

# MCGILL ADVISORS, INC.

E-Mail Update 6-9-17

## MARKET UPDATE

It has been over a month since our last market update and very little has changed. With an absence of any material market moving headlines, stocks have methodically marched higher as this continues to be the path of least resistance. Unfortunately, the terrorist attacks in the U.K. over the past couple of weeks have become a reality of living in the 21<sup>st</sup> century. Financial markets have become seemingly numb to these events, as we have all accepted the fact that we live in a world plagued with religious fanaticism. Instead of focusing on global geopolitical fears, investors appear to have growing optimism regarding many proposed government policies to help improve the U.S. economy. Whether any of these initiatives ever get implemented and what their ultimate effectiveness will be is another story.

One of the more interesting developments this year has been the outperformance by international stocks. The MSCI EAFE Index, which tracks stocks in developed countries outside of the U.S., has outperformed the S&P 500 by more than 5%. Astute investors are aware this is a far cry from its longer-term performance. Over the past 10 years the S&P 500 has outperformed the MSCI EAFE by over 6%, per year!! Needless to say, the MSCI EAFE Index still has a lot of catching up to do. The point we want to make with our clients is to remind them why they have exposure to multiple asset classes, including international stocks. Many clients have asked us over the past couple of years why we have investments in international stocks given the lackluster performance. As we have discussed many times, timing any segment of the global stock market is impossible, thus remaining diversified throughout periods of both good and bad performance is the key to successful long-term investing. Many investors have forgotten that from 2000 through 2007, international stocks significantly outperformed the S&P 500. We fully expect a trend like this to emerge again at some point. Given the more attractive valuation characteristics of international stocks, a case can be made that the outperformance by international stocks may be just beginning. Therefore, maintaining an allocation to this segment of the global stock market is very important in the current market environment.

## INVESTMENT STRATEGY UPDATE

We have not made any material adjustments to our portfolios over the past couple of weeks. Our managed accounts remain fully invested with a continued emphasis on credit sectors of the bond market within our fixed income allocation. This continues to serve our clients well, as the performance of both high yield and foreign debt have handily outpaced domestic government and corporate fixed income. As we noted in our Q1 report, although we fully expect volatility to pick up in the coming months, we do not view this as any reason for long term investors to deviate from their current investment strategy. The combination of strong earnings growth and low interest rates remain a solid foundation for the financial markets to potentially move even higher in the months ahead.

Sincerely yours,

*McGill Advisors, Inc.*

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