Warren Financial
Investing for a Greater Purpose

Q2 2016 *MID-QUARTER* CLIENT STRATEGY UPDATE

10 WAYS TO RUIN YOUR RETIREMENT/PORTFOLIO

Avoiding these things will help us all to focus our attention and energy and make money in the long run. We almost always talk about things we are doing in this newsletter. Here are some things to avoid.

1) **Over analyze or Over Focus**
Looking too closely at minute by minute changes in markets can drive you crazy and is not productive. Even daily changes and weekly changes are only temporary.

2) **Lose Patience**
Markets take time to make profits because companies take time to adjust to their environment. Companies are made up of humans working every day, but we humans change more slowly than the internet would lead you to believe. Patience is the KEY to long term success in investing. US equity markets have been returning close to 10% on average for decades, but NOT 10% each and every year. Some years, like 2015, the market goes down. Patience creates profits and returns for our investors.

3) **Listen to the Wrong Voices**
We can all use Google. According to medical doctors, the googling of medical symptoms leads to performing your own mis-diagnosis which leads to stress and other medical problems. The same is true with finances. Don't believe ridiculous claims made on the internet of how someone made 4000% profit on their trades, or how to make $millions trading, or how you can invest and make guaranteed returns with no risk and no fees. False promises will cause you stress and force bad decisions which will lead to weight gain and financial loss.

4) **Insist on Being Correct**
Markets decide what is correct in the short-term and sort out their short term (days and weeks) mis-calculations over the long term (months and years). Don't insist on driving your retirement off dividends and interest during the current zero-rate environment. ***Dividends and interest are like Unicorns these days*** – they just can't be found, especially not risk free.

5) **Believe in Secrets**
There are no investment secrets that only a few people know. The rich, powerful, and successful, all got that way either by time and hard work. There are no shortcuts, no secrets to unlock.

6) **Listen to Commercials**
Commercials have either a focus on selling you something you really don't need, or are of the "branding" type, where they attempt to associate their product with something you already like (think about how they associate Corona beer with the beach). Branding is fun. But the selling commercials are bad for your portfolio. Don't listen.

INVESTMENT ACTION SUMMARY

1) While emerging markets have bounced, we don't view it as an investment opportunity yet. We need to see some economic growth first. Currently, the bounce is from such a depressed level, it's known on Wall Street as a "dead cat bounce". Because if you drop one, even a "dead cat" will bounce.

2) The US investment climate is still the best around. Europe continues to slog along with no growth. So, we are sticking with the US for now. Our eyes are on Europe for the future. And if Europe can grow, then the emerging markets should look more like solid potential investments.

3) Energy is bouncing from the low of $26/bbl of oil. Energy stocks are worth nibbling at. Still very dangerous, such as the collapse of BPT that occurred recently. Concho and Pioneer look strong enough, while Devon and Chesapeake look very dangerous, teetering on bankruptcy.

4) Consumer Staples and Consumer Discretionary (such as Under Armour and Nike) continue to look good. Utilities had a surge in the first quarter but still look like reasonable investments, especially for their relatively high dividends and stability.

GOOD TIMES AHEAD

The equity markets lost a little ground in 2015. And we know that 2016 started off lower. So, now that the market has recovered, can there be growth ahead? Yes. Over time. Great companies will continue to grow. For example, the Morningstar analyst just mentioned that he expects UA stock to triple over the next 10 years. That doesn't mean there won't be a dull or rocky down summer this year. But time and patience create growth and returns for us.

MACRO-VIX INDICATOR

Currently at zero, no immediate risks.

Note, the Macro-VIX Indicator did not soar to 100 during the January/February market down-turn. And the VIX itself never topped 40 (a signal to sell hedges for profits).

