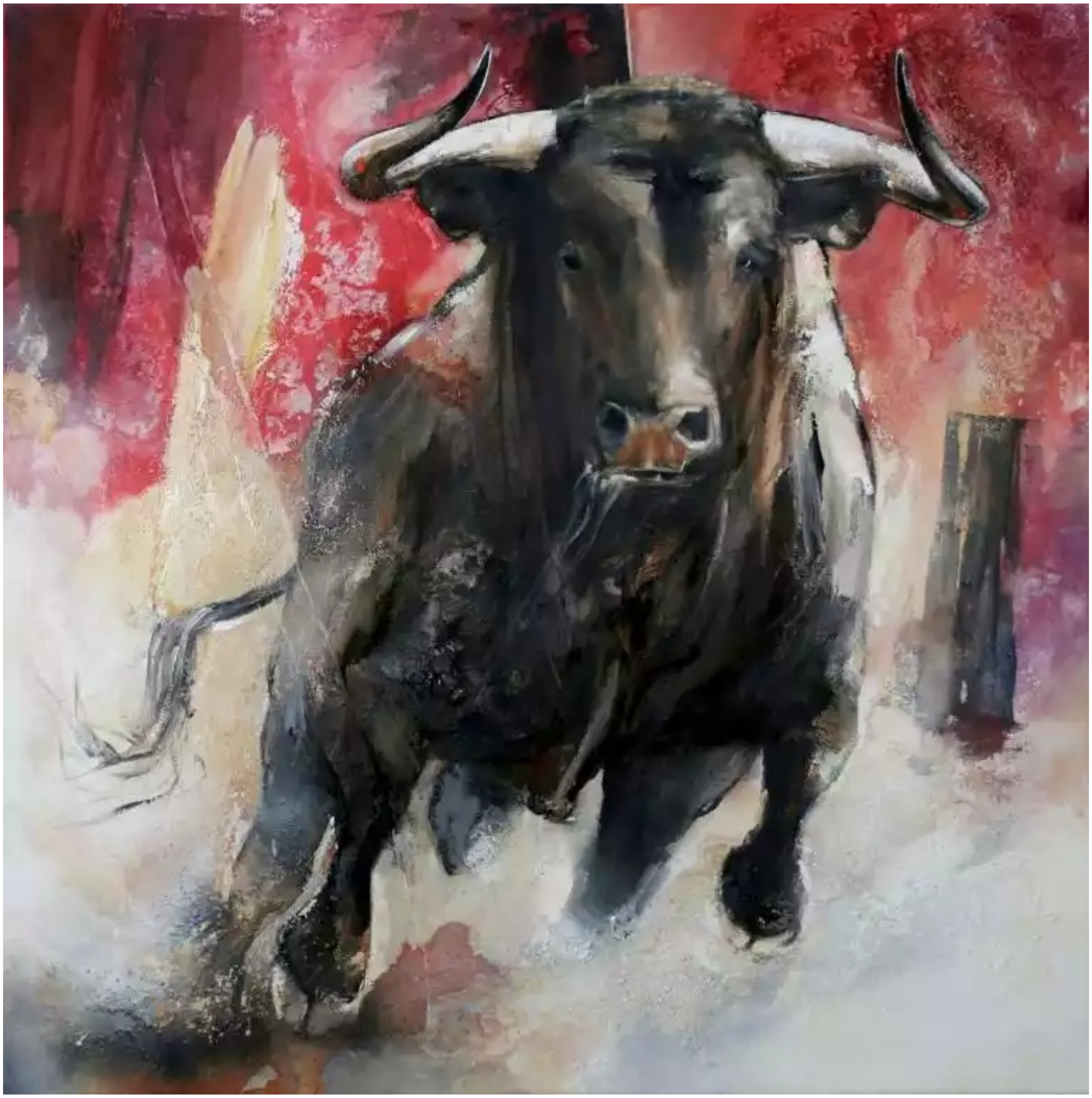

TODAY'S MARKET

LIMITLESS CAPITAL MANAGEMENT, JULY 2016

www.limitlesscapmgmt.com

In this article, we use public ownership data to evaluate the current market conditions. The examples are aim to identify a few of the drivers of the recent volatility we have witness in this past year. Everything mentioned in this article is sourced exclusively from public data, including the charts, the scenarios, the quotes and all other analysis and commentary. The data used here omits the short side, non-equity securities, many non-US securities and all non- public information such as actual index performance.

