

2nd Quarter 2016 Review

We live in a dangerous world. In an environment of unusually low interest rates, excessive government debt, weak monetary policies, low economic growth rates, and rising geopolitical tensions, the need for an investment discipline that offers the potential for protection from a variety of unexpected events is essential.

2 nd Qtr. 2016 Returns	
Stocks	2.4%
Long-Term Govt. Bonds	6.6%
Interm-Term Govt Bonds	2.7%
Short-Term Govt Bonds	0.7%
Gold	7.5%

The embedded risks which have come to define the financial markets in recent years, along with the sum total of our research and experience of the last thirty years, has resulted in our **BCM All-Weather Portfolio** design. This portfolio seeks to deliver **attractive full-cycle returns** while **managing portfolio risk across a number of disparate economic scenarios**. The research, implementation and results of our portfolio design is something we are proud to offer. After you review your portfolio YTD results, we hope you will agree.

History Revisited

"One of the lessons of history is that nothing is often a good thing to do - and always a clever thing to say."
Will Durant

What follows on the next page is some history from which much can be discerned, not the least of which pertains to investing. As we have experienced these events over the years, both as investors ourselves and as advisors to others, a clear approach to managing money has come into focus for us which we say rests on three pillars: Philosophy, Strategy, and Discipline. **Today's message is this:**

Through it all, we must have discipline. Sometimes discipline means doing nothing.

The recent turmoil resulting from the Brexit vote is important and may well have an effect on the economy. Exactly what that effect is cannot yet be known, as there are a number of factors that will come into play. This we do know: No one single event, nor one single person, no matter how significant the/their impact, moves the broader economy and financial markets in a vacuum. All such events are working together concurrently, producing a myriad of potential outcomes.

The lessons of history suggest that we are best served by taking these events in stride - so long as our portfolios are designed to weather a number of economic outcomes. That is why we approach our investment process with economically balanced portfolios and the outlook of our Risk Model.

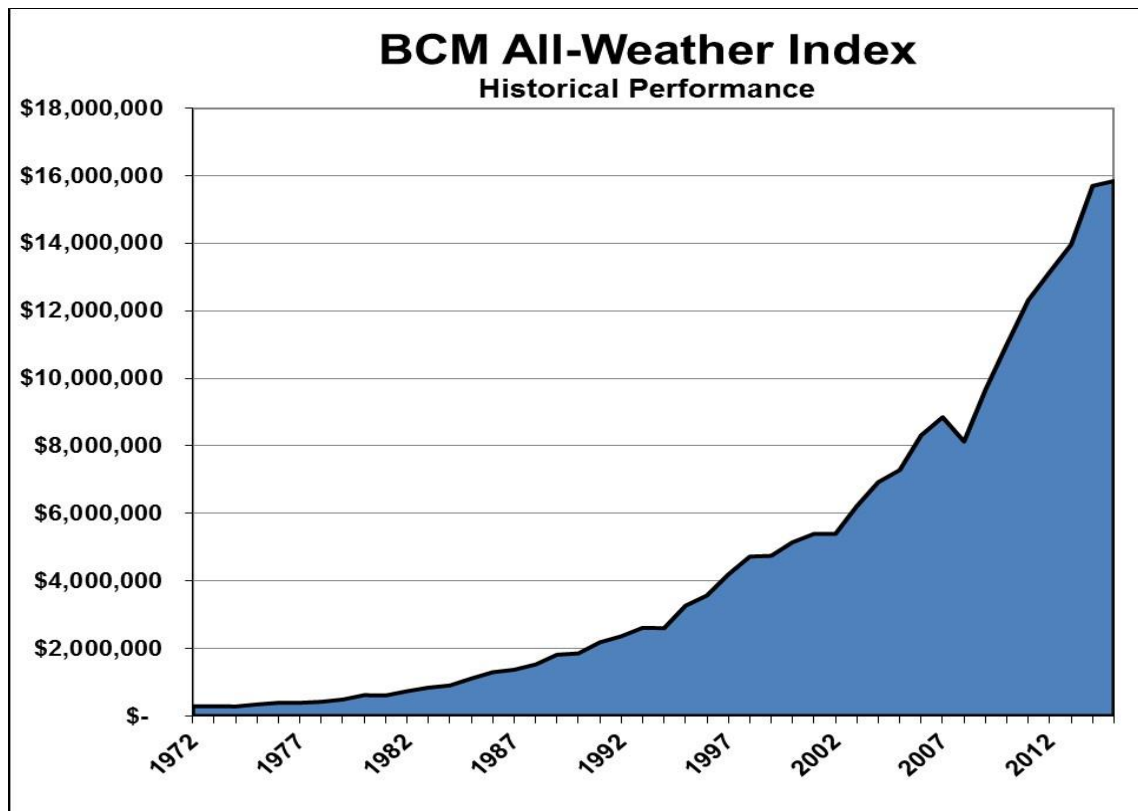
So, speaking of events that have rocked the boat, consider the following list:

