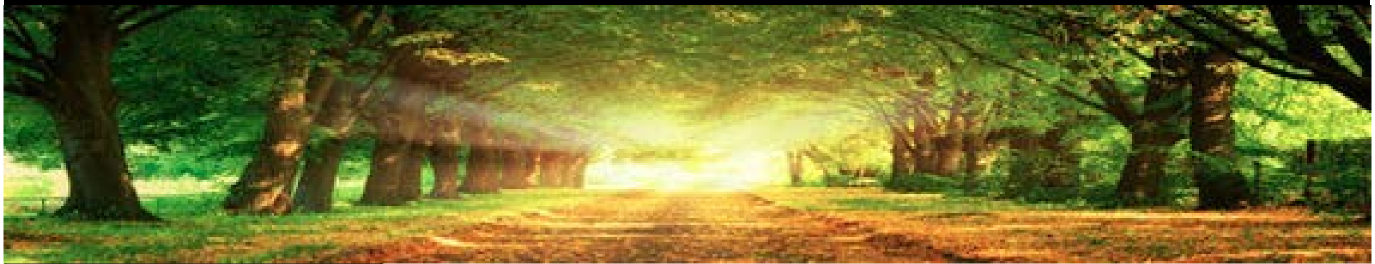

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Summary

While I feel it is not prudent to be monitoring account fluctuations weekly or even monthly, as long term investors monitoring accounts every six months we can see trends develop.

We are now past the half way point of 2016. It has been a wild ride that has left many on the outside looking in. Global stock markets plunged in early 2016 as volatility spiked higher. A rally in the second quarter led by U.S. stocks repaired some of the damage but many international markets are still down substantially from their highs. The MSCI World Index _ex U.S. is down -2.98% and -9.84% over the past year. However, the S&P 500 and Dow Jones Industrial Average have managed to rally near all-time highs up 4.20% and 3.65% respectively through the end of June.

