



QUARTERLY PERSPECTIVE
July 5, 2017

"A perfect summer day is when the sun is shining, the breeze is blowing, the birds are singing, and the lawn mower is broken." - James Dent

Welcome to summer. We hope everyone had a wonderful 4th of July! We are excited to announce a new member to your trueNorth team. Noel Carroll has just joined us as our Client Service Associate and will be assisting in all areas of operations. Next time you're in the office, we look forward to introducing you to Noel.

In this letter, in addition to our second quarter recap, we have included an article regarding Health Care Advance Directives that includes information provided by the American Bar Association, Commission on Law and Aging.

Thank you for the trust you have placed in us; it is our sincere pleasure to serve you.

Karen, Joe, Brooke, & Noel

Myths and Facts About Health Care Advance Directives

For those of you that have had estate documents drawn up, you probably hold Health Care Directives. These are the documents that state your health care wishes or identifies the person that has been appointed by you to state them for you. It is important to understand just what Advance Directives can and cannot do concerning those wishes. In addition, it is important to understand what medical facilities will or will not honor your Directive. For example, some outpatient facilities will not acknowledge your Advance Directive because they are unattached to hospitals that have the full suite of resuscitative abilities if you were to have a crisis.

The information below was published by the American Bar Association, Commission on Law and Aging and speaks to some of the myths and facts regarding Health Care Advance Directives.

Terms to Know

- **Health Care Advance Directive** - The generic term for any document that gives instructions about your health care and/or appoints someone to make medical treatment decisions for you if you cannot make them for yourself. Living Wills and Durable Powers of Attorney for Health Care are both types of Health Care Advance Directives.
- **Living Will** - A document in which you state your wishes about life-sustaining medical treatment if you are terminally ill, permanently unconscious, or in the end-stage of a fatal illness.
- **Durable Power of Attorney for Health Care** (or Health Care Proxy) - A document in which you appoint someone else to make medical treatment decisions for you if you cannot make them for yourself. The person you name is called your agent, proxy, representative, or surrogate. You can also include instructions for decision-making.

Myth	Fact
1. You must have a Living Will to stop treatment near the end of life.	<ul style="list-style-type: none"> • Treatment can be stopped without a Living Will if everyone involved agrees. However, without some kind of advance directive, decisions may be more difficult and disputes more likely • The Durable Power of Attorney for Health Care is the more useful and versatile advance directive, because it applies to all health care decisions and empowers the person you name to make decisions for you in the way you want them made. • Over 2/3 of the adult population have no Living Will or other advance directive.

<p>2. You have to use your state's statutory form for your advance directive to be valid.</p>	<ul style="list-style-type: none"> • Most states do not require a particular form, but do require witnessing or other specific signing formalities. • Even if your state requires a specific form, doctors still have a legal obligation to respect your treatment wishes, regardless of the form you use. • Most official state forms are either worded too generally or include multiple choice options that may be too broad to guide decisions about the particular medical situation you may find yourself in near the end of life. • The critical task is to clarify your values, beliefs, and particular wishes that you want others to follow if they must make decisions for you.
<p>3. Advance directives are legally binding, so doctors have to follow them.</p>	<ul style="list-style-type: none"> • Advance directive laws merely give doctors and others immunity if they follow your valid advance directive. • Doctors can always refuse to comply with your wishes if they have an objection of conscience or consider your wishes medically inappropriate. However, they may have an obligation to transfer you to another health care provider who will comply. • The only reliable strategy is to discuss your values and wishes with your health care providers ahead of time, to make sure they are clear about what you want and are willing to support your wishes.
<p>4. An advance directive means "Do not treat."</p>	<ul style="list-style-type: none"> • An advance directive can express <i>both</i> what you want and don't want. Never assume it simply means "Do not treat." Even if you do not want treatment to cure you, you should always be kept reasonably pain free and comfortable.
<p>5. If I name a health care proxy, I give up the right to make my own decisions.</p>	<ul style="list-style-type: none"> • Naming a health care proxy or agent does not take away any of your authority. You always have the right, while you are still competent, to override the decision of your proxy or revoke the directive. • If you do not name a proxy or agent, the likelihood of needing a court-appointed guardian grows greater, especially if there is disagreement regarding your treatment among your family and doctors.
<p>6. I should wait until I am sure about what I want before signing an advance directive.</p>	<ul style="list-style-type: none"> • No. Most of us have some ambivalence about what we would want, and that's OK, because treatment near the end of life can be complicated. We can't predict all the facts and circumstances that may face us in the future, and treatment wishes may change. You can, at least, appoint your proxy if you have someone whom you trust.
<p>7. Just talking to my doctor and family about what I want is not legally effective.</p>	<ul style="list-style-type: none"> • Meaningful discussion with your doctor and family is actually the most important step. The question of what is "legally effective" is misleading, because even a legally effective document does not automatically carry out your wishes. • The best strategy is to use a good health decisions workbook to help you clarify your wishes; talk with your physician, health care agent, and family about your wishes; put those wishes in writing in an advance directive; and make sure everyone has a copy.
<p>8. Once I give my doctor a signed copy of my directive, my task is done!</p>	<ul style="list-style-type: none"> • No, you have just started. First, make sure your doctor understands and supports your wishes. • Second, there is no guarantee that your directive will follow you in your medical record, especially if you are transferred from one facility to another. You or your proxy should always double-check to be sure your providers are aware of your directive and have a copy. • Advance planning is an ongoing PROCESS. Review your wishes yearly or anytime your health or family status changes, make appropriate changes, and communicate those changes as needed.
<p>9. If I am living at home and do not want to be resuscitated by an EMS team if my heart or breathing stops, my advance directive must say so.</p>	<ul style="list-style-type: none"> • Your advance directive will usually not help in this situation. If someone dials 9-1-1, EMS must attempt to resuscitate you and transport you to a hospital, UNLESS you have a special out-of-hospital DNR form or bracelet used in your state. This is not the same as your health care advance directive. In most states, both the patient and doctor must sign the special form and the patient then wears a special identification bracelet or necklace.
<p>10. Advance directives are only for old people.</p>	<ul style="list-style-type: none"> • It is true that older, rather than younger, people use advance directives, but every adult should have one. Younger adults actually have more at stake, because, if stricken by serious disease or accident, medical technology may keep them alive but insentient for decades.

