CLIENT 1ST NOTE

- **Michelle Mabry, Dave Stieh** and **Morgan Mabry** will be attending the Disrupt Advice Conference, September 12-13 in New York City. This conference will focus on all the ways the financial advice business is changing. Topics will include technology advances, regulatory shifts, product trends and practice management best practices.

NAVIGATING THE TIGHT JOB MARKET OF OUR AUTOMATED FUTURE

You've read that robots, automation and artificial intelligence are likely to displace millions of workers in the coming 10 to 20 years. So if you or someone you care about wants to stay ahead of that curve, what skills would you need to make you an ideal worker in that automated future?

Recently, the Pew Research Center conducted a survey of technologists, scholars, strategic thinkers and education leaders, asking them for insight into the future of the workplace. 70% said they envisioned new educational and training programs that would quickly and flexibly identify new skills that were needed in the marketplace and adapt over and over again to provide training in whatever is needed. So instead of people having to anticipate what the job market will need (foreseeing the future is never an easy task), they will be able to seek out training facilities that are connected with corporations around the world who are sending them real-time data on their employment needs. Some of the respondents imagine that these training facilities will replace our current system of stodgy colleges and universities, which are very slow to adapt to changing needs in the workplace.

One interesting theme that popped up again and again was training that would teach people how to become lifelong

(continued on page 2)

THE NAVIGATOR AROUND THE WORLD

Be sure to bring a copy of* The Navigator *on your next vacation!

David and Meena Lee with daughters Maya and Suman in Florence. (Daughter Nisha took the picture.)

Each quarter we award a $100 Bonefish Grill/Outback gift certificate or an AMX Gift Card to the client who sends in the best picture of themselves on vacation holding a copy of ***The Navigator***.

This quarter's winners are the **Lee Family** of **Marietta, Georgia** who submitted this great picture at the statue of Michelangelo's David at the Galleria dell' Accademia in Florence, Italy from their vacation last winter. We receive a number of entries every quarter so if yours isn't selected it very well could show up in a future issue of *The Navigator!*

NAVIGATING THE TIGHT JOB MARKET...

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learners – so they could reenter these flexible, ever-adjusting jobs programs again and again through a multi-career path. Another theme was the emergence of alternative credentialing systems that would vouch for the skills that people have acquired through their training.

Some respondents chose to focus their responses on figuring out the human talents that would be hardest for machines and automation to duplicate. Among the most popular talents cited: creativity, collaborative activity, abstract and systems thinking, complex communication and the ability to thrive in creative environments. Others: the ability to effectively network, manage public relations, display intercultural sensitivity and marketing, which all require social and emotional intelligence.

Roughly a third of the respondents doubted that training platforms would emerge fast enough to help today's workers, and some doubted that, even if we did have retraining facilities in place, today's workers would recognize the need for retraining, and instead simply demand their old jobs back. ●

Source: http://www.pewinternet.org/2017/05/03/the-future-of-jobs-and-jobs-training/?utm_content=buffer6d9e4&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer

VANISHING STOCKS

A recent *Wall Street Journal* article, citing a study by the Center for Research in Security Prices, tells us something remarkable about the times we are investing in: the number of stocks on the U.S. market has quietly diminished by more than half over the last 20 years. In November 1997, investors could choose from 7,355 U.S. stocks. Today, there are fewer than 3,600.

Why haven't you noticed this? Most of the decline has come from vanishing companies ranging from small to microcap – the sort of names you probably haven't heard of. Small stocks have diminished from more than 2,500 in 1997 to fewer than 1,200 today. Microcap companies that are even smaller numbered nearly 4,000 in 1997, compared to 1,900 today. Some went out of business, while others were gobbled up by private equity firms. Meanwhile, the ecology has changed; instead of new companies going public to replace those that have retired from the market, venture capital firms are allowing younger ventures to stay private for longer.

The article talks about several possible consequences. Since the surviving companies tend to be larger and better known, it becomes harder for professional asset managers to get an information edge or find small undiscovered gems that are undervalued. The declining roster of stocks may also mean that a long era of higher returns from small cap stocks compared to larger firms could be coming to an end. But the truth is that nobody knows what the investment consequences will be from the quiet shrinkage of investment options. ●

Source: https://www.wsj.com/articles/stock-picking-is-dying-because-there-are-no-more-stocks-to-pick-1498240513

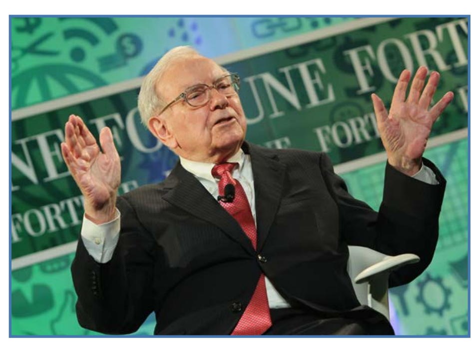
BIDDING FOR BUFFETT!