44 Reasons Why People May Not Have Followed Their Investment Plan

- 1972 Dow Tops 1000 – Market too high
- 1973 OPEC Oil Embargo – Gas Lines & Energy Crisis
- 1974 Watergate, Impeachment Threat and Nixon Resigns
- 1975 Deep Recession in Progress
- 1976 Limits to Long-Term Growth Scare
- 1977 Inflation Increases
- 1978 Interest Rates Rise
- 1979 Iranian Revolution – Oil Prices Soar
- 1980 Interest Rates and Inflation Soar
- 1981 Deep Recession Begins
- 1982 Recession continues to worsen
- 1983 Market Prices too high
- 1984 Record Federal Deficits
- 1985 Economic Growth Slows
- 1986 Dow Nears 2000 – Market too high
- 1987 Black Monday - Market Crashes 20% in One Day
- 1988 Savings and Loan Crisis
- 1989 Bank Failures Increase
- 1990 First Persian Gulf War
- 1991 Dow Tops 3000 – Market too high
- 1992 Global Recession
- 1993 Hillary Clinton's Health Care Reform
- 1994 Mexican Currency Devaluation
- 1995 S&P market Index tops 629 – Market too high
- 1996 Greenspan warns of "Irrational Exuberance"
- 1997 Asian Financial Crisis
- 1998 Russian Currency Devaluation
- 1999 Presidential Impeachment
- 2000 Technology and Dotcom Meltdown
- 2001 9-11 Terrorist Attacks
- 2002 Corporate Malfeasance - Enron and WorldCom
- 2003 2nd War in Iraq
- 2004 Decline of Dollar
- 2005 Hurricane Katrina
- 2006 Rising Gas Prices
- 2007 Subprime Mortgage Crisis
- 2008 Credit Collapse and Great Recession
- 2009 Collapse of Major U.S. Financial Institutions
- 2010 European Debt Crisis – Greece
- 2011 Downgrade of U.S. Debt
- 2012 Extreme Political Polarization in U.S
- 2013 Mid East Turmoil and Wars Escalate.
- 2014 ISIS Terror Escalates - Global Growth Slows
- 2015 Oil Prices Collapse - ISIS strengthens – Turmoil in Washington..

And #45: Brexit 2016

And *One* Good Reason Why They Should Have...

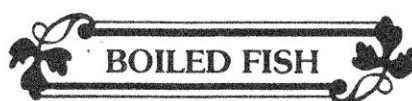


If you've got a good plan, follow it...

CURRENT OUTLOOK

Nothing's really changed since our last report to you: Europe's hair is on fire, and the world is still blowing up. Washington tells us not to worry though, trouble is on the run. Good...

Since our investment principles are timeless, and our approach robust, we simply have no additional comments beyond what we've already discussed. But if by chance you are looking for a really good recipe for Redfish Courtbouillon, try this:



REDFISH COURTBOUILLON

The great New Orleans boiled fish dish. The spicy roux-based courtbouillon is cooked for over half an hour before the redfish slices are added, which gives the fish a lovely, heady flavor. Serve redfish courtbouillon in soup bowls with plenty of liquid, and supply soup spoons. If you have any left over, refrigerate it and, the next time you serve, reheat it *very* briefly, to avoid destroying the texture of the fish. Swordfish, turbot, bluefish, and halibut will all work beautifully. *(for 4)*

ROUX-BASED COURTBOUILLON

1/3 c. vegetable oil	3 whole bay leaves, broken into quarters
1/2 c. flour	1/2 tsp. dried thyme
1 3/4 c. chopped onion	1/4 tsp. dried marjoram
1 c. thinly sliced green shallot (scallion) tops	6 whole allspice
3/4 c. chopped green pepper	2 tsp. salt
1 Tbs. finely minced garlic	1/2 tsp. freshly ground black pepper
1/3 c. chopped celery	1/8 tsp. cayenne
1 one-lb. can peeled whole tomatoes (about 2 1/4 c.), coarsely chopped	1/2 tsp. dried basil
1 Tbs. finely minced fresh parsley	2 1/2 Tbs. fresh lemon juice
	3/4 c. dry red wine
	2 1/2 c. water

