

Volume XXVII, Qtr I

THE HARBOR ADVISOR

As of this writing, stock and bond markets have recovered the losses sustained at the beginning of the year. Although we don't know what the next few weeks, months, or year will bring, it seems that the markets are acknowledging that the economy isn't so bad after all and the specter of a recession is not as prominent.

We at Harbor believed that fears were a bit overblown, that the media fueled the belief that our economy was in a tailspin, that the slowing GDP growth in China would have a profound negative global effect and that low oil prices and the U.S. political climate were in an irreversible downturn. Political events aside, much of the angst has passed. Our portfolios remain fully invested across a number of sectors with sector over weights in areas we think will grow faster than the broad market.

It reminds me that the focus should be on fundamentals and on a longer term view than 60 days. Days and weeks are simply too short a period to focus on investment returns. It is also a good time to review and reflect on your risk tolerance. How comfortable were you with the downturn that started in January? Did it make you nervous? If it did, you are not alone.

It can be disconcerting to see stock and bond prices fall so fast. We have a new tool called Riskalyze to assist in determining your personal risk tolerance. It is based partially on game theory. Your answers to a series of questions - which change based on your previous answers - determine a risk number from 1-100. We will be sending you a link to the test - the results might surprise you.

Also in this issue is our fund focus on U.S. Healthcare Providers ETF, some fun new apps, and how your financial plan can help you enjoy your wealth - now.

Enjoy Spring!



April 13, 2016

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2016 Anniversaries

400 Years Ago – Actor, playwright and poet, William Shakespeare is commonly said to have died on April 23 in 1616.



Market Recap – 1st Quarter, 2016

With significant and swift declines into near correction territory, the first quarter of 2016 was one for the history books. Much to the media's surprise, market prices turned around and finished slightly higher than December 31st. We found that many of the factors that were allegedly driving down market prices were superficial and not based on fundamental problems with demand or growth. The oil price spiral certainly had everyone on the edge of their seat, particularly given the steep nature of the decline. However, oil prices declining are generally a good thing for the world's economy. Additionally the demand for oil stayed strong and the commodity has

decent growth prospects. As some of us predicted, once oil prices started to stabilize, the markets turned themselves around to a more in line trajectory with actual economic data. There still is some weakness in the market to watch. However most signals and data points are quite strong and show continued domestic and global growth at healthy levels.

First quarter index returns were mixed. The Barclay's Aggregate Bond Index was up 3.03%, the S&P 500 increased .77%, the Russell 2000 decreased -1.92% and the MSCI EAFE decreased -3.74%.

*"If we become increasingly humble about how little we know, we may be more eager to search."
Sir John Templeton*

Fund Focus: iShares US Healthcare Providers ETF (IHF)

For the first quarter of 2016, we uncover the ins and outs of the iShares U.S. HealthCare Providers ETF- IHF. Not to be confused with IHI, also a medically focused iShares ETF, IHF focuses on healthcare providers compared to IHI's focus on medical devices sold to these providers. Nearly 95% of the portfolio allocations are to healthcare services or facilities. The top five holdings in this ETF comprise more than 40% of the portfolio and include UnitedHealth, Express Scripts, Aetna, Anthem, and Cigna. Nearly 10 years old, this fund was created in May of 2006 with the hope of mirroring the results of the Dow Jones U.S. Healthcare providers index. Because of the passive nature of the fund, meaning the fund seeks to track the index, and not beat it, IHF carries a reasonable expense ratio of 43 basis points. As the baby boomer generation continues to age and as demand for medical services continues to increase as a result of the ACA, Harbor feels strongly about the growth opportunities for the healthcare industry and this fund aligns well to capture the advancement occurring in this market today.

Investing With Your Conscience Engaged

A trend in investment options has emerged over the past several years that provides the opportunity for people to invest their money in ways that align with their personal values. Sustainable, responsible and impact investing, better known as Socially Responsible Investing (SRI) is an exploding class of investment choices that has the potential to provide investors with two benefits for the price of one. Investors are not only getting the returns from their investments but they are also being good stewards of the world they live in.

SRI's are invested in real companies - normal companies that anyone might own in their portfolio. Companies like Chipotle, Whole Foods and Google/Alphabet that appreciate in price and pay dividends over time but also "do good" for the world. To qualify as an investment in an SRI fund, it takes more than just being a company with a positive outlook for the future. SRI fund managers screen in favor of companies with strong social responsibility, environmental sustainability and corporate governance while excluding companies that fall short on these fronts. The range of investments is broad. Some SRI funds managers will not consider purchasing stock in a company that operates in the alcohol or tobacco industry. Others will not hold stocks in companies that don't have carbon emission reductions initiatives. Some funds will only invest in female-owned companies. The response has been impressive. Since 1995, "SRI investing [has grown] 929% - a 13.1% compound annual growth rate."¹ As of 2014, in the United States, SRI assets totaled \$6.57 trillion, and worldwide totals of \$21.4 trillion.¹ Because of this increased demand, investment companies continue to create more SRI options having now more than 500 fund options for investors to choose from.

Findings are mixed on whether or not these funds consistently outperform the broader market, but statistics seem to be supportive of going "green". The assumption is that companies that practice greater social responsibility and environmental sustainability will use less energy and produce less waste allowing them to operate more efficiently. These initiatives also have the cost saving opportunities "such as fewer lawsuits, less regulatory scrutiny, and higher employee satisfaction."¹ Many SRI's tend to have higher than average expense ratios, but with the increased competition and demand in the market, these fees are quickly falling to the same range as normal ETFs and mutual funds.

To find out more about the SRI options that Harbor has available, please contact your advisor.