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″VOLALITY THE NEW REALITY″

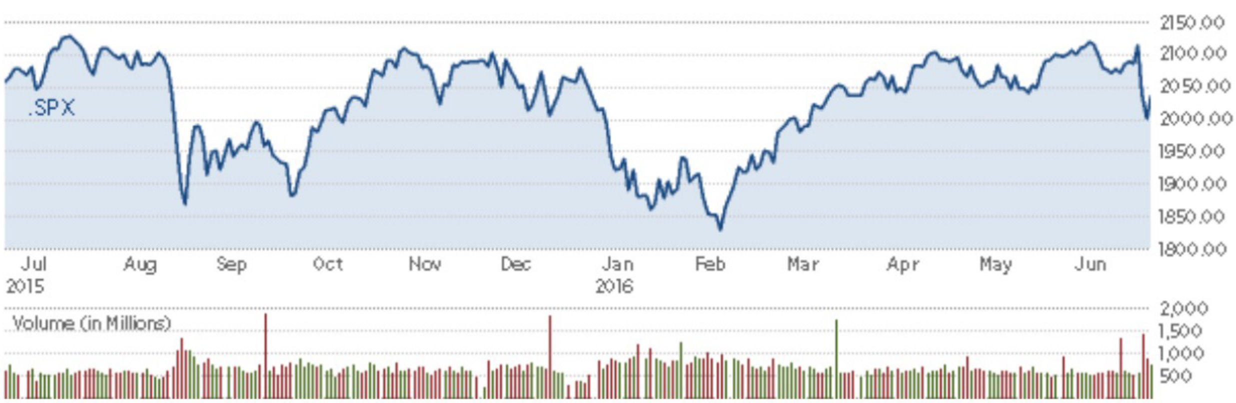
Mark Twain once stated that "OCTOBER: This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August, and February."

At first glance this quote is one that somehow gets a hint of a smile with a slight chuckle, from almost everyone that reads it. Mr. Twain must have had a terrible experience within the stock market. He, like many of us, viewed the stock market as some never ending casino, where your chance for loss is much greater than it is for a gain. Many of us now understand that a turbulent market is par for the course; that the market is often thrown into volatile states by panic, fear and emotional outbursts. As we go through the current market conditions, we must remember the markets will sometime act as a child throwing a temper tantrum, going from glee to total despair in the matter of seconds. Yet the child will soon recover a short time later with glee and optimism, without a hint of the previous disruption. The market will do the same.

Today, whether we are speaking of Brexit, an over supply in the oil market, a fed interest rate hike, or a decline in the job numbers, all can send the market into a volatile state. Whether we like it or not, we have a global economy and when a perceived disaster ensues or the so called unexpected occurs. It drives emotions, most will panic, and the market will respond. Volatility is our new reality. As Benjamin Graham once stated "The market is a pendulum that forever swings between unsustainable optimism (which makes stock too expensive) and unjustified pessimism (which makes them too cheap). It is our intention to be the realist, who sells to the optimists and buys from the pessimists." Even though Mark Twain's statement is comical, it is true. It is never a good month or good opportunity to speculate in the stock market, however there will always be a good time to invest. Below, we have included charts of the three major indexes showing how they have performed over the first 6 months of 2016 and a second chart for each index showing how they have perform over the past year. These charts show the current volatility, however each also shows the resilience of these indexes and their ability to recover.

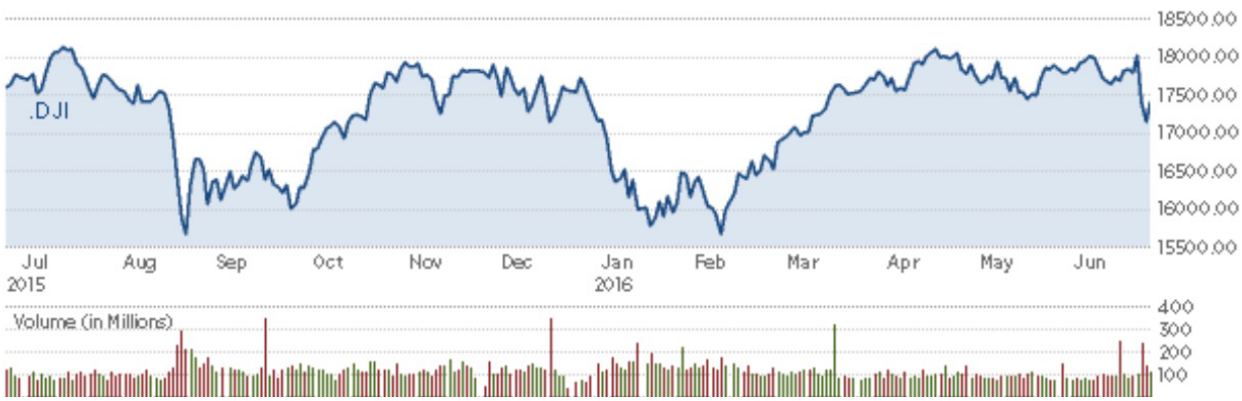
S&P 500 (1st 6 months of 2016)

