Market Commentary
April 11, 2016

Dear Investors:

We all learned a thing or two about Panama last week.

The country is *not* the home of the Panama hat, which is made in Ecuador. However, it is the only place in the world where you can watch the sun rise on the Pacific Ocean and set on the Atlantic Ocean.

It's also home to a lot of offshore companies, according to the millions of records leaked from the world's fourth largest offshore law firm. *The Guardian* reported 12 national leaders were among 143 politicians, athletes, and wealthy individuals (including family members and associates) who were participating in offshore tax havens.

It's not illegal to hold money in an offshore company, unless the company facilitates tax evasion or money laundering, reported *The New York Times*. Further investigation will be required to know whether that was the case. *CNBC* suggested financial markets could be affected if the findings lead to greater regulation of foreign banks or prosecutorial action against them.

While the Panama scandal captured a lot of attention, it didn't have much of an impact on markets. News that the U.S. Treasury was cracking down on corporate inversions, along with indications the U.S. Federal Reserve may raise rates twice during 2016, caused stocks to dip late in the week. Some major U.S. indices finished the week lower. (Corporate inversions are mergers that give U.S. companies a foreign address and lower their tax rates.)

We may be in for another round of market volatility. Corporate earnings season is here. That's the period when publicly traded companies report how well they performed during the previous quarter. *CNBC* said, "Over the past 10 years, the emergence of first-quarter earnings reports has generally corresponded with a rise in volatility."

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Data as of 4/8/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-1.2%	0.2%	-1.7%	9.4%	9.0%	4.7%
Dow Jones Global ex-U.S.	0.3	-2.5	-14.2	-1.5	-2.5	-0.7
10-year Treasury Note (Yield Only)	1.7	NA	1.9	1.7	3.6	5.0
Gold (per ounce)	2.1	16.7	2.7	-7.7	-3.4	7.6
Bloomberg Commodity Index	1.4	0.6	-20.4	-16.2	-14.6	-7.3
DJ Equity All REIT Total Return Index	-0.4	5.7	4.3	8.7	11.9	7.0

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

AS CARLY SIMON USED TO SING, "WE CAN NEVER KNOW ABOUT THE DAYS TO COME…" However, that doesn't stop anyone from making educated guesses about the future of companies, financial markets, and economies. As we enter the second quarter, investment and business professionals have been offering their insights:

- *McKinsey & Company's March Economic Conditions Snapshot* indicated 80 percent of surveyed executives "…expect demand for their companies' products and services will grow or stay the same in the coming months, and a majority believe (as they have in every survey since 2011) their companies' profits will increase." However, they are not as optimistic about the global economy as they were in December. About one-half of executives in developed and emerging markets said economic conditions globally are worse than they were six months ago.
- *The Wall Street Journal's April 2016 Economic Forecasting Survey*, which queries 60 economists, reported three-of-four survey participants expect a Fed rate hike in June. Few expect a recession during the next 12 months, putting the odds at 19 percent. Almost one-half stated global risks were the greatest threat to the U.S. economy, followed by financial conditions, a slowdown in consumer spending, falling corporate profits, and U.S. politics.
- *PIMCO's Cyclical Outlook* predicts China's gross domestic product (GDP) growth may be in the 5.5 to 6.5 percent range. The target is 6.5 percent. In addition, a gradual devaluation of the yuan is possible, although China's currency policy often produces unexpected twists and turns.
- *BlackRock Investment Institute's* second quarter outlook centered on three themes. First, returns are likely to remain muted in the future. Second, monetary policies appear to be less divergent, which could be a positive for some markets. Third, volatility may persist as the Federal Reserve normalizes monetary policy. Diversity and careful asset selection are likely to be critical in this environment.

While it's interesting to read experts' predictions and expectations for coming months and years, it's important to remember forecasts are not always accurate. An organization that tracked forecasting results through 2012 found forecasts were correct about 47 percent of the time.

Weekly Focus – Think About It

"Do the right thing. It will gratify some people and astonish the rest."

--Mark Twain, American author

Best regards,

John Y. Kim, J.D., LL.M.
President

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
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* Stock investing involves risk including loss of principal.

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