1 medium-sized redfish,* cleaned and cut into 2-inch slices across	8 slices fresh lemon, each about 1/8 inch thick
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In a heavy 4- to 5-quart pot or kettle, heat the oil. Add the flour, stir, lower the heat, and cook over low heat, stirring constantly, until a roux the color of rich peanut butter is formed (about 25 minutes). Add the onion, shallot tops, green pepper, garlic, and celery and brown for another 8 to 10 minutes, stirring constantly. Add the chopped tomatoes, parsley, bay leaves, thyme, marjoram, allspice, salt, pepper, cayenne, basil, lemon juice, and red wine. Stir to mix thoroughly, then slowly add the water, mixing well. Bring to a boil, then lower the heat, and simmer uncovered for 35 minutes. Stir frequently and scrape the sides and bottom of the pot with a wooden spoon or spatula to prevent scorching and to allow the sauce to thicken evenly.

Rinse the redfish steaks under cold running water and shake them dry. Add them to the courtbouillon along with the lemon slices. Cook at a low simmer for exactly 10 minutes, then remove the pot from the heat. Serve 2 slices of redfish per person with about 1 cup of sauce poured over.

*For suggested substitutes in other areas, see the chart on page 83.

Fresh out of school? Fresh out of money?



How Younger Generations Can Make Ends Meet and Save Enough for Retirement

How much does it cost to retire? \$200,000? \$500,000? ONE MILLION DOLLARS!? While most of our clients have decades of experience under their belts, many in the younger generations (perhaps your children or grandchildren) may need help getting started. For those individuals who are fresh into their careers, it is hard enough balancing work and family while also trying to make ends meet. Throw in saving for retirement and the uphill climb starts to look like Mount Everest, an intimidating task for anyone trying to take it step by step with miles and miles ahead.

So how does one get from point A to point B without calling the Mountain Rescue Squad? Here is a plan that may benefit you or your next of kin.

First, establish how much you will need to save annually for retirement. While there are some general rules of thumb (10 to 15 percent of your gross annual income), we suggest using a retirement calculator to fit your unique situation. There are some good online calculators to do it yourself, such as those offered by Charles Schwab and Vanguard, or you can simply contact us to help you crunch the numbers. Of course, retirement savings boils down to time. Simply, the longer you wait to save, the more you will need to contribute.

Second, adjust your personal finances to properly accommodate saving for retirement. To start, treat retirement savings like taxes. Make it a habit to set aside your retirement savings amount before doing anything else so as to reduce the temptation of spending that money on something less important. Most banks have an auto draft feature that will automatically transfer an amount of your choosing from your checking account to your investment account on pre-set dates.

Next, implement an online budgeting tool to help balance both long-term and short-term financial obligations and goals. Two of the better known programs are **Mint** (<https://www.mint.com/>) and **You Need a Budget** (<https://www.youneedabudget.com/>). Either can be used to gather, organize and present all of your daily transactions in an easy to digest format. Those who like a hands-on, goal-based method of budgeting, try Mint. Those who feel like they could use a more systematic, guided approach, try YNAB.

Finally, set reminders to have regular *Personal Budgeting Meetings*. These status checks will encourage you to evaluate your progress and will lead to higher financial awareness and, ultimately, retirement saving success.

Have you exhaled yet? As stated earlier, retirement savings can be “an intimidating task for anyone trying to take it step by step with miles and miles ahead.” We at BCM like to say, “This can be an intimidating task, *but if you take it step by step you will be miles and miles ahead.*”

As always, if we can be of help to you in any way, please give us a call.

The facts and statements herein have been obtained or derived from original or recognized statistical sources which we believe to be reliable. Past performance does not guarantee future results. This letter is intended as an informational update for BCM clients. It is not intended to offer specific investment advice to anyone. Current BCM opinions as stated in the above text are subject to change at any time. Information included herein should not be construed as the receipt of, or a substitute for, personalized investment advice. A copy of our current written disclosure statement discussing our business operations, services, and fees is available upon written request.