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In the second quarter of 2016, U.S. stocks generally fared well, outperforming most foreign competitors.

Developed international stocks trailed as the Brexit vote drove volatility and caused the pound to fall sharply.

In the U.S., the Federal Reserve decided to keep interest rates at current levels amid global economic uncertainty.

June 2016

Condor Capital Reviews 2nd Quarter 2016

During the second quarter of 2016, domestic markets continued to recover as consumer confidence improved, inflation and interest rates remained low, and fears of a Chinese economic slowdown eased. The S&P 500 Index, one of the broadest measures of the U.S. stock market, finished the quarter with a 2.46% gain, while small-caps outperformed their larger peers and value securities bested their growth counterparts. That said, it wasn't smooth sailing throughout the quarter; global markets faced extreme volatility over the last week of the period on the heels of the "Brexit" vote, where the British people narrowly voted to leave the European Union. While markets showed some signs of life as the quarter came to an end, the impact on developed international stocks was obvious, as these issues trailed their U.S. and emerging market counterparts.

Countless polls suggested that Britain would remain in the EU; once the results indicated otherwise, global markets and the British pound fell sharply in the immediate aftermath of the vote amid questions about the near- and long-term implications. Investors also fled to safe haven assets amid a broad flight to quality. The European Central Bank made no changes to its policy during its two meetings in the period. ECB President Mario Draghi expressed subdued optimism by stating that current policy measures are adequate to boost long-term economic growth in the region. Meanwhile, the Bank of Japan held rates at their negative levels amid investors' expectations that the central bank would commit to more stimulus in order to boost its struggling economy. Overall, the MSCI EAFE Index fell 1.46% in the quarter, while low interest rates in the U.S. and rebounding commodity prices generally supported emerging market stocks and nudged the MSCI Emerging Markets Index up by 0.66%.

The Federal Reserve elected not to raise interest rates and maintained a dovish stance on future rate increases. Federal Reserve Chair Janet Yellen indicated concerns over the "Brexit" referendum as well as a deceleration in business investment and exports as the main reasons for the FOMC's decision. Moreover, the Federal Reserve decreased its forecast for U.S. economic growth during 2016 to 2%, from 2.2% last quarter. On the other side of the Atlantic, the ECB indicated diligence with its recent stimulus moves in order to evaluate the overall effect of these measures on the EU economy. With this in mind, the bank raised its 2016 economic growth outlook to 1.6% from a 1.4% estimate in March.

A flight to quality over the past three months once again benefited fixed income securities, as Treasuries rallied and yields fell following Britain's decision to leave the EU. To illustrate, the U.S. 10-year Treasury yield fell 30 basis points to end the quarter at 1.47%. Investment-grade corporate bonds generally rallied, mainly on the heels of strength in non-cyclical sectors. Due to healthy demand, municipal bonds experienced steady gains over the past three months, in line with the overall fixed income market. Over the past quarter, the Citi Corporate Bond Index posted a 3.63% return, while the Lipper Municipal Fund Index delivered a 2.91% gain.

Outlook – Although the Fed was expected to raise rates, or at least become more hawkish, it seems that we may be in for a prolonged low-rate environment here given pockets of weakness in the domestic economy and uncertainty abroad after the Brexit vote. Several key central banks overseas continue to remain in accommodative mode, also serving to tie the Fed's hands here so as to not allow the dollar to appreciate significantly. A stronger dollar would not only make it tougher for U.S. producers competing with their foreign counterparts, but it would also cause revenues achieved overseas to be lower when translated back to the dollar.

In terms of the jobs picture, many economists and officials have noted that we are near full employment, if not already there. Along with low interest rates and low inflation, this has supported consumer spending and the housing market, which are two essential components of our economy.

All told then, we believe the U.S. markets will continue to lead foreign counterparts and reward patient, long-term investors. As the last week of the quarter showed, markets may whipsaw on news, but it is important to not make any knee-jerk reactions. As ever, maintaining a proper asset allocation suitable to your own risk tolerance and holding a diversified portfolio are sound strategies for all types of investors.

See disclaimer on final page

Although grandparents and grandchildren may be at opposite ends of the financial spectrum, there are many common lessons that these two groups can learn from each other.

Four Lessons Grandparents and Grandchildren Can Learn Together

If you're a grandparent, maintaining a strong connection with your grandchildren is important, but that may become harder over the years as they leave for college or become busier building their careers and families. While they're just starting out financially, you have a lifetime of experience. Although you're at opposite ends of the spectrum, you have more in common than you think. Focusing on what you can learn together and what you can teach each other about financial matters may help you see that you're not that different after all.

