

Volume XXVI, Issue II

# THE HARBOR ADVISOR

**The final word is you are in charge of your success** –here are some good habits that will help you along the way.

Much has been written about investor behavior and the effect the decisions we make have on our portfolio returns, success towards our goals to retire, ability to take a sabbatical or educate our children and perhaps most important of all, be free from financial worry. While the research says the news is not good for many people there are a number of strategies the individual investor can employ to ensure a positive investing experience. They are free but not easy.

Most individual investors believe they are more knowledgeable than they are regarding financial matters. The antidote is to spend time researching and learning and there is a wealth of information available. If you find you are not good at financial matters, get assistance in the form of a good advisor. Good advice can and does add to your overall investment return and success.

Most investors are too optimistic and don't adequately assess the risk associated with their investments and overall financial plan. The solution to this is to look at the downside of any investment or financial decision, what can go wrong? If it does would I still make the same decision? If not consider another course.

Procrastination is the bane of many an individual investor's plan. Starting regular savings early is a huge boon to investment returns and overall growth. Working longer is a valuable consideration as well. Simply put you allow your assets to continue to grow for a longer period of time.

"Live within your means" is a tough but important consideration. Look at your spending realistically and make sure you are adding to personal investment accounts every month as well as maximizing your retirement contributions.

Since so many individual investors trade too much – just stop. Consider a buy and hold strategy. Not to be confused with buy and forget mind you.

Most individuals are reticent to admit they have made a mistake but it is ok to make mistakes. Identify and then correct it.

For more resources on this subject visit our website under "Resources".



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## 2015 Anniversaries

**50 Years Ago – *The Sound of Music* was released with Julie Andrews in the starring role as Maria. Julie Andrews will turn 80 this year.**



## Second Quarter 2015 Market Recap

Uncertainty in Greece and Europe slowed the world economy during the second quarter. With constant news on the Greek financial paradox, high volatility was observed in international equity markets. Investors moved their money from the volatile stock market into safer bonds driving yields to lows. The Chinese Shanghai SE Composite index saw a sharp drop after a six month rally of +50%.

The U.S. dollar continued to gain strength as foreign currencies wavered due to quantitative easing seen across the European Union. Oil prices in the U.S. bounced back

slightly and leveled at approximately \$60 a barrel. The domestic labor market continued to thrive. With unemployment steady around 5.5% and subdued inflation, real income growth is forecasted to be at a high not seen in years.

Returns were mixed for the quarter. The Barclays Aggregate Bond was down 1.68% along with the MSCI EAFE losing 0.37% and the S&P 500 down 0.23%. The Russell 2000 eked out a positive return at +0.09%.

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*"An investment in knowledge always pays the best interest." Author unknown*

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### Fund Focus: iShares U.S. Medical Devices ETF (IHI)

For this quarter's fund focus we spend some time getting to know the newly added iShares U.S. Medical Devices ETF. Seeking to capitalize in the fast paced growth of the healthcare market, this fund has 99% of its allocations in U.S. healthcare equities. Created in 2006, IHI has invested in mid to large cap U.S. health and medical device companies including its top five holdings comprised of Medtronic PLC, Abbott Laboratories, Thermo Fisher Scientific, Baxter International Inc. and Stryker Corp. With annual returns greatly outperforming the S&P 500, this high performance fund has shown the earnings potential in the healthcare market. Seeking to mirror the Dow Jones U.S. Select Medical Equipment Index, this passively managed fund yields great returns for a low expense ratio of 45 basis points. With the baby boomer generation aging and enhanced growth in medical devices, we stand committed with the opportunities that will continue to grow within the healthcare industry for years to come. This fund aligns perfectly with our interest in adding a broad healthcare exposure to our portfolio.

## What We Like Now

For several years ending in mid-2014 U.S. equities looked to be the only game in town, outperforming all other asset classes both domestic and foreign. We kept a fairly diversified asset allocation during this period knowing that no asset class outperforms for any length of time. As with all market cycles the market has rotated to other asset classes outperforming US equities.

Over the past year we have been looking for sectors to overweight believing that it is becoming a stock pickers market; by that we refer to the fact that given the steady rise in overall pricing not all asset classes will perform the same and that choosing growth sectors will pay off. This is opposed to simply buying broad indexes. So far this year it has paid off, our portfolios are outperforming the broad market by a nice margin with less risk given less than 100% exposure. This is an ideal position from a portfolio management and construction point of view.

Recent additions are- **Frontier markets** exposure to take advantage of new, less developed economies and their attendant growth; **regional banks** to take advantage of their healthy balance sheets and attention to their regional market's lending needs; **medical delivery and equipment** exposure in the form of ETF or index funds, and buying an **energy** ETF at historic low pricing. We are currently looking at **drone technology** hoping to add a position soon and last, we are interested in taking advantage of the **housing** boon in the US in the form of "do it yourself" fixer uppers and new housing starts. The last few additions take advantage of demographics, one an ageing population and the other new entrants into the housing markets in the form of the Echo Boomers or Gen Y group.

We continue to look for opportunities in the markets and check our progress daily on a relative basis, the importance of which we will write about next quarter.

## Money Goals to Work on Now

*We cannot do everything at once, but we can do something at once.* Calvin Coolidge

It is not arbitrary that when you google 'financial goals' you get a long list. Most people realize that setting and keeping financial goals is important to their long term financial security and the 'setting' part is not that difficult (google financial goals). It is the 'keeping' part that thwarts most of us. So instead of starting with a long list, consider starting with one. Work on one goal for three months or six months, however long it takes to feel like a habit and then move on to another. Focusing on one goal can help you gain traction and give you a sense of accomplishment that can translate into the next goal and the one after that. Here are some goals to consider starting with.