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7) **Give in to Fear**
Fear is the beginning of bad decisions, not prudence. Healthy fear is to have a respect for risk and reward. Risk and reward ALWAYS go hand-in-hand. Don't believe anyone or any article that says otherwise. If someone offers rewards with no risk, they are lying. If they promise outrageous returns you can be sure there are outrageous risks. The KEY is boring. It's consistent, long term, hard working, nose-to-the-grindstone investing in great companies that make you money in the long term.

8) **Relying on Media Without Checking Sources or Agenda**
Sources of information are tricky. When looking at the internet, or reading anything, always consider the source. When thinking about investing and finance, stick with the Wall Street Journal, Forbes, CNBC, Fortune, Fox Business, Financial Times, and other main stream sources. Don't believe everything you read on other sites, such as from Seeking Alpha, or Yahoo Finance, or The Fool.com. When watching CNBC, notice that one "expert" after another comes on and they all have different opinions, so ask how can they all be "experts". Look for trustworthy people, as well as trustworthy sources of information. Many so-called "experts" are just talking to pump-up their own portfolios, not to help you.

9) **Worry too much.**
Leave the worry to us. We do plenty. We'll worry about the economy and about the money. Part of our job is to worry so that you can enjoy your life, live longer, healthier, and more productive, happier lives – pursue your "***Greater Purpose***". Our incentive is to grow your portfolio. That's all we think about. Do we worry about the US debt?… yes. Do we worry about the political climate?… yes. We worry for you and we take appropriate, measured action to help you make more money. We're the only guys you hire to actually *make* you money. Think about it, when you hire the plumber or the doctor or the lawyer, you pay him, and you lose money. You may get your pipes fixed, but it cost you. You hire Warren Financial to actually make you money. Sure, you pay us, but you end up with more money.

10) **Putting Off Quarterly Update Meetings**
It's important to meet with your advisor to review your financial plan and your portfolio. If it's been a while, don't neglect it. We reach out to communicate with you in many ways including this newsletter, social media (facebook, twitter), our Greater Purpose website (to be launched in May), our Forbes articles, TV commercials, our appearances on Fox, CNBC, and Bloomberg. Take some time. Tune in. But most important, Come See Us!

DISCLOSURES: Past performance is not an indication of future performance. This information is not a solicitation or offer to invest in any particular security. If you are a client of Warren Financial, you are entitled to receive a full SEC disclosure form once per year, available on request from Karen.

Warren Dividend Hedge Strategy

Warren Dividend Hedge Strategy (WDHS) made 6.38% in March as the market surged. WDHS turned positive for the year 2016 in April. Fidelity will update the end-Mar price on or about April 28th. Until then, Fidelity still reflects the Feb price.

Some have asked, "why didn't WDHS protect me in Jan/Feb when the market went down?" The answer is that the hedge is designed to protect against bigger downturns, and the Jan/Feb market downturn was only -9% or so. In 2014 and 2015 when there was a -9/-10% downturn the hedge did create an additional +1/+2% return for our investors. But the over-riding reason to have the hedge is to protect against disasters such as -20% or more in the equity market.

The fact that the hedge worked in 2014 and 2015 on such small downturns was a nice bonus.

The key is for the hedge to protect us against those nasty -20% downturns. In those downturns the hedge may create +10 to +20% returns to help offset those big market losses.

Note, we take hedge profits when markets go down enough such that the VIX (volatility index) tops 40. The VIX is the "fear" indicator and when it tops 40 there is great fear in the markets. It topped 40 in both 2014 and 2015, but not Jan/Feb of 2016. So, while the hedge was in place in 2016 to protect us, the market downturn was not bad enough to drive profits from the hedge.

However, had the Jan/Feb downturn gotten worse, the hedges were in place and would have created nice profits for the fund. In mid-Feb the market was about one-day away from 40 on the VIX and profits for the fund. While we don't cheer for the downside, having protection allows us not to fear the downside.

THANK YOU

We sincerely want to THANK YOU for being our customer.

We will continue to work hard for you, as you expect.

We appreciate your business!