1. Saving toward a financial goal

When your grandchildren were young, you may have encouraged them to save by giving them spare change for their piggy banks or slipping a check into their birthday cards. Now that they're older, they may have trouble saving for the future when they're focused on paying bills. They may want and need advice, but may not be comfortable asking for it. You're in a good position to share what experience has taught you about balancing priorities, which may include saving for short-term goals such as a home down payment and long-term goals such as retirement. You'll also learn something about what's important to them in the process.

You may even be willing and able to give money to your grandchildren to help them target their goals. While you can generally give up to $14,000 per person per year without being subject to gift tax rules, you may want to explore the idea of offering matching funds instead of making an outright gift. For example, for every dollar your grandchild is able to save toward a specific goal, you match it, up to whatever limit you decide to set. But avoid giving too much. No matter how generous you want to be, you should prioritize your own retirement.

2. Weathering market ups and downs

Your grandchildren are just starting out as investors, while you have likely been in the market for many years and lived through more than one challenging economic climate. When you're constantly barraged by market news, it's easy to become too focused on short-term results; however, the longer-term picture is also important. As the market goes up, novice investors may become overly enthusiastic, but when the market goes down they may become overly discouraged, which can lead to poor decisions about buying and selling. Sharing your perspective on the historical performance of the market and your own portfolio may help them learn to avoid making decisions based on emotion. Focusing on fundamentals such as asset allocation, diversification, and tolerance for risk can remind you both of the wisdom of having a plan in place to help you weather stormy market conditions.

Note: *Asset allocation and diversification do not guarantee a profit or protect against investment loss. Past performance is no guarantee of future results.*

3. Using technology wisely

Some people avoid the newest technology because they think the learning curve will be steep. That's where your grandchildren can help. With their intuitive understanding of technology, they can introduce you to the latest and greatest financial apps and opportunities, including those that may help you manage your financial accounts online, pay your bills, track investments, and stay in touch with professionals.

Unfortunately, as the use of technology has grown, so have scams that target individuals young and old. Your grandchildren might know a lot about using technology, but you have the experience to know that even financially savvy individuals are vulnerable. Consider making a pact with your grandchildren that if you are asked for financial information over the phone, via email, or online (including account or Social Security numbers); asked to invest in something that promises fast profits; or contacted by a person or business asking for money, you will discuss it with each other and with a trusted professional before taking action.

4. Giving back

Another thing you and your grandchildren might have in common is that you want to make the world a better place.

Perhaps you are even passionate about the same special causes. If you live in the same area, you might be able to volunteer together in your community, using your time and talents to improve the lives of others. But if not, there are plenty of ways you can give back together. For example, you might donate to a favorite charity, or even find the time to take a "volunteer vacation." Traveling together can be an enjoyable way for you and your grandchildren to bond while you meet other people across the country or globe who share your enthusiasm. Many vacations don't require experience, just a willingness to help--and learn--something you and your grandchildren can do together.

The importance of budgeting and saving cannot be understated. However, some individuals tend to spend too much due to several common reasons.

Four Reasons Why People Spend Too Much

You understand the basic financial concepts of budgeting, saving, and monitoring your money. But this doesn't necessarily mean that you're in control of your spending. The following reasons might help explain why you sometimes break your budget.

1. Failing to think about the future

It can be difficult to adequately predict future expenses, but thinking about the future is a key component of financial responsibility. If you have a tendency to focus on the "here and now" without taking the future into account, then you might find that this leads you to overspend.

Maybe you feel that you're acting responsibly simply because you've started an emergency savings account. You might feel that it will help you cover future expenses, but in reality it may create a false sense of security that leads you to spend more than you can afford at a given moment in time.

Remember that the purpose of your emergency savings account is to be a safety net in times of financial crisis. If you're constantly tapping it for unnecessary purchases, you aren't using it correctly.

Change this behavior by keeping the big picture in perspective. Create room in your budget that allows you to spend discretionary money and use your emergency savings only for true emergencies. By having a carefully thought-out plan in place, you'll be less likely to overspend without realizing it.

2. Rewarding yourself

Are you a savvy shopper who rarely splurges, or do you spend too frequently because you want to reward yourself? If you fall in the latter category, your sense of willpower may be to blame. People who see willpower as a limited resource often trick themselves into thinking that they deserve a reward when they are able to demonstrate a degree of willpower. As a result, they may develop the unhealthy habit of overspending on random, unnecessary purchases in order to fulfill the desire for a reward.

