Benchmark Returns for the Period Ended June 30, 2015

	Quarter	Annualized 1 Year	5 Year	10 Year
US Treasury Bills (one month)	0.00%	0.01%	0.06%	1.34%
Barclays Capital US Gov't/Credit Inter Bond	-0.62%	1.68%	2.79%	4.02%
Standard & Poor's 500	0.28%	7.42%	17.34%	7.89%
Russell 1000 Value (large cap value)	0.11%	4.13%	16.50%	7.05%
Russell 2000 (small cap)	0.42%	6.49%	17.08%	8.40%
Morgan Stanley Europe, Australia and Far East (EAFE)	0.62%	-4.22%	9.54%	5.12%
Wilshire REIT	-9.93%	5.21%	14.73%	6.92%

Source for returns: Dimensional Fund Advisors and Morningstar ™ as of 6/30/2015.

Quarterly Commentary

The US economy continued its bull-market march in the second quarter of the year, despite a minor GDP contraction of 0.2% annualized. The decline was expected and mostly attributed to west coast port closures, lower fuel prices, and a strong dollar. Inflation remained moderately low and has stayed under the Fed target of 2% for 37 straight months. Consumer spending, which accounts for more than two-thirds of the US economy, recorded its largest increase in nearly six years in May. This was fueled by strong demand for automobiles and other big-ticket items. The unemployment rate fell in June to a seven-year low of 5.3% from its quarterly high of 5.5%. Although 223,000 new jobs were created in June, the rate mostly declined because frustrated job seekers abandoned their search and are no longer counted as unemployed.

Despite nearly flat returns for most asset classes, it was still a record quarter for both the NASDAQ composite and Russell 2000. The NASDAQ broke through a 15-year intra-day peak high and posted a quarterly gain of 2.03%. The Russell 2000 reached an all-time high and finished the quarter up 0.42%. The Dow stayed in positive territory until the last few trading days of the quarter, ending down 0.88%, and the S&P 500 posted a small gain of 0.28%. US Treasury prices declined with corresponding rising yields making their largest gains since 2013. The decrease in bond prices was largely attributed to increased consumer spending and investor confidence in equity markets. After several years of strong results, REIT's proved to be the weakest asset class posting a 9.93% loss.

It has been nine years since the Fed raised interest rates and six years since that rate was lowered to near 0%. The most recent comments from the Fed still hint at a rate increase later in 2015. The uncertainty and anticipation of when rates will change, and by how much, causes many investors to view rate changes with great trepidation. The media would like to convince the masses that this has never happened before and will spell the end of the bull-market. Since 1954 there have been 13 notable periods of rising interest rates. During these periods the S&P 500 moved higher, along with the rates, 9 out of 13 times. In addition, the previous six rate hike cycles began at a significantly higher starting point, averaging around 5%. History shows us that, even though some volatility can be expected around times of changing interest rates, maintaining a diversified portfolio and keeping fears in perspective is your best defense.

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