

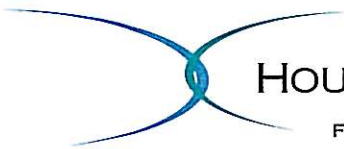
HOULIHAN FINANCIAL RESOURCE GROUP, LTD.

FINANCIAL PLANNING & INVESTMENT MANAGEMENT

3rd Quarter 2014

As we enter the third quarter, it has not gone unnoticed that we are running “long in the tooth” for a bull market. This reminds us of times gone by when markets shrugged off any and all news to continue an upward climb. Is this time different, as many suggest? Are we due for a 10% correction? Can we continue this pace? Let’s look at the fundamentals.

- Home prices are up in many locations as interest rates continue to remain accommodating.
- The lower valuation of the U.S. dollar helps our corporations as they export goods. Many of our large companies get more than 50% of their revenue from outside the U.S.
- Shale development continues to provide hope of energy independence while increasing attractive jobs here at home.
- U.S. large cap equity valuations appear to be in-line with historical averages – not in bubble territory that some have suggested, although mid/small cap stocks have had a nice run.
- We have seen low volatility in markets as we continue the expansion cycle (anemic as it has been).
- When you consider the current pace of economic growth, corporate earnings are up, resulting in increased cash positions on balance sheets. This is helping Merger and Acquisition (M&A) activity we are seeing – the strongest in more than 6 years
- Capital spending is up as companies look to the future. Sectors such as healthcare, energy and information technology have all benefitted.
- In Europe, more than 50% of companies’ revenues is from outside the region (a stronger Euro has been a headwind, though). European Central Bank has a “whatever it takes” attitude much like the Federal Reserve has had and could help to weaken the Euro and spur growth in the region.
- China has real estate problems that must be addressed. Correcting excesses could be painful and disruptive to global markets.
- Ukraine continues to be a focus as Putin’s involvement continues to heighten concerns.
- The continued fighting in the Middle East brings concerns of potential U.S. involvement, as well as the potential for increases in oil prices caused by a disruption in supply.



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Given fundamentals and global issues, we continue to believe that the U.S. market is still the “cleanest dirty shirt” in the laundry basket. We have an overweight to domestic stocks, but are adding to international positions with a focus on Europe.

We remain strategic in our fixed income allocation, as we believe the Federal Reserve will start increasing rates in the not-to-distant future. As interest rates rise, long duration and low quality bonds suffer the most. The supply of money is also a potential concern with the Fed’s bond buying program (a strategy to put liquidity into the economy) expected to end later this year.

We have enjoyed the run-up in our dividend strategy and the resulting pick-up in yield we have received. With markets reaching all-time highs, we continue to rebalance portfolios based on Investment Policy Guidelines (IPGs). This fits beautifully with our “protect on the downside and participate on the upside” philosophy!

We hope this finds you having a wonderful summer and enjoying some rest and relaxation. As always, we love working with you and appreciate all the referrals of family and friends. We continue to make new milestones here at the firm and it is because of the trust you place in us that allows this to happen.

HFRG News:

Patti has been asked to join a small group of colleagues who are working to have the SEC and Department of Labor require a uniform fiduciary standard (one that places the client’s interest first at all time) to all investment advisors providing personalized advice to clients. As part of this effort, she met with SEC Chair Mary Jo White and Commissioner Aguilar in June.

We had a wonderful celebration on June 21 in Damariscotta, Maine, where Carlton married his beautiful bride, Alyssa. We are so very happy to welcome her to our family and look forward to sharing more pictures with you of one of the sweetest weddings I have ever attended. The weather was spectacular and the Maine lobsters were delicious!

