



## The Quarterly Advisor

### Return of Volatility

Recent volatility in the market has led to a certain amount of nervousness this fall and, coming as it does after two years of relative quiet, makes it seem all the more unsettling. The Ebola panic, atrocities by ISIS, tension in the Ukraine, and the mid-term elections are among the factors fueling these jitters.

In our view, the “noise” being generated by these economic and world events has nothing to do with long-term fundamentals. What drives stock prices is earnings; and overall corporate earnings continue to be fairly robust. The economy is moving from the

recovery phase to one of expansion and GDP growth is expected to be a modest 3%.

We welcome the return of this type of volatility because it provides buying opportunities, allowing our fund managers, especially value managers, to refresh their portfolios. The fact that we have received so few calls about this is a testament to how our clients have learned to recognize and rise above short-term noise and focus on the long-term. Of this, we are very proud!

### What We’re Watching

While the media continues to focus on the headline-grabbing stories, we focus on fundamentals like GDP growth, Federal Reserve monetary policy, and corporate earnings reports. So far, this quarter’s earnings reports (highlighted in the chart below) are looking strong.

According to Shiraz Mian of Zacks Investment Research, Q3 total earnings for 245 S&P members which combined account for 60.2% of the index’s total market capitalization – are up +4.3% from the period last year, with 70.2% beating earnings estimates. Total revenues for these companies are up a much stronger +4.6%, with 52.7% beating top-line estimates.

*The scorecard at right reflects results reported by these 245 S&P members as of the morning of October 28, 2014.*

Zacks Sectors	2014 Q3 Scorecard							
	% Reported		Q3 Earnings		Q3 Revenue		Price change	
	Total Companies	Total Market Cap	Growth YoY	Beat Ratio	Growth YoY	Beat Ratio	YTD	52-Weeks
Cons. Staples	44.1%	67.4%	1.1%	73.3%	0.6%	53.3%	11.0%	14.9%
Cons. Discretionary	39.4%	39.6%	9.1%	69.2%	5.2%	38.5%	1.0%	8.6%
Retail/Wholesale	41.9%	38.2%	-3.4%	66.7%	7.6%	61.1%	1.1%	3.5%
Medical	53.8%	66.0%	5.6%	78.6%	5.3%	67.9%	22.1%	28.2%
Autos	70.0%	80.6%	-27.3%	100.0%	1.3%	28.6%	-5.2%	0.2%
Basic Materials	57.1%	71.4%	29.4%	75.0%	5.2%	50.0%	3.2%	8.1%
Industrial Products	60.0%	61.9%	7.9%	80.0%	0.1%	46.7%	-3.8%	2.1%
Construction	53.8%	55.7%	16.5%	71.4%	13.2%	42.9%	3.5%	9.8%
Conglomerates	71.4%	95.6%	7.0%	80.0%	0.1%	20.0%	-3.6%	3.5%
Technology	50.8%	72.3%	4.4%	72.7%	8.6%	57.6%	9.8%	19.4%
Aerospace	77.8%	92.8%	10.3%	100.0%	2.5%	57.1%	11.6%	23.1%
Oil/Energy	32.6%	24.6%	3.7%	35.7%	7.4%	28.6%	-7.8%	-6.8%
Finance	58.8%	65.9%	0.9%	63.8%	4.1%	55.3%	5.8%	10.0%
Utilities	17.6%	47.5%	23.0%	16.7%	4.3%	16.7%	16.0%	12.8%
Transportation	81.8%	95.4%	10.3%	77.8%	6.6%	77.8%	22.0%	29.0%
Business Services	40.9%	26.8%	12.4%	77.8%	8.0%	66.7%	1.8%	9.5%
<b>S&amp;P 500</b>	<b>48.8%</b>	<b>60.2%</b>	<b>4.3%</b>	<b>70.2%</b>	<b>4.6%</b>	<b>52.7%</b>	<b>6.5%</b>	<b>11.4%</b>
ex Finance	46.9%	59.1%	5.4%	71.7%	4.7%	52.0%	6.6%	11.7%

Source: Zacks Investment Research, Inc.  
Data as of: October 28, 2014 www.zacks.com

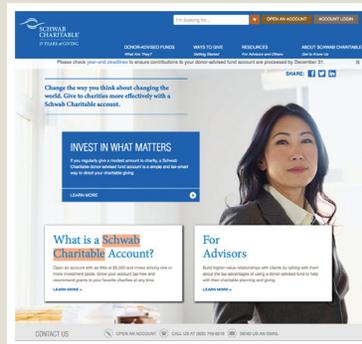


# Charitable Giving

As year-end approaches, we'd like to share another option for giving to your favorite causes and organizations. With Schwab Charitable, you can easily establish a Donor Advised Fund, which is essentially like setting up your own charitable foundation. Instead of making many individual gifts, you make one gift to Schwab Charitable. You receive an immediate tax deduction and, based on your recommendations and choices, Schwab Charitable makes grants on your behalf over time. They also take care of due diligence and record keeping.

This approach provides an opportunity to make a large one-time gift that can be disbursed to charities over a period of years. If you're thinking about making such a charitable donation, using appreciated securities is a great way to fund it because you get a full deduction (if you've held onto the investment for more than one year) and are able to avoid capital gains tax. Never donate securities that have a loss. In that case, you would be better off selling the security, claiming the loss, and giving cash to the charity.

We would be happy to discuss any questions you might have about a Donor Advised Fund or other gifting strategies. You can learn more about Schwab Charitable by visiting [www.schwabcharitable.org](http://www.schwabcharitable.org).



# Year-End Strategy

As we approach year-end, we're gathering capital gain estimates for the portfolio funds and working to plan transactions that will improve your portfolio tax efficiency. We will likely sell some funds in order to avoid large, taxable distributions.

We are beginning to refine our investment strategy for 2015. Our outlook for certain asset classes and fund types has changed. We will adjust client portfolios in the new year.

To help facilitate changes to our asset allocation models, we will likely elect to have dividends and capital gains paid in cash rather than reinvested. By creating a pool of cash at year-end, we will be able to redeploy it according to our new allocation targets.

# At Fierston Financial Group

The process was messy and took longer than we would have liked, but our much anticipated office makeover is at last complete. We invite you to stop by to check out our new look. Everything has been refreshed, from new carpet, lighting, work stations and entry area, to the freshly painted walls and new conference room chairs. After 20 years, we felt the place needed some updating, but the layout is the same. We still need to hang a few things on the walls, but we think you'll like the space as much as we do.

We hope you're having a wonderful fall and as always, please give us a call if you have anything you would like to discuss.

Best,

