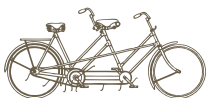


Quarterly Outlook

JULY 2015

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TANDEM
WEALTH ADVISORS

Second Quarter 2015

US equity markets continued to move higher in the quarter, but gains for the year were all but erased as the Greek debt crisis approached its climax. The S&P 500 finished the quarter down 0.2% since March 31. Volatility in US equity and fixed income markets was prevalent throughout the quarter as investors continued to guess as to when the Federal Reserve would begin to raise interest rates.

Home prices climbed for the 35th consecutive month in May, with prices in Denver, Dallas and San Francisco up 9% or more in the past year. Real estate prices may be verging on bubble territory in many major US cities, especially those tied to foreign investment, a large portion of which is coming from Chinese nationals seeking US visas.

The global bond market continues to experience volatility related to uncertainty about the timing of the US interest rate hike. Bond prices in the US rose during the second quarter, especially on the longer end of the curve. Puerto Rican municipal bonds fell sharply after the island's governor admitted the commonwealth has no way of paying the \$72 billion public debt, which led to the largest sell-off in 20 years.

Major global economies lack fundamental drivers, continuing to re-leverage with stimulus, or Quantitative Easing, which will undermine global growth long term.

Mainland China's two market indexes both fell more than 7% in a single day in late June amid speculation around a potential bubble in the best-performing equity market worldwide thus far in 2015. The economies of Russia and Venezuela contracted as oil prices remained low. European equities posted significant losses in June over concerns of a potential Greek exit from the Eurozone.

Going Forward: Tandem's Outlook

Despite all the noise around US interest rates, the Fed may postpone a rate increase until 2016. The US economic recovery is too tepid to risk a rate-driven setback. The strength of the dollar along with uncertainties about Greece's impact on the global economy may prescribe patience. The rate hike will be driven by data, not a date.

The secular bull market is tired but still has a bit more room to run after an initial rate increase. Rising government debt will weigh on economic growth for some time. Real output still lags pre-recession levels, and inflation is likely to start increasing during the next year or two.

In this fear-based market, we encourage patience and discipline. Tandem prefers high-quality bonds with maturities under five years and stocks with strong fundamentals. Our focus remains on keeping asset allocations in line with market realities and risks.