Chances are you've never paid anybody to have lunch with you, but chances are you aren't Warren Buffett either. Every year, the Sage from Omaha hosts an auction, with the highest bidder getting to join Buffett for lunch and bring seven guests – with the proceeds going to charity. The winner in this, the 18th year of the auction, came in at $2.67 million, which is actually below last year's winning bid, of $3.46 million.

The auction takes place on eBay, with an opening bid for this expensive lunch set at $25,000. This year's winning bidder is anonymous, but past winners include the owner of a Chinese online gaming company and Ted Weschler, a former hedge fund manager who was later hired to help run the investments of Buffett's Berkshire Hathaway operation. In all, the auction has raised more than $25 million for a San Francisco charity called Glide, which offers free meals, health care and other services to homeless and low-income people in San Francisco.

As in the past, the lunch with Mr. Buffett will be at a steakhouse called Smith & Wollensky in New York. ●

Source: http://www.nrt24.com/winning-bid-to-have-lunch-with-warren-buffett-2-7-million/102846/



THE 51ST STATE?

You've probably read about the troubled finances of Puerto Rico, the U.S. territory in the Caribbean that has issued more than $70 billion in municipal bonds, with no visible way to pay out the interest, much less the principal. Now Puerto Ricans have overwhelmingly voted that they want their island territory to become the 51st U.S. state.

Puerto Rico has been an autonomous territory since 1898, when the U.S. forcibly acquired it from Spain. The territory was granted self-rule in 1952. Last year, in response to the mounting fiscal crisis, Congress revoked some of the local government's autonomy, creating a control board that has the power to veto any item in Puerto Rico's budget. In light of this forced change in autonomy, on June 11th, the territory asked voters to weigh in on the territory's status. In 2012, the last time islanders voted on the issue, 61% of voters who made a selection picked statehood as their preferred alternative. In this vote, nearly half a million voters chose statehood on the ballot, compared with just 7,800 votes for independence from the U.S. and 6,800 votes for the status quo territorial status.

However, some are questioning the validity of the vote, since just 23% of eligible voters chose to go to the polls – the lowest participation in any election since 1967. Part of the low turnout was attributed to the fact that three of Puerto Rico's political parties urged their supporters to boycott the vote – which, of course, means that the parties claimed that "boycott" soundly defeated the statehood results.

The vote does nothing toward solving Puerto Rico's fiscal crisis, which has been compared unfavorably to the Greek debt problems. And even a resounding victory for statehood would have been mostly symbolic. For Puerto Rico to enter the union, Congress would have to pass a law admitting it. Even though the Republican platform of 2016 officially supported Puerto Rican statehood, the Republican leadership would not rush to add two senators and five representatives who would probably, based on Puerto Rican political history, lean Democratic. ●

Sources: http://abcnews.go.com/International/wireStory/puerto-rico-gov-upholds-statehood-vote-hit-boycott-47976936

http://www.economist.com/news/united-states/21723149-more-60-puerto-ricans-tell-pollsters-they-would-commonwealth

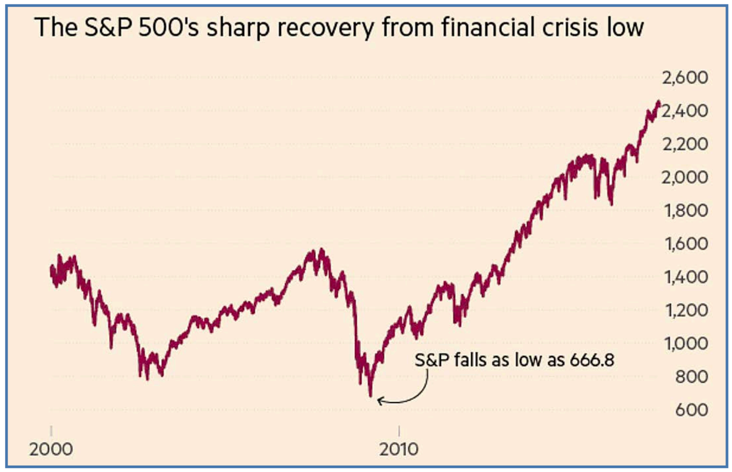
MARKET REVIEW

The following table shows market index returns for the 2nd Quarter 2017 (including reinvested dividends):[1]