S&P 500 (From July of 2015 thru June of 2016)



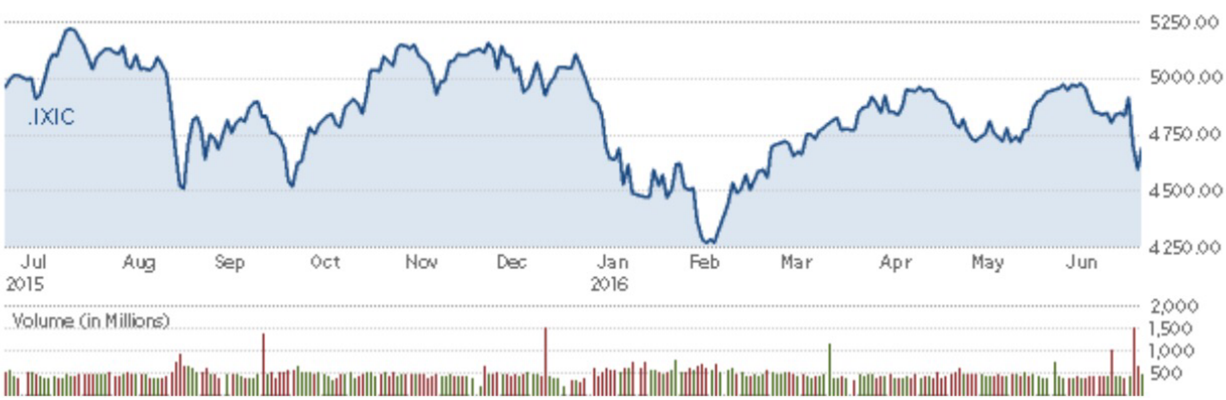
DOW JONES INDUSTRIAL AVERAGE (1st 6 months of 2016)

DOW JONES INDUSTRIAL AVERAGE (JULY 2015 thru JUNE 2016)



NASDAQ (1st 6 months of 2016)

NASDAQ (JULY 2015 thru JUNE 2016)



BREXIT

BREXIT: MARKET VOLATILITY

The vote on June 23, 2016 by the citizens of the United Kingdom to leave the European Union (EU) has caused at best, quite a conundrum or at worst, fears of economic and financial doom for the UK, Europe and some say much of the world, including the U.S. Will the will of the people's Brexit vote, albeit a narrow and quite shocking outcome, become a catastrophe or is it only a tempest in a teapot? Only time will reveal the final answer. But there is no shortage of prognostications of either outcome. Nevertheless, I maintain that Brexit should be viewed from a deeper perspective, not just through an economic and financial lens or perspective.

Before I share my view of a deeper perspective of Brexit, let's step back a moment for a little historical perspective.

Brexit means "Britain is leaving the EU." It is a word that has come about by combining two words Britain and exit.

The European Union (EU) is a political and economic community of twenty-eight countries or member states established in 1993 by the Maastricht Treaty. It presently has a total population of just over 500 million citizens. While it's rules are found very strict and restrictive in the minds of many, particularly British citizens, the formation of the EU was born in the ideal that common interests in economic growth and prosperity through trade and movement by its citizens among EU members was for the better and greater good of Europe (especially after WWII) and even the world. Certainly the U.S. has been an ardent supporter of the EU and Britain's membership in it.

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To be sure, the UK's membership in the EU has always been an uneasy one and has maintained a low grade fever of wanting to leave the EU. Now the "secession" fever has risen beyond containment and has indeed prevailed.

The Economic and Financial Lens

The notion or idea of a world or global economy is very real. There is such a thing. The often referenced phrases of "there are only 6 degrees of separation" or "the world is getting smaller by the minute", are not empty. Through technology with the Internet, ease of travel, and global financial firms and companies, the world is smaller and closer. It's more interdependent and demanding. Such an occurrence has caused anxiety, consternation and even rebellion in some countries and situations. The financial and economic crisis presently in Europe has caused us to retreat in thinking of doing things for the greater good.