2017 Second Quarter Report

The U.S. stock market has more than tripled in value during the run-up that started in March 2009, and the most recent quarter somehow managed to accelerate the upward trend. We have just experienced the third-best first half, in terms of U.S. market returns, of the 2000s.

The Wilshire 5000 Total Market Index, the broadest measure of U.S. stocks, rose 2.95% for the quarter, finishing the first half of the year up 8.73%. The comparable Russell 3000 index is up 8.93% for the year so far.

Looking at large cap stocks, the Wilshire U.S. Large Cap index gained 3.08% in the second quarter, to stand at a 9.27% gain for the first two quarters. The Russell 1000 large-cap index finished the first half of the year with a similar 9.27% gain, while the widely-quoted S&P 500 index of large company stocks gained 2.41% for the quarter and is up 8.08% in the first half of 2017. Meanwhile, the Russell Midcap Index gained 7.99% in the first two quarters of the year.

As measured by the Wilshire U.S. Small-Cap index, investors in smaller companies posted a relatively modest 1.65% gain over the second three months of the year, to stand at a 3.95% return for 2017 so far. The comparable Russell 2000 Small-Cap Index finished the first half of the year up 4.99%, while the technology-heavy Nasdaq Composite Index broke the 6,000 barrier in April, rose 4.18% for the quarter and is up 14.14% in the first half of the year.

International investments are finally delivering returns to our portfolios. The broad-based EAFE index of companies in developed foreign economies gained 5.03% in the recent quarter, and is now up 11.83% for the first half of calendar 2017. In aggregate, European stocks have gone up 14.49% so far this year, while EAFE's Far East Index has gained 10.45%. Emerging market stocks of less developed countries, as represented by the EAFE EM index, rose 5.47% in the second quarter, giving these very small components of most investment portfolios a remarkable 17.22% gain for the year so far.

Looking over the other investment categories, real estate, as measured by the Wilshire U.S. REIT index, gained 1.78% gain during the year's second quarter, posting a meager 1.82% rise for the year so far. The S&P GSCI index, which measures commodities returns, lost 7.25% for the quarter and is now down 11.94% for the year, in part due to a 20.43% drop in the S&P petroleum index. Gold prices are up 7.69% for the year, and silver has gained 3.28%.

In the bond markets, longer-term Treasury rates haven't budged, despite what you might have heard about the Federal Reserve's tightening efforts. Coupon rates on 10-year Treasury bond rates have dropped a bit to stand at 2.30% a year, while 30-year government bond yields have dropped in the last three months from 3.01% to 2.83%.

By any measure, this represents a strong first half of the year, driven (as you can see by the graph below) by the S&P 500 tech sector, biotech firms and information technology companies generally.



What is interesting is that investors appear to be flooding into these business categories because they are the ones most likely to grow their sales even if the economic environment were to turn sour—which suggests a growing bedrock of pessimism about future economic growth among seasoned investors.

Is this pessimism justified? Economic growth was admittedly meager in the first quarter—U.S. GDP grew just 1.4% from the beginning of January to the end of March, a figure that was actually revised upwards from initial estimates of 0.7%. That represents a slowdown from the 2.1% growth in the fourth quarter of last year, when the country was being managed by a different Presidential Administration. It might be helpful to note that the budget proposals floating around Washington, D.C. make the optimistic assumption of an economic growth rate of 3.0%. If the economy fails to achieve that rate, then watch out for a significant rise in the federal deficit.

There is room for hope. The Atlanta Federal Reserve recently forecasted that the U.S. economy will grow at a 2.9% rate for the year's third quarter. We won't have definitive evidence of that until sometime in October, but our fingers are crossed. More good news: the unemployment rate is at a near-record low of 4.7%, and wages grew at a 2.9% rate in December, the best increase since 2009. The underemployment rate, which combines the unemployment rate with part-time workers who would like to work full-time, has fallen to 9.2%—the lowest rate since 2008.

Meanwhile, the energy sector, which was a big winner last year, has dragged down returns in 2017. This proves once again the value of diversification; just when you start to question the value of holding a certain investment, or wonder why the entire portfolio isn't crowded into one that is outperforming, the tide turns and the rabbit becomes the hare and the hare becomes the rabbit. If only this were predictable.

There are many uncertainties to watch in the days ahead. The U.S. Congress is still debating a health care package, and has promised to revise our corporate and individual tax codes later this year. There is an infrastructure package somewhere on the horizon, and perhaps a round or two of tariffs on imported goods. Inflation often follows when the Federal Reserve raises rates, but we don't know if or when the Federal Reserve will do that, or by how much.

Meanwhile, the current bull market is aging, and as you can see from the accompanying chart, the run-up has lasted for longer than anybody would have expected when we came out of the gloomy period after the 2008 crisis.



Inevitably, we are moving ever closer to a period when stock prices will go down for a period. That day cannot be predicted in advance, and as we noted in our last letter, this is why we work with each of you to determine the asset allocation that that will allow you to ride through the next downturn.

On the other hand, if you're not fearful of a downturn, then the next bear market will be a terrific buying opportunity for all of us.