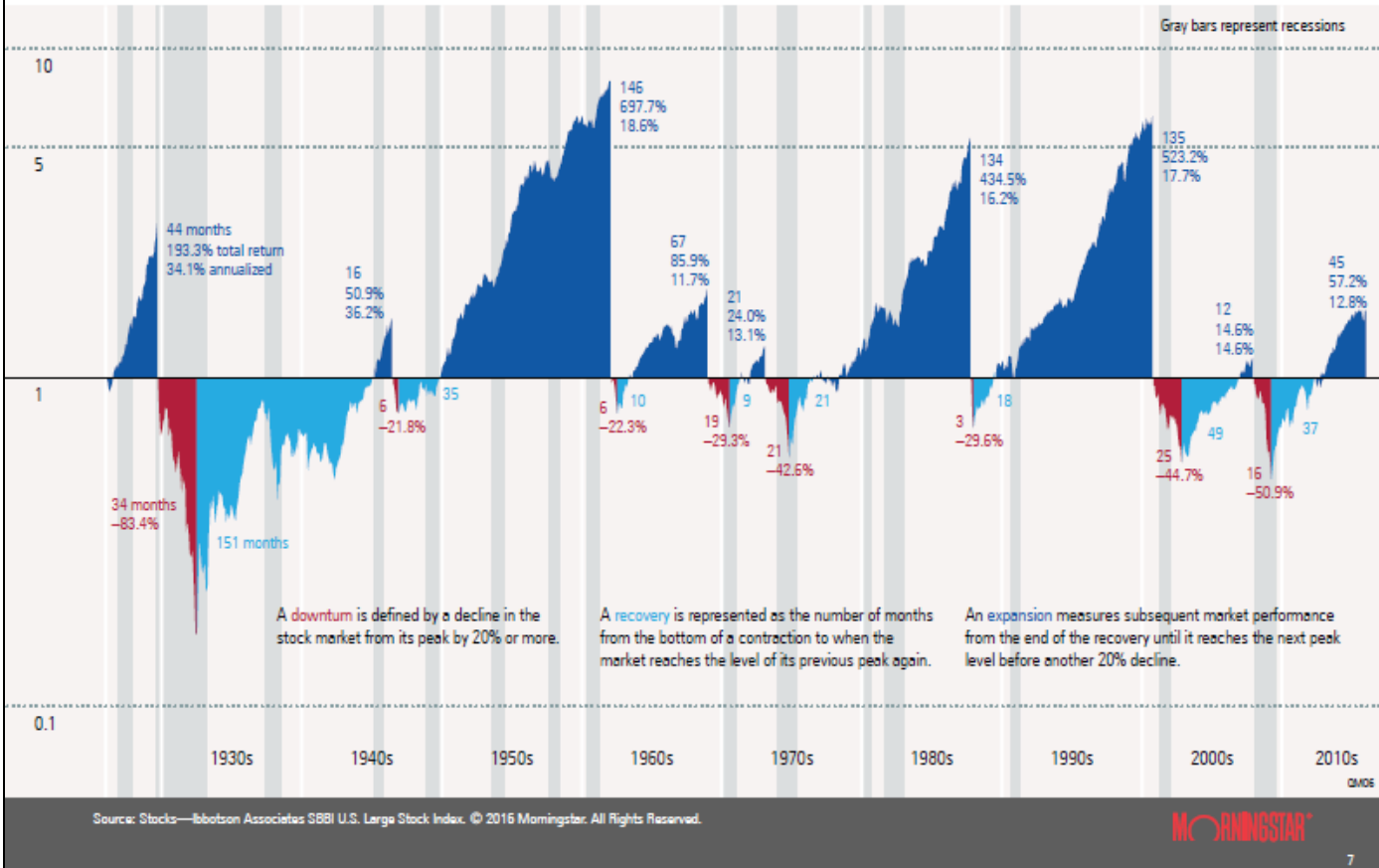
Disclaimer:

Kurt Winiecki no longer practices accounting or law. The general comments in this Newsletter are not and should not be construed as advice.

