



CAPSTONE
Investment Financial Group, LLC.
Management

Financial Planning • Asset Management • Risk

www.capstoneinvest.com

PORTFOLIO REPORTER

Reality Knocked Hard!

If you have read our blogs and articles, you've come to know we preach that volatility in markets is the norm and not the exception. Unfortunately, the third quarter proved us right. While no major economic disruptions took place (like 9/11 or the financial crisis), we saw markets slide hard and far throughout the quarter. U.S. stocks performed miserably, but global markets fared even worse. Commodities continued their relentless feeble market and bonds failed to provide much of a counterbalance.

Will next quarter see valuations return to prior highs, or will we witness a continuous downturn? We have no idea and neither do all the pontificators out there. What we do know is that valuations are more appealing after this strong decline and that many high-quality companies have turned out far worse than the general market, which makes these companies and investments appealing for the long haul. Should markets rebound too far and too fast, we will again face resilient headwinds. Above all, we do not believe that the third quarter of 2015 will have a real impact of your long-term financial plans and goals in life.

Portfolio Notes

The foregoing comments represent the general investment analysis and economic views of the Advisor, and are provided solely for the purpose of information, instruction and discourse. Only comments in the Portfolio Notes section relate specifically to the Capstone portfolios and the investment positions.

ETF PORTFOLIOS (Aggressive, Growth, Moderate, Conservative and Income)

A tale of two months occurred in September. The first half was marked by flat performance. Then, beginning on September 21, Biotech and pharmaceutical stocks began to decline. A week of declines brought the portfolios in line with the recession seen in the S&P 500. Just as fast as the decline occurred, the stock market made a turn; however, the rebound was not as strong in the ETF portfolios. Both the decline and the bounce back were impacted by Biotech and

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pharmaceuticals. Despite turmoil in the stock market, we have made little changes to the portfolio. We continue to own iShares Nasdaq Biotechnology (IBB) and SPDR S&P Pharmaceuticals (XPH). Over the last 12 months and year-to-date, the ETF portfolios – with the exception of the Growth and Income portfolios - are up, while the S&P 500 (a broad market index holding 500 of the largest companies) is down.

The Aggressive, Growth, Moderate, Conservative and Income portfolios were down 0.22%, 0.80%, 0.65%, 0.81% and 1.65%, net of fees over the last 12 months, while the S&P 500 lost 0.61% and the DOW (an index of 30 companies) declined by 2.11%.

Analyst Upgrades dropped 7.84%, while the S&P 500 fell by 0.61% in the last 12 months. Losses were experienced with Frontier Communications (FTR) down by 30%, and Sherwin Williams (SHW) falling 18%. As of now, losses are coming from Mosaic (MOS), down 6.7%. Strength came from the sale of Reynolds American (RAI), up 15%, Lockheed Martin (LMT), rising by 11%, CMS Energy (CMS), with an incline of 7%, and Tesoro Pete Corp (TSO), up 12%. Currently, the best gains are from Goodyear Tire with a hike of 11.2% and Hewlett Packard up 11.7%

Analyst Momentum gained 2.56% versus the S&P 500 with a loss of 0.61% in the last 12 months. Drags to the portfolio came from selling Delek (DK), which is experiencing a 42% decline, and Avon Products (AVP), down by 7%. Currently, CNH Industrial (CNHI) is down 4%. The best gain is coming from Dean Food with a climb of 6.3%.

Focused Strength gave up 6.07% in the last 12 months. With short-term and longer-term signals indicating potential losses, the portfolio has swung into full defensive mode, investing 100% into iShares Barclay 20-year bonds (TLT). Thus far, there is a gain of 1.43%. The losses to date are from real estate, international developed markets and the S&P 500 equal weight.

MaxBalanced is down 4.76% over the last 12 months versus the Dow Jones Global Moderate portfolio with a decline of 2.8%. The MaxBalanced portfolio is structured like a university endowment; investing in more than 12 asset classes. The idea behind this investment is that we cannot predict the market, nor can we accurately forecast how assets are measuring up at any

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given point.

While many of the declines are no longer as severe, the holdings are still down. WisdomTree Emerging Markets SmallCap Dividend (DGS) is suffering the greatest drop at 20%, which is a recovery from the stock's recent loss of 28%. This is followed by iShares Mexico Index Fund (EWW) declining by 19%, coming back from a fall of 25%, and Guggenheim Multi-Asset Income (CVY) down 20%, with a previous loss of 23%. The gains came from selling SPDR Regional Banks (KRE), up 2% and holding Consumer Staples, with a climb of 9.5%.

Bond ETF increased 0.4% in the last 12 months, compared to the Barclays Aggregate Bond Index with an acceleration of 2.7%. Of the 13 holdings, seven indicated losses, and the six that have gains are ever so slight. The two largest losses came from emerging market bonds (EMB) and high yield bonds (HYG), down 8.5% and 7.4% respectively. The greatest gain was led by the long-dated iShares Barclays 20 year plus (TLT), with a 6% advance.

Please feel free to pass "The Portfolio Reporter" to interested friends and family members. For more information about your investments, please contact your financial professional.

The opinions expressed here are based on the author's views and should not be construed as financial advice. Model results do not represent actual trading and may not reflect the impact that material economic and market factors might have on the advisor's decision-making if the advisor were actually managing a client's money. Past performance is no guarantee of future performance. There can be no assurance that a client's investment objective will be achieved or that a client will not lose a portion or all of his or her investment. Please contact Capstone directly for a list of the recommendations provided over the last year. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in connection with investments in developing countries.

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MONTHLY CONFERENCE CALL

Our next monthly conference call will occur Thursday, November 19th at 11:00 a.m. Mountain Time (1 p.m. EST).

To *listen* to the Live Call, below is the information:

Phone Number: [866-740-1260](tel:866-740-1260)

Access Code: 4682824

To *view* the slides during the Live Call, you will need Internet access and a phone: *

Website: www.readytalk.com

Access Code: 4682824

(Enter 4682824 in the field under "PARTICIPANT, Join a Conference")

*You must also dial into the phone number above to hear the live conference call.

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