THE MARKET IS GOING TO CRASH!

All too often, we hear of clients running into doomsday prophets (mostly on the internet). These prophets foretell the end times of their financial health and usually have an antidote that you can buy from them (a book, a gold bar, a market neutral fund, etc.).

A market crash connotes “breaking violently” or “falling to pieces” and can be potentially fatal to an investor. Markets decline and slide, we have drawdowns, and we occasionally witness a bear market; however, none of these terms cause the pit of your stomach to churn quite like the word “crash”. This is exactly why the doomsday prophets use it – to generate a visceral response; just what they want. In truth, there have been at most two events in the past 100 years that have qualified as a crash. In 1929, the market fell by 29% in one single day. In 1987, the market dropped 22% within 24 hours as well. Both events likely qualify as violent breaks, as the market truly did fall to pieces; however, it is obvious that market crashes are very rare events.

Yet, if you enter ‘stock market crash’ into a search engine, the results are anything but rare. Just this morning, Google had received almost 29 million hits for the term ‘stock market crash’, and entering ‘stock market crash 2016’ had yielded nearly 8 million hits. Look up ‘stock market crash’ coupled with the year 2014 or 2012 and you’ll be surprised to see more than 2 million hits for each. Remember those crashes? How did we ever survive? Both were rough times and thankfully experts forewarned us.

We cannot promise that a stock market crash will not occur at some point in the future, but what we *can* promise is that none of the so-called “experts” predicting such a crash have any idea what they are talking about. They are using the famous technology of a broken clock -- being right twice a day can make you a noted predictor and expert.

Our advice at Capstone is to enjoy your day and try to ignore the folks out there who want you to live in fear (and those who want to appeal to your greed through “get rich quick” schemes).

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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)

The Aggressive, Growth, Moderate, Conservative and Income portfolios returned -5.2%, -4.95%, -5.09%, -5.6%, and -3.7%, net of fees over the last 12 months, while the S&P 500 with dividends increased by 1.8% and the DOW (an index of 30 companies) decreased by 2.1%.

Withstanding the decline in the market has given way to the strong rebound in the S&P 500. Clearly the ETF portfolios have not rebounded as quickly. This is partially due to the holdings of biotech and pharmaceuticals, both of which were sold for positive gains, but have recently been lagging. The other area of weakness comes from the ETF portfolio lacking high-yield investments that have been favorable since the beginning of the year. This is mitigated somewhat by the addition of electric utility stocks to replace biotech and healthcare stocks.

Currently, the only weakness in the portfolio is coming from the SPDR Doubleline Total Income (TOTL) with a loss of 0.3% since being purchased. The strongest holding comes from the iShares MSCI Quality Factor, holding blue-chip dividend stocks.

Analyst Upgrades declined by 8.9%, while the S&P 500 increased 1.8% in the last 12 months. The decline in January clearly impacted this portfolio. Currently, the rebound is mimicking the S&P 500, but is not strong enough to catch up at this time.

Drilling and mining hurt Analyst Upgrades with declines coming from ENSCO PLC (ESV) down 51%, FREEPORT-MCMORAN, INC (FCX) falling 26%, EQT CORPORATION, INC COM (EQT) with a decrease of 21%, and EOG RES INC (EOG) with a loss of 22%. Additional declines came from F5 NETWORKS, INC (FFIV) down 21%, and LEGG MASON, INC (FFIV) with a decline of 27%.

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Strengths in the portfolio came from DOLLAR TREE STORES, INC (DLTR) up 23%; DOW CHEM CO (DOW) increasing by 14%, and HEWLETT PACKARD CO (HPQ) with a rise of 71%.

Analyst Momentum declined 25.7% versus the S&P 500 gain of 1.8% in the last 12 months. Much like the Analyst Upgrade, the decline experienced in January was torturous, and the current rebound has not yet began to benefit the Analyst Momentum portfolio.

The sales leading to a loss came from CENTURY ALUM CO (CENX) down 19%, FIDELITY NATIONAL FINANCIAL IN (FNFV) with a decline of 15%, MARATHON PETE CORP COM (MPC) falling by 18%, PBF ENERGY, INC (PBF) down 20%, and TRIUMPH GROUP, INC (TGI) with a loss of 21%.

Strengths to the portfolio came from GRIEF, INC (GEF) with a gain of 21.5%, APOLLO EDUCATION GROUP (APOL) up 23%, CST BRANDS, INC COM (CST) increasing by 15%, and JOY GLOBAL (JOY) with a rise of 16%.

Focused Strength gave up 12.6% in the last 12 months as the S&P increased by 1.8%. Holding bonds have saved the account in the downturn, but with the rebound in March, Focused Strength has been left behind. Currently, 100% of the holdings are in iShares Barclays 20+ Year Treasury Bond (TLT).

MaxBalanced is down 5.3% over the last 12 months versus the Lunt Capital 7Twelve Moderate Index, which is experiencing a loss of 4.6%. Lunt Capital 7Twelve Moderate Index is a diversified, strategic allocation across seven broad asset classes and 12 underlying indices. The MaxBalanced portfolio is Capstone's most diversified portfolio and 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 given point.

Most assets outside the US are weak. This continues to be reflected in the MaxBalanced fund. Currently, the weakest in the fund are Guggenheim Multi-Asset Income ETF (CVY) with a loss of 23%, PowerShares Global Agriculture Portfolio (PAGG) down 20%, and WisdomTree International High Div. ETF (DTH) falling by 21%. The fund's strengths are coming from Consumer Staples Select Sector SPDR ETF (XLP) up 17%, and Schwab U.S. REIT ETF (SCHH) with a rise of 11%.

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Bond ETF -- Despite the concern about rising interest rates, bonds continue to be stronger with less volatility than stocks. Although the Bond ETF fell by 0.3%, the Aggregate Bond Index increased by 1.9%.

Long Bonds iShares Trust Barclays 20+ Year Treasury Bond ETF (TLT) continues to shine, with a current gain of 13%. The losers are presently found in riskier securities, including iShares iBoxx $ High Yield Corporate Bond Fund (HYG) falling by 12%, and iShares JPMorgan USD Emerging Markets Bond Fund (EMB) with a drop of 6%.

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 Analyst Upgrades, Analyst Momentum, Target 2015 Conservative, and Bond ETF programs are based on Ready –to-Go Folios selected by Capstone to meet specific objectives of investors. Detailed information on these programs is available from Folio. Prior to 4/1/15, the MaxBalanced program was managed at a predecessor firm but using the same methodology and by the same manager. The performance reported above is model performance reflecting how the programs were actually traded but without any deposits or withdrawals as would be typical in an actual account. The returns are in U.S. Dollars and include reinvested. 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. All returns are in time-weighted total return and include dividends. If a dividend is declared but not paid out in that month, then the returns from a previous month may be adjusted higher to account for the dividend payment.

For a list of all recommendations made over the past 12 months, please contact CIFG.

MONTHLY CONFERENCE CALL

Our next monthly conference call will occur Thursday, April 21 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

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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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