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U.S. Market Downturns, Recoveries, and Expansions

There have been eight market downturns since 1926, the most severe one being, without a doubt, the Great Depression. More recently, during the "lost decade," two consecutive downturns with little to no expansion discouraged U.S. investors. However, the market returned 57.2% since the expansion started in March 2012, and, as the chart illustrates, **there is ample potential for future growth.**



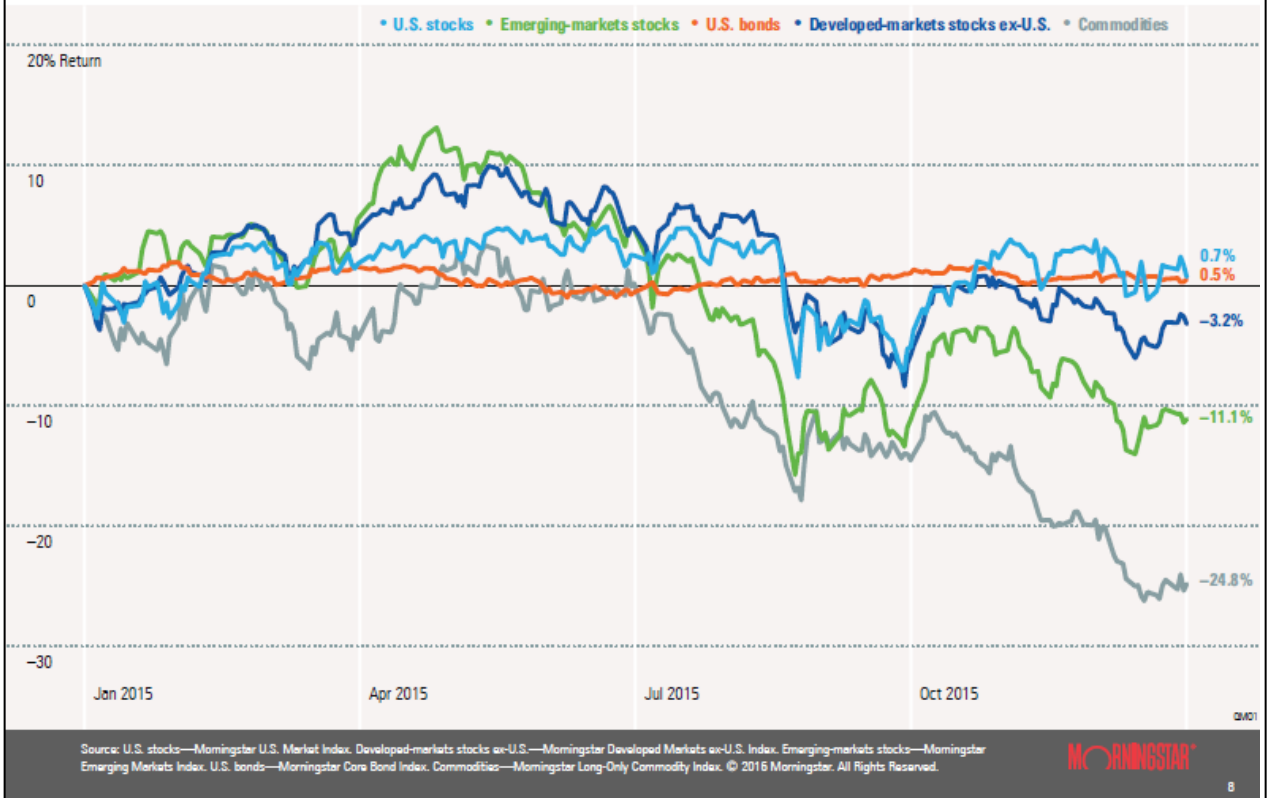
The takeaway from this slide is the last comment, “[T]here is ample potential for future growth.” Markets cannot be predicted, but compared to historic expansions, the U.S. market has room to grow.



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Trailing 12-Month Performance of Major Asset Classes

While U.S. stocks and bonds were slightly positive over the last year, there was little to no return available in major asset classes. Emerging markets remained pressured by slow growth and declining oil prices. Commodities continued their downward streak, which shows no signs of relenting.



Morningstar includes Emerging Markets and Commodities as two of its “five major asset classes.” While these asset classes may have gotten hammered in recent months and years, they are major investment classes that provide diversification over investments.