The incessant need or want to advocate or pursue nationalism or to ignore the irreversible truth of a global economy seems to be growing. I believe this is not mental ascension, but mental devolution. Nationalism is delusional.

Most of the largest U.S. global companies (Apple, Exxon, IBM, Bank of America, McDonald's) earn most of their revenues and profits abroad. That's where the growth is for them and the host countries. The same holds true for all of the largest foreign global firms. They provide job opportunities for local citizens, provide goods and services thereby strengthening the economies of counties worldwide.

Brexit and the Ongoing Effects

The Transatlantic Trade and Investment Partnership has been set back years by Brexit. The highly secretive bid to reduce trade barriers for big businesses by January 2017 is now doubtful. At best, it has been moved into the future by 5 to 10 years, as President Obama stated in April of this year . It could have opened up Europe's health, education and water services to U. S. companies according to reports in The Express of London.

While estimates are that the negotiation process will take more than two years, the ripple effect is already being felt as the world financial markets reacted with panic by wiping out $2 trillion of equity value on Friday, June 24th alone. The initial shock will pass fairly quickly but the aftershocks will be felt up to the exit and beyond. Financiers around the globe are calculating feverishly how current economic models will change and in some extreme cases disappear. The financial markets dread uncertainty and become even more volatile during periods of uncertainty. In a market that has already experienced unusual levels of volatility over the past year, this will only add fuel to the fire!

Trade between the U. S. and U. K. is only 0.5% of U. S. economic activity. According to (FactSet), U. S. companies listed on the Standard and Poors 500 Index derive 2.9% of sales from Britain and 11.5% of all sales from Europe. Yet the global implications for the U. S. are much greater, because of the effects on Britain's major trading partners China and India.These two alone will have more far reaching impact going forward due to their respective portions of the global economy. While the underlying causes for Brexit are beyond the scope of this article, ongoing U. S. foreign policy has further been clouded. As our stalwart ally in the E. U. (Britain) will no longer be there to lobby the American position, yielding a separate and more difficult trading partner. Now with Europe dealing with a massive refugee/immigration problem and the ongoing fear of ISIS continuing to rear its head regularly, a very complicated global economy has ratcheted its challenges and underlying repercussions to an increasingly fragile level of complexity. How this scenario plays out remains to be seen but careful scrutiny and thoughtful, deliberate discussions by all the parties involved are a necessity.

"The financial markets dread uncertainty and become even more volatile during periods of uncertainty. In a market that has already experienced unusual levels of volatility over the past year, this will only add fuel to the fire!"

CONCLUSION

While the investing public is trying to adjust to ″the new normal″ of ongoing volatility, we at LCM are researching new avenues of the financial landscape to find today′s opportunities for our investors. Yesterday′s winners, such as energy producers and REITS (real estate investment trusts) are now resembling the bad bets of decades past. They will return over a longer period of time but may never be as vigorous as before. Experience shows us though, that our economy is dynamic and as doors close new doors (and the resulting opportunities) open. Much of the volatility is being created by the lack of global unity by the central banks (including our own Federal Reserve) announcing one strategy and seemingly following another. They are offering as the old saying goes, ″ a dime bowl of soup with a chicken in it″. If you look at the history of the stock market, we have seen all these ″crises″ come and go with a stronger America being the end result. As our investors and we, at LCM, are looking at the longer term for true lasting returns, the short-term can be disquieting. At LCM we see the lower investment valuations of present as opportunities to buy into some great sectors at the most reasonable prices in years.

Fixed-income investments are even more troubling with negative or near-negative interest rates. They have little or no effect on settling markets, and the specter of higher yields with declining investment values looms, if and when interest rates inevitably begin to rise. Inflation is beginning to reappear in certain core sectors while the free-fall in oil prices has kept the overall rate below the 3.5% government targets. Though as anyone knows who buys groceries or prescription drugs or has children in college, these costs are expanding rapidly with no ceilings in sight. Maintaining their buying power is now one of the main investment concerns our clients voice. The areas that the government measures for their inflation purposes may still be low but consumers certainly experience inflation growth on a daily basis.

We at LCM are up to these and the, as yet unforeseen, challenges that the financial markets have in store for us all. As a boutique wealth management firm, LCM is able to make the quick moves this new financial horizon dictates. With this and future articles, LCM will strive to keep you informed so together we can build our financial fortunes together.

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