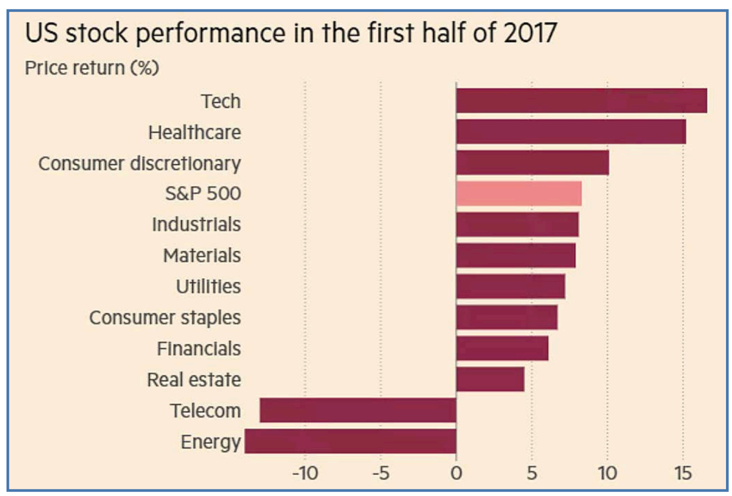
Index	Q2	YTD	Description
S&P 500 Index	3.1%	9.3%	Large Cap Stocks
Nasdaq Comp.	4.2%	14.7%	Tech Stocks
EAFE	6.1%	13.8%	Int'l. Stocks
Barclay's U.S. Agg.	1.4%	2.3%	U.S. Govt. Bonds
Barclay BTOP 50	-2.3%	-4.6%	Managed Futures

LOOKING BACK... LOOKING AHEAD

The U.S. stock market has more than tripled in value during the runup that started in March 2009, and the most recent quarter somehow managed to accelerate the upward trend. We have just experienced the third-best first half, in terms of U.S. market returns, of the 2000s.



By any measure, this represents a strong first half of the year, driven (as you can see by the graph) by the S&P 500 tech sector, biotech firms and information technology companies generally. What is interesting is that investors appear to be flooding into these business categories because they are the ones most likely to grow their sales even if the economic environment were to turn sour – which suggests a growing bedrock of pessimism about future economic growth among seasoned investors.



Is that justified? Economic growth was admittedly meager in the first quarter – U.S. GDP grew just 1.4% from the beginning of January to the end of March, a figure that was actually revised upwards from initial estimates of 0.7%. That represents a slowdown from the 2.1% growth in the fourth quarter of last year, when the country was being managed by a different Presidential Administration. It might

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LOOKING BACK…LOOKING AHEAD

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be helpful to note that the budget proposals floating around Washington, D.C. make the optimistic assumption of an economic growth rate of 3.0%. If the economy fails to achieve that rate, then watch out for a significant rise in the federal deficit.

There is room for hope. The Atlanta Federal Reserve recently forecasted that the U.S. economy will grow at a 2.9% rate for the year's third quarter. We won't have definitive evidence of that until sometime in October, but our fingers are crossed. More good news: the unemployment rate is at a near-record low of 4.7%, and wages grew at a 2.9% rate in December, the best increase since 2009. The underemployment rate, which combines the unemployment rate with part-time workers who would like to work full-time, has fallen to 9.2% – the lowest rate since 2008.

Meanwhile, the energy sector, which was a big winner last year, has dragged down returns in 2017. This proves once again the value of diversification; just when you start to question the value of holding a certain investment, or wonder why the entire portfolio isn't crowded into one that is outperforming, the tide turns and the rabbit becomes the hare and the hare becomes the rabbit. If only this were predictable.

There are many uncertainties to watch in the days ahead. The U.S. Congress is still debating a health care package, and has promised to revise our corporate and individual tax codes later this year. There's an infrastructure package somewhere on the horizon, and perhaps a round or two of tariffs on imported goods. Inflation often follows when the Fed raises rates, but we don't know if or when the Fed will do that, or by how much.

Meanwhile, the current the bull market is aging, and as you can see from the accompanying chart, the run up has lasted for longer than anybody would have expected when we came out of the gloomy period after the 2008 crisis. Inevitably, we are moving ever closer to a period when stock prices will go down. That day cannot be predicted in advance, but it is always good to spend a moment and ponder how much of a downturn you would be comfortable with when markets finally turn against us. If your answer is less than 20%, or close to that figure (which is the definition of a bear market), this might be a good time to revisit your stock and bond allocations.

And if you are not a Client 1st client, you might want to find an advisor who has, over the past two major downturns (2000-2002 and 2008), demonstrated that they mitigated the effects of those markets by holding a "meaningful (20% or more) allocation to asset classes that are not correlated to the "traditional stock, bond and cash" portfolio.

On the other hand, keep in mind that the next bear market will be a terrific buying opportunity for all of us.

Client 1st ADVISORY GROUP
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Note: This commentary is a service of Client 1st Advisory Group, LLC, an SEC Registered Investment Advisor.

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[1] *Sources: Wall Street Journal, July 3, 2017, Investment Advisor Online July 3, 2017.*

[2] *Your results would vary from the historical returns shown, which do not include the effects of fees, charges or taxes that would apply to a real investment. It is not possible to invest in an index and past performance is no guarantee of future results. Investing involves risk, fluctuating returns and the possibility of loss.*