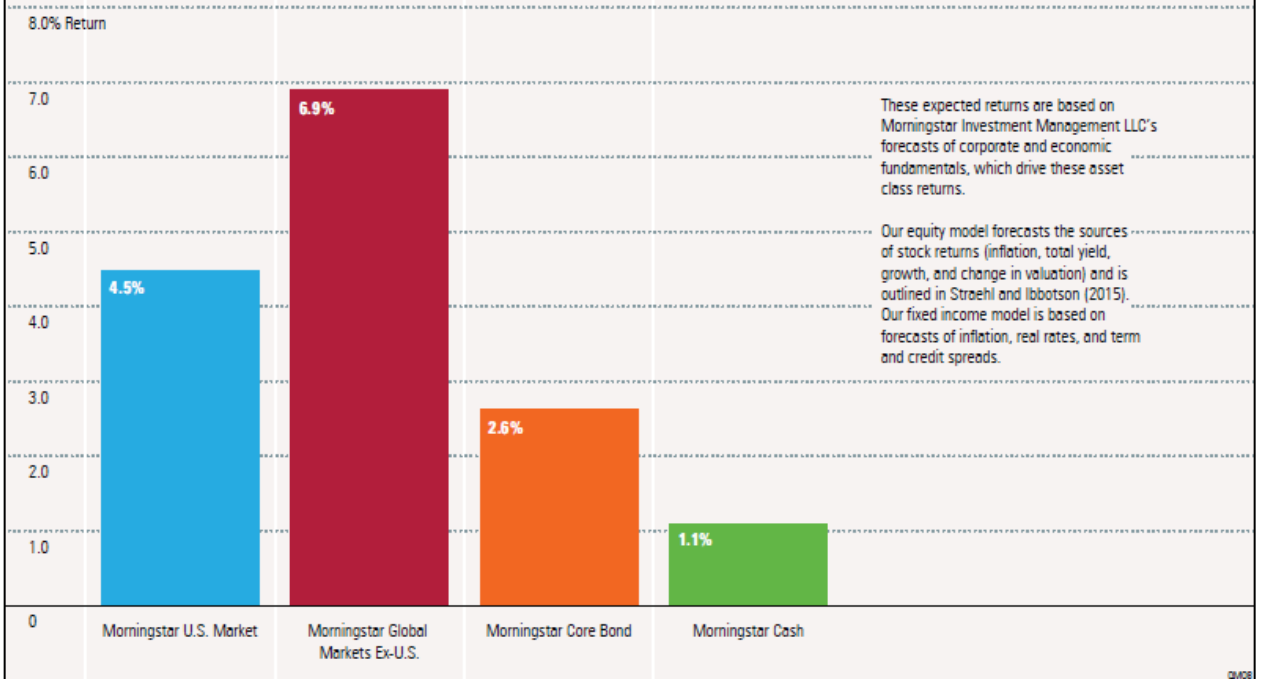


WINIECKI WEALTH MANAGEMENT

Current Valuations Hinder Return Environment in Intermediate Term

Our research indicates international equities will significantly outperform U.S. equities over the next 10 years. We believe multiple contractions will significantly dampen return potential among U.S. equities and less so among non-U.S. stocks. In fixed income, we expect the current yield curve to adjust upward to a fair value yield curve, prompting losses. However, a higher reinvestment rate would benefit returns over time.

Morningstar Investment Management LLC Capital Market Assumptions (10-Year Expected Returns)



"The Supply of Stock Returns: Adding Back Buybacks" by Roger Ibbotson and Philip Straehl (<http://corporate1.morningstar.com/ResearchArticle.aspx?documentId=737061>) © 2016 Morningstar Investment Management LLC. All Rights Reserved. Morningstar Investment Management LLC is a registered investment advisor and subsidiary of Morningstar, Inc.



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Morningstar's research predicts that Non-U.S. Markets will outperform U.S. Markets over the next ten years by nearly 2.5%.

Investors should focus on a disciplined, long term approach and not rely on predictions or emotion to move investments around. Most investors should take advantage of diversifying over numerous asset classes and include Non-U.S. Stocks, Emerging Markets, Commodities, Bonds and other assets in their portfolios.



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