This doesn't mean that you're never allowed to reward yourself--you just might need to think of other ways that won't lead to spending too much money. Develop healthier habits by rewarding yourself in ways that don't cost money, such as spending time outdoors, reading, or meditating. Both your body and your wallet will thank you.

If you do decide to splurge on a reward from time to time, do yourself a favor and plan your purchase. Figure out how much it will cost ahead of time so you can save accordingly instead of tapping your savings. Make sure that your reward, whether it's small or big, has a purpose and is meaningful to you. Try scaling back. For example, instead of dining out every weekend, limit this expense to once or twice a month. Chances are that you'll enjoy going out more than you did before, and you'll feel good about the money you save from dining out less frequently.

3. Mixing mood with money

Your emotional state can be an integral part of your ability to make sensible financial decisions. When you're unhappy, you might not be thinking clearly, and saving is probably not your first priority. Boredom or stress also makes it easy to overspend because shopping serves as a fast and easy distraction from your feelings. This narrow focus on short-term happiness might be a reason why you're spending more than normal.

Waiting to spend when you're happy and thinking more positively could help shift your focus back to your long-term financial goals. Avoid temptations and stay clear of stores if you feel that you'll spend needlessly after having an emotionally challenging day. Staying on track financially (and emotionally) will benefit you in the long run.

4. Getting caught up in home equity habits

Do you tend to spend more money when the value of your assets--particularly your property--increases? You might think that appreciating assets add to your spending power, thus making you feel both wealthier and more financially secure. You may be tempted to tap into your home equity, but make sure you're using it wisely.

Instead of thinking of your home as a piggy bank, remember it's where you live. Be smart with your home equity loan or line of credit--don't borrow more than what is absolutely necessary. For example, you may need to borrow to pay for emergency home repairs or health expenses, but you want to avoid borrowing to pay for gratuitous luxuries that could put you and your family's financial security at risk. After all, the lender could foreclose if you fail to repay the debt, and there may be closing costs and other charges associated with the loan.

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How Long Should I Keep Financial Records?

One year or less	More than one year	Indefinitely
Bank or credit union statements	Tax returns and documentation*	Birth, death, and marriage certificates
Credit card statements	Mortgage contracts and	Adoption papers
Utility bills	Property appraisals	Citizenship papers
Annual insurance policies	Annual retirement and investment statements	Military discharge papers
Paycheck stubs	Receipts for major purchases and home improvements	Social Security card

There's a fine line between keeping financial records for a reasonable period of time and becoming a pack rat. A general rule of thumb is to keep financial records only as long as necessary. For example, you may want to keep ATM receipts only temporarily, until you've reconciled them with your bank statement. But if a document provides legal support and/or is hard to replace, you'll want to keep it for a longer period or even indefinitely. It's ultimately up to you to determine which records you should keep on hand and for how long, but here's a suggested timetable for some common documents.

*The IRS requires taxpayers to keep records that support income, deductions, and credits shown on their income tax returns until the period of limitations for that return runs out--generally three to seven years, depending on the circumstances. Visit irs.gov or consult your tax professional for information related to your specific situation.

What Do I Need To Know About Home Sharing Sites Like Airbnb?

Home sharing sites like Airbnb are online services through which someone offers to rent their home or a portion of their home. Airbnb listings are popular lodging options for travelers on a budget as well as property owners seeking extra income. But before you decide to be a guest in someone's home or open your door to strangers as the host, there are some things to consider.

An Airbnb listing may be an affordable option if you want to cut lodging costs, but it could mean you have to do more research before your trip than you might for more conventional accommodations. Be specific when conducting your initial search and narrow down locations according to your budget, number of guests, length of stay, and space requirements. This will help you find a match that best suits your needs. Check the ratings and reviews carefully to determine whether the location and property work for you. Think about researching neighborhoods outside of reviews--you can't always trust their accuracy, and you want to be sure you're staying in a place that meets your expectations.

Once you have a few viable options, contact your prospective hosts with any questions you might have.

During your search, be wary of scams. Make sure you're booking via a legitimate Airbnb service with verifications that you're dealing with real hosts. By using caution and common sense in the booking process, you might save yourself some trouble down the road.

If you want to rent out your property as an Airbnb host, the first thing you should do is check with your landlord or homeowners association (if applicable). It's important to know any rules that might affect you. Next, consider the costs of hosting. Can you afford to provide clean linens, towels, and other amenities to your guests? Are you able to keep up with cleaning and maintenance of your property? Are you prepared to pay possible hosting fees to your booking service? Do you have appropriate insurance coverage, or will you need to purchase more?

Don't forget that renting out your property may have tax consequences. Talk to a tax professional to learn specific details.