¹ <http://www.cnbc.com/2015/09/24/doing-well-while-doing-good-socially-responsible-investing.html>

A Plan as Unique as Your Life

Access to financial advice is more readily available than ever before - between the Internet, various publications and talk shows one can get advice on budgeting, saving for retirement, support for ageing parents and a host of other topics. This can be seen as a good thing as the mystery of the subject matter is lessened. It can also be a bad thing as the advice you see is general and presumed to apply to everyone equally. Problems abound with this general way of dispensing advice. Experience tells us that it is not just one's age but also time of life that dictate plans for saving. We are as likely to have a 50 year old new entrepreneur with toddlers as we are the corporate employed 35 year old with the same age children. Yet the advice for these families is the same.

The same would be true for retirement planning which is seen as a linear process-saving that occurs regularly over a period of years and then you retire. What about the sabbatical? Or 'gig' employment which is more and more common?

Do we have to wait until never-never to enjoy the benefits of our money? Our answer is 'no'. We believe that the best approach is to save and then enjoy your savings along the way. It might be travel, an extended break from employment and then working longer, or downswing your job fairly early in life to pursue a passion in the form of work. Conventional financial planning advice in its generality does not account for these individual differences. We find it to be more realistic to explore these life events and desires and plan accordingly. A well thought out individualized plan can accomplish this and more.

It is a good idea to cover the absolutes in general - saving, protecting your family from risk and developing a plan for adverse events and then move on to a more customized plan for your personal future.



Trip to the Moon!

As the markets continue to rally after January's drop, maybe it's time to turn our focus elsewhere - saving for a future vacation. Ever considered getting away... to the moon?

The European Space Agency (ESA) is planning to build a permanent base on the moon terming it a "global project," hoping to involve the major states, including the US, Russia, China, Japan and smaller contributors as well. Currently, the project is high on enthusiasm, a little less on the detail, but technology could put it into reality in as little as 20 years.

Worried about cosmic radiation - an even deeper tan? Or perhaps extreme weather conditions are your concern. Not to fear! Irishman, Aidan Cowley is working on the possibility of using lunar soil to build protective domes by sintering layers of moon dust until the structures are built. Considering how long it takes for sintering to occur in the natural, one has to wonder if 20 years will be sufficient. Ah well, we'll leave that to the experts.

Who could resist the ultimate museum? With incredible views of our home planet and outstanding moon rock formations, in a dome-like structure, what an experience!

Currently, the cost through Space Adventures is a mere \$52 million for a 10-day flight to the ISS (International Space Station). The estimated cost for a slingshot ride around the moon is \$150 million - landing, who knows. As Space Adventures President Tom Shelley put it, compared to NASA's multibillion-dollar space program, "it's good value."

Start saving!

Living Well/Living Smart

Apps We Can't Live Without

I asked the Harbor staff which apps they use most often. Which downloads they are absolutely obsessed with. Which ones they can't function without. Here's our top apps for iPhone, Android, Windows Phone and beyond.

Venmo - A Paypal owned app that makes sending and receiving money super easy.

Find My Friends - Shows the current location of friends. I know, it sounds creepy, but really is useful. This is great if you are on your way to meet friends - they can see where you are. Settings allow for you to be tracked all the time or for a set time-frame.

Heads Up! - If you haven't played this game, you need to drop everything now, download it and find a friend to play with! So fun!

Paprika - A favorite recipe management app that does everything except cook dinner!

Parkmobile - Convenient way to pay for parking using your smartphone.

Map My Fitness - Plan, track, analyze and share your workouts using your smartphone's GPS. Great for runs and hikes; it shows all your vitals such as calories burned, distance completed, speed, duration and pace.

Fitbit - This app has a purpose for every part of your day and night. Daily goals for steps, calories, active minutes and more as well as nightly goals for sleep trends.

Mint - Allows you to manage all of your accounts from one service with the ability to budget and manage goals.

Houzz - Whether you're looking to renovate or redecorate, Houzz has everything you need to improve your home. Very inspiring with over 80 million photos you can save and share.

LibriVox - Provides free access to over 15,000 audio books and thousands of radio dramas. Can be streamed or downloaded for later use.

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Images: Lars Sundström, Fleur Suijten

Harbor Happenings

Harbor Financial Group, Inc. on Facebook!

Visit us on Facebook! See the latest happenings at Harbor and get tips and financial information from market experts.

Harbor Hosts International Market Expert, Michelle Gibley

In early March, Harbor hosted a well-attended event featuring Schwab International Market expert, Michelle Gibley. She gave an update on the international market outlook, and according to Michelle, "Things may not be as bad as bears are saying." Thank you, Michelle, for your excellent presentation!

Welcome, Vickie!

We are happy to announce that Vickie Smith has joined Harbor's team as our new Office Manager. She is responsible for overall office management and organization, day-to-day operations, scheduling and special projects. Look for her at the front desk the next time you stop in!

Puttin' on the Leash!

Harbor once again hosted a table for the Humane Society of Boulder Valley's largest fundraising event of the year – *Puttin' on the Leash 2016: Masquerade* Gala on Saturday, April 16, 2016 at the Coors Event Center. Look for event pics on the web site and Facebook coming soon!

Privacy Policy and New ADV Available

A full copy of Harbor's updated ADV (the form used by investment advisors to register with the SEC) is now available on our website. Please notify us if you would like a hard copy sent to you by mail.

2016 Closures

Our office is closed on the following New York Stock Exchange holidays: May 30, Memorial Day; July 4, Independence Day; September 5, Labor Day; November 24, Thanksgiving Day; November 25, half day; December 26 in observance of Christmas.

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