1. **Come up with a plan to reduce and eventually get out of debt and implement it.** The usual suspects here are credit card debt, auto loans and student loan debt. Come up with a plan to stop accumulating and start paying down and stick to it.
2. **Start an emergency fund.** The general guideline is three to nine months but your situation should dictate what is right for you. Treat this fund like a recurring bill that you pay each month, automatically if possible.
3. **Live on less than you earn.** All of the other goals dovetail into this one. If you can accomplish this, keeping the other goals becomes so much easier.
4. **Make sure your insurance is adequate for your circumstances.** Good casualty insurance (auto, homeowner's or rental, etc.) is always important but as your life changes so do your needs for other insurance coverages such as life, health, disability, long term care, etc.
5. **Share your good fortune.** There will always be people who are less fortunate than you and in many parts of the world giving even a small monthly amount can make a big difference.

Don't care for any of these goals? Google 'financial goals' and start a list of your own.



## Predictive Intelligence Applications

Need to know what route to take to work taking into consideration any potential traffic delays? What about whether or not you should have that cup of coffee in the morning based on your current blood pressure level? Yes, your new application can take care of that for you, and all without asking you for your input. Your current location, time of day, and digital activity provides the required information for your platform to give you valuable information.

Applications such as Google Now and Microsoft's Cortana will become smarter and more intuitive thanks to the flood of information being input by our cars, GPS locators, search history, stored personal data, our bodies and more. As expected, these systems are only made more effective and useful by finding out more about you so you will need to pick one you trust.

To get started you must buy into one of the platforms. Currently Google Now centers around Gmail and the calendar, Cortana will be integrated into Windows 10.

Siri is one of the better known personal assistants, but many feel this application is more reactive than proactive. The aim of next generation software, such as Google Now and Cortana, is to provide information before the user asks for it. The creators envision these assistants to be spontaneous, precise, and informed enough to know when to be silent rather than give extraneous information.

Whether you look forward to this or are slightly put off by the idea of being so closely tracked many technologists predict that this type of service will likely become mainstream and normalized in the next few years. Get ready – soon your apps will know what you want, before you do.

## Living Well/Living Smart

### More Museums You May Never Have Heard Of

Still looking for fun things to do this summer in Colorado? Last quarter we shared some unique and quirky museums in Colorado. Because there are so many fascinating museums we wanted to share more!

#### The Museum of American Poetics

Not a physical museum, but an interesting online museum! This is a grassroots effort and ongoing collaboration by poets, libraries, students, publishers, archivists and more.

#### Denver Firefighters Museum, Denver

Housed in the original Firehouse #1 since 1909, this museum is home to more than 100 years of exhibits and artifacts. There is also a fun exhibit that explains the training and living quarters at Station #1.

#### Dillon Schoolhouse Museum, Dillon

Explore an actual 1883 school, restored to look just like it did then with old school artifacts like slates, chalk, a phonograph and much more.

#### Dinosaur Ridge, Morrison

150 million year old dinosaur bones are encased and on display here. Trace fossils of brontosaurus, stegosaurus and other ancient creatures remain. Self-guided and guided tours available.

#### Money Museum, Colorado Springs

View age-old to modern-day coins and paper money here and learn about money making. They also have fun kids interactive activities and classes.

#### Colorado Railroad Museum, Denver

This museum houses the largest known collection of railroad memorabilia and artifacts. Features a 19<sup>th</sup> century roundhouse replica, locomotive cars, engines and other machinery are stationed outdoors.

#### May Natural History Museum - Bug Museum, Colorado Springs

This museum exhibits one of the world's largest private displays of giant tropical insects and arachnids including thousands of beautiful butterflies, bizarre beetles, giant spiders and deadly scorpions.

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Images: David Lat

## Harbor Happenings

### **Leslie returns to Harbor's Office Manager position!**

We said a fond farewell to Charlotte, who left in May to return to Up with People in Denver. With us prior to Charlotte, Leslie took some time off to be with her children and husband, and now enthusiastically returns to the office full-time as Office Manager.

### **PUTTIN' ON THE LEASH**

This year Harbor again co-sponsored the Humane Society of Boulder Valley's Puttin' on the Leash Gala. This annual fundraiser raises money for the Humane Society of Boulder Valley and benefits the animals in their care, increases awareness of their mission and is, in general a wonderfully fun evening.

### **THANK YOU for your responses to the client surveys that were emailed in April!**

We compiled the data, read and discussed each response as a team, then went back and individually combed through the answers to determine how we can improve our services going forward based on your thoughts and opinions. In turn, we made donations to various local and nationwide charities in appreciation of the time you each took to offer us your viewpoints.

### **NOTARY SERVICES:**

Carolyn and Leslie are both State Certified Notaries. If you are ever in need of a notary's services, please feel free to call and confirm a notary is in the office. We're always happy to help out!

## 2015 Closures

Our office is closed on the following New York Stock Exchange holidays in 2015: Monday, September 7 - Labor Day; Thursday, November 26 - Thanksgiving Day; Friday, November 27 - half day; Thursday, December 24 -half day, Christmas Eve; Friday, December 25 – Christmas Day.

*The majority of our growth over the past 26 years has come from referrals from clients and other professionals. We thank those of you who have referred your friends and colleagues. If you know of anyone who might be interested in our services, please ask them to give us a call at 303-939-8788.*