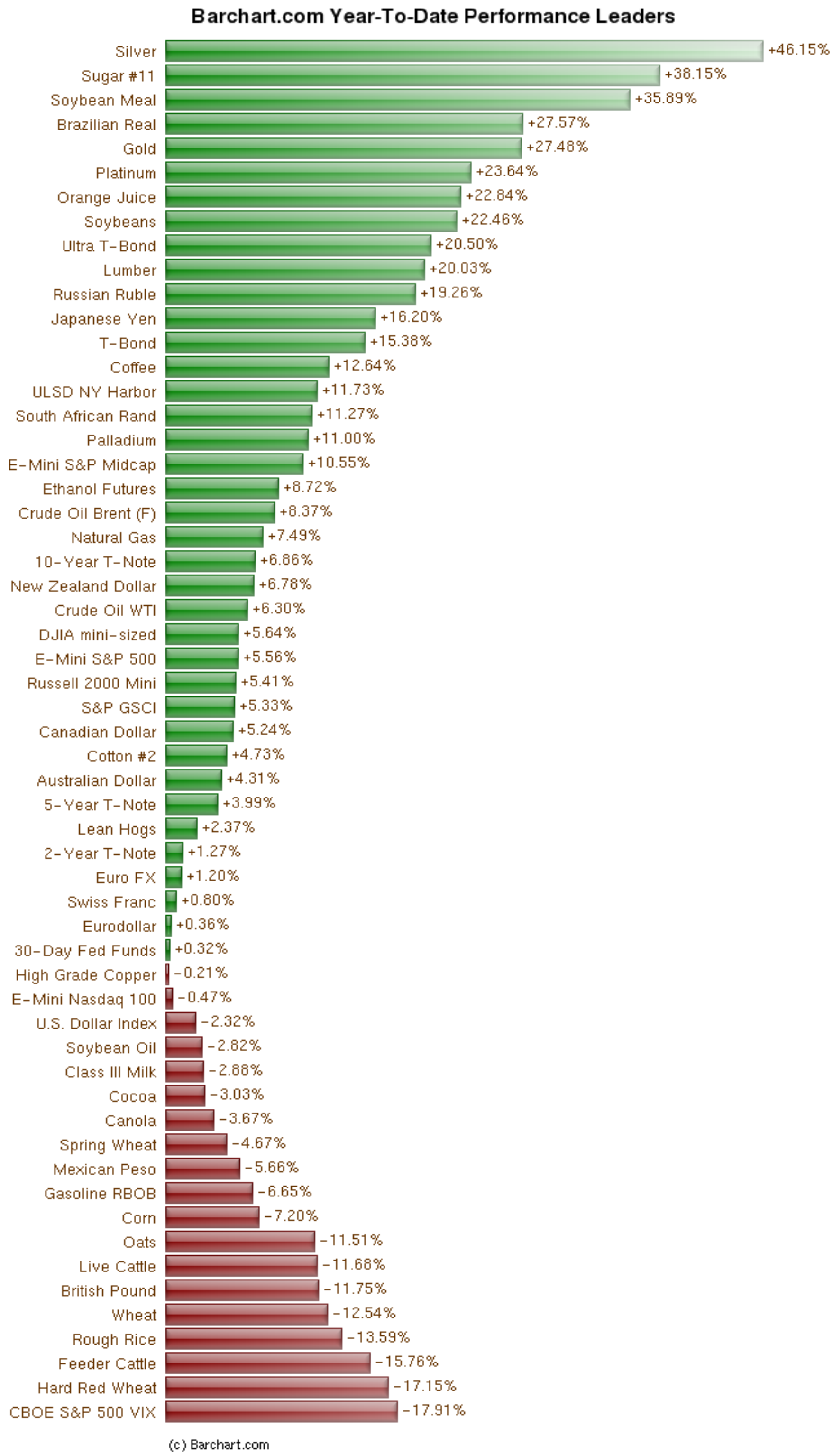
Global bond yields have plunged to new all-time lows. Global Central Banks are stuck between a rock and a hard place. Readers of my monthly newsletter know that I have believed, the Federal Reserve will not be able to exit their easy monetary policy without a severe disruption. As humans, prone to put-off pain as long as possible, it seems the Fed has abandoned their plan to raise interest rates four times in 2016. With the problems in China and the uncertainty around Great Britain deciding to leave the European Union, I doubt the Fed will raise rates anytime soon. The expectations are now engrained that rates will remain "lower for longer".

The United States 10-year bond hit 1.36% a new all-time low before bouncing up to 1.59% currently. With inflation currently trending above that level, the era of repression is upon us.

All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly.

According to Fitch there is almost $12 trillion of government debt worldwide that sports a negative yield. In Switzerland, interest rates are now negative out to 50 years! I just can't believe it. Bond markets have existed for over 500 years in Europe and rates have never been this low. Those who buy a negative yielding bond are mathematically locking in a loss if held to maturity. In order to make even a zero return, the holder of the bond must find a "greater fool" willing to buy for an even more negative yield. The only scenario where that makes any sense is if all other assets provide an even more negative return over the next 10 years. If economic weakness spills over to the financial markets, a rush to "less volatile assets" could push bond yields even lower.

The bright spots around the globe this year are those that were most despised in 2015. Emerging market stocks and bonds have been stalwarts up 6.41% (MSCI EM) and 10.92% (JP Morgan EM Bond), and commodities gained 13.25% according to the DJ UBS Commodity Index with Gold and Silver leading the way. Gold has surged 27.48% through July 11 and Silver up a staggering 46.15%! Take a look at the following chart to see widely followed indices market performance.



All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. (Through July 11, 2016)

In late June, following the Brexit vote, the euro and UK pound plunged significantly versus the dollar. That immediately made U.S. exports more expensive. China reacted by weakening its currency, the Yuan to attempt to stay competitive. We don't yet know how this Brexit decision will pan out, but volatility will most likely rise. This could create opportunity for astute investors as they analyze opportunities around the globe. I continue to believe that looking for solid cash flow assets at attractive valuations makes sense for long term investors.

