



MONTHLY PORTFOLIO COMMENTARY

August 2015

Welcome to our inaugural edition of our *Monthly Portfolio Commentary*. I should first remind you that we also have our *Weekly Market Recap* that discusses what happened last week in the world and the markets across the globe, from time to time noting the hypocrisy and silliness that is commonly referred to as “news.” We also have the *Quarterly and Annual recaps* that cover a broad range of topics affecting your money.

We will try to keep this update portfolio-specific, as from time-to-time it may look like there is not much going on in the portfolio, when it couldn't be further from the truth. Given that this is the inaugural edition, we should start with a brief reminder of our process so that you will understand the background of our decision making process. If you'll allow us to use a sports analogy (since football season is getting started), think of our process as one ongoing tryout session. We will “invite” as many mutual funds and exchange traded funds (ETF) to try out for the team as have merit. Just like the Seahawks won't let any of us tryout for the team, so to do we limit the prospective universe to those that actually have a chance in contributing. *NEWS FLASH, we don't think any of us could ever make a meaningful impact on the Seahawks!*

Just like tryouts and practices, we divide the “players” – the investment choices – into different categories: offense, defense and special teams. We just happen to categorize them into labels like US Equity, International Equity, Fixed Income, and Alternatives. They each have their place on the team and are important in their own way, but only good when used properly.

Once we have divided our choices into their respective

investment groups, we then organize those groups based on which are best to own and which are worst. When that is done, we will let each group tryout to see who gets in the starting lineup. Unlike a football team, we have open tryouts each month to see who will make the cut for the following month. Just because you don't make it one month doesn't mean you can't the next. That being said, we are looking for good solid performers that can stay with us for a long time.

The model has been overweight US stocks basically uninterrupted since June of 2010, with our second favored asset class bouncing around to many different areas, including International, Fixed Income, and Alternatives. Today US stocks are still at the top of the list (or as we like to say, the best house in a bad neighborhood), with Fixed Income coming in number two (taking the place of International stocks from July).

Here are the specific changes to each of our portfolios:

Aggressive Growth	+10% to Fixed Income, -10% to International Stocks
Growth	No allocation change this month
Balanced	No allocation change this month
Conservative	+10% to Fixed Income, -10% to International Stocks
Ultra Conservative	No allocation change this month

We hope this review was helpful in reminding you of the constructs of how the model works and to put some memorable analogies together to help you remember going forward. We would expect that future monthly updates would be shorter and if you ever needed to, you can always find our musings on our blog site at www.madisonparkca.com/blog.

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