

MARKET COMMENTARY

Equities extended their losses into September, with investors continuing to question the pace of global growth as the Chinese economy continued showing signs of weakness. Developed market equities were not immune, losing 2-5%, while emerging market equities lost 3%. In the U.S., consumer discretionary and utility stocks were the only sectors to generate positive results, while energy and materials continued to lag. WTI crude oil closed down 8% for the month but remains in the \$40 range that it has traded in for the last few months. Treasury yields fell on news that the Fed would keep interest rates unchanged and, thus, supported bond markets and provided a safe haven from risk assets.

MARKET NEWS

- The Federal Reserve voted 9-1 to leave the Fed Funds target rate unchanged at 0-0.25%; the Fed cited sub-2% inflation and the potential for further declines given global economic uncertainty
- A sell-off in biotech shares caused the healthcare sector to underperform following the Hillary Clinton campaign's pronouncement that pricing in the specialty drug market is "outrageous" and in need of government regulation
- The Chinese central bank (PBOC) confirmed that the yuan is not in need of long-term devaluation, affirming that recent action was part of its plan to gradually decouple the currency from the U.S. dollar

INDEX RETURNS & MARKET LEVELS^{1,2}

	Description	Month	3 Months	YTD	1yr
Equities					
S&P 500	<i>U.S. large cap</i>	-2.47%	-6.44%	-5.29%	-0.61%
Russell 2000	<i>U.S. small cap</i>	-4.91%	-11.92%	-7.73%	1.25%
MSCI EAFE	<i>Non-U.S. developed</i>	-5.08%	-10.23%	-5.28%	-8.66%
MSCI EM	<i>Emerging markets</i>	-3.01%	-17.90%	-15.48%	-19.28%

	Description	Month	3 Months	YTD	1yr
Fixed Income					
Barclays U.S. Aggregate	<i>U.S. core inv. grade</i>	0.68%	1.23%	1.13%	2.94%
Barclays Municipal	<i>U.S. municipal</i>	0.72%	1.65%	1.77%	3.16%
BofAML High Yield Master II	<i>U.S. sub inv. grade</i>	-2.59%	-4.90%	-2.53%	-3.57%
JPMorgan EMBI Global TR	<i>Emerging markets</i>	-1.38%	-2.04%	-0.32%	-1.96%

	Description	Month	3 Months	YTD	1yr
Alternatives					
HFRX Global Hedge Fund	<i>Hedge funds</i>	-2.07%	-4.26%	-3.05%	-4.74%
Alerian MLP	<i>MLPs</i>	-15.28%	-22.10%	-30.67%	-39.19%
S&P U.S. REIT	<i>REITs</i>	3.06%	2.08%	-4.15%	9.61%
Bloomberg Commodity TR	<i>Commodities</i>	-3.42%	-14.47%	-15.80%	-25.99%

U.S. Economic Measures

U.S. GDP ³		3.9%	(Q2 2015, third est.)
CPI-U ex Food & Energy ⁴	<i>"Core" inflation</i>	1.8%	(8/31/2015)
Unemployment Rate		5.1%	(8/31/2015)

	Levels		
	10/2/2015	12/31/2014	10/2/2014
Rates			
2yr U.S. Treasury	0.58%	0.67%	0.53%
10yr U.S. Treasury	1.99%	2.17%	2.44%
3mo LIBOR	0.33%	0.26%	0.23%
Prime Rate	3.25%	3.25%	3.25%
30yr Mortgage Fixed	4.08%	4.04%	4.33%

Commodities			
Gold (\$/oz.)	1,141	1,206	1,212
Copper (\$/MT)	5,081	6,359	6,694
Oil-WTI (\$/barrel)	45.55	53.49	91.01
Nat. Gas (\$/mcf)	2.26	3.00	3.99
Corn (\$/bushel)	3.73	3.80	2.91

Currencies			
Euro (\$/€)	1.13	1.21	1.27
Pound (\$/£)	1.52	1.56	1.61
Jap. Yen (¥/\$)	119.23	119.90	108.50

Investment Team:

John Howard (*Chief Investment Officer*)
 (214) 346-0789
 john.howard@hfs-wm.com

Stephen Howard (*Private Markets*)
 (214) 239-0850
 stephen.howard@hfs-cp.com

Will Gray, CAIA (*Public Markets*)
 (512) 828-7015
 will.gray@hfs-wm.com

Randall Horton (*Public Markets*)
 (214) 239-0883
 randall.horton@hfs-wm.com

About HFS:

Howard Financial Services, Ltd. is an SEC-registered investment adviser that was established in 1994 to provide comprehensive financial planning and investment management services. Our wealth management division, HFS Wealth Management, offers comprehensive financial advisory, portfolio management and consultative services. Proprietary investments are offered through our private investment affiliate, HFS Capital Partners.

Contact:

HFS Wealth Management
 8350 Meadow Road, Suite 181
 Dallas, Texas 75231
 Tel: (214) 346-0785
 Fax: (214) 346-0794
 www.howardfs.com

Notes: 1) Sources: Bloomberg, J.P. Morgan Asset Management, Morningstar, Hedge Fund Research, Bureau of Labor Statistics, Bureau of Economic Analysis. 2) Data as of the date of this report unless otherwise noted. 3) U.S. GDP measures the percentage change during the referenced quarter as published by BEA. 4) Consumer Price Index for All Urban Consumers: U.S. City Average, All Items Less Food and Energy is based on 12-month percent change as published by BLS.

Disclosures: This material is provided for informational purposes only and does not constitute an offer or solicitation by HFS, or its subsidiaries or affiliates, to invest in these indices or their constituent products. The data contained herein are from referenced sources which HFS believes to be reliable. This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. The views expressed are those of HFS. They are subject to change at any time. These views do not necessarily reflect the opinions of any other firm. Investing involves a high degree of risk, and all investors should carefully consider their investment objectives and the suitability of any investment. Past performance is not necessarily indicative of future results. All data is as of the date of this report unless otherwise noted.