Follow us on Facebook and on You Tube for our thinking about the markets and opportunities. We have received a lot of great feedback on our new Koffee Talk video series.

In addition, periodically it makes sense to perform a beneficiary audit. One of the simplest and most overlooked estate planning tools is correctly designating beneficiaries on retirement plans, investment accounts and life insurance policies. The key is to make sure the beneficiaries you choose accurately reflect your current circumstances and legacy wishes. Working with Celestial Wealth Management, you can undertake a process that will help add to your confidence by striving to achieve important legacy goals.

Many investors mistakenly believe an up to date will can ensure disposition of their assets according to their wishes. Generally, a will does not override beneficiary designations on retirement plans, IRAs, annuities, life insurance policies or investment accounts. Further, if you have recently divorced, re-married or had a death in the family, your previous heirs may not be updated.

Together, we can inventory your accounts and assets to determine current beneficiary designations and make sure they correspond to your wishes.

If you would like to discuss a beneficiary audit, your account performance or investment allocation please don't hesitate to give me a call or shoot me an email at colin@celestialwealthmanagement.com.

Investment Ideas

- **Rather than trying to "beat the market", focus on beating inflation and the rate on cash. Plan for safety and liquidity while seeking positive returns.**
- Equity valuations are very rich but masked due to the distortion of the Treasury curve. Volatility is returning to the markets and I think long/short managers are best positioned to capture this volatility by owning companies with strong businesses, barriers to entry, and good valuations and selling short weaker companies with high debt loads that have risen sharply with the broad market rally. I think this strategy of hedged equity may have the potential to produce attractive risk-adjusted returns if and when investors begin to question the valuations of companies. Stock investing involves risk including loss of principal. No strategy ensures success or protects against a loss. Long positions may decline as short positions rise, thereby accelerating potential losses to the investor.

- Monsoon country investments. Attempting to take advantage of demographic, educational and investment possibilities in the countries surrounding the old spice routes of the Indian Ocean. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

- In 2013, the Affordable Care Act began implementation. There will be many winners and losers in the healthcare industry as a result of the biggest change in the healthcare industry's history. With the largest portion of the U.S. population entering their golden years, healthcare needs will become even more important. Long/short Healthcare seems to be a very attractive way to invest in a sector with lots of potential and lots of potential pitfalls. Investing in a specific sector involves additional risk and will be subject to greater volatility than investing more broadly.

- A potential U.S. infrastructure upgrade cycle may be around the corner. Moving from our current grade of D+ to B would require an investment of $3.6 trillion by 2020.

- Supply problems remain high across the energy asset class. While there isn't a current shortage of energy on the planet, it is taking more and more energy and capital to discover, drill, transport and refine it. Long term Demand should continue to grow globally, particularly in China, India, and other developing countries.

- Potential food shortages due to inclement weather and higher demand from the emerging Asian middle class could result in a boon to agricultural land and potash fertilizer companies. International and emerging market investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

- The rise of E-Commerce has coincided with an increased desire for efficient warehouse distribution real estate. As E-Commerce moves toward even faster delivery, positioning of distribution becomes even more important.

- Precious metals mining companies have been extremely beaten down over the past four years. Mining is an industry that spans hundreds of years. Companies that mine for commodities are often highly cyclical, meaning they have sustained moves both up and down. When investing in the mining space it is important to be a contrarian. Ideally, you would want to accumulate miners when sentiment is poor around them and sell them when sentiment is positive. Historically this has been a good strategy.

  No strategy ensures success or protects against a loss.

JULY 19, 2016

Regards,

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- The prices of small and mid-cap stocks are generally more volatile than large cap stocks.
- The NYSE Gold BUGS (Basket of Unhedged Gold Stocks) Index, also called the HUI Index, is a modified equal dollar weighted index of 15 major gold mining companies.
- The Philadelphia Gold and Silver Index, or XAU Index, is an index of 30 precious metal mining companies that is traded on the Philadelphia Stock Exchange.