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Second Quarter 2015

SEC regulations require that we provide a copy of my Form ADV Part 2 upon request, and that we notify clients of any material changes. There have been no material changes to BWM's Form ADV Part 2. If you wish to receive a copy, please contact us at (248) 556-2900 or kms@bernard-wealth.com, or visit www.bernard-wealth.com/compliance.

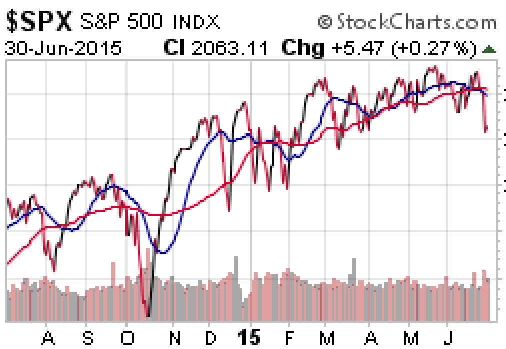

Fig. 1 – S&P 500

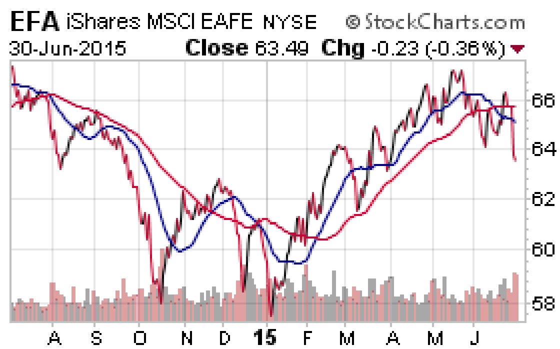

Fig. 1 – MSCI Europe, Australia, Far East

World markets treaded water in the second quarter of 2015, after posting broad gains in the first quarter. The S&P 500 (**Figure 1**) fell 0.2%, and logged a marginally positive total return of 0.3%, after adding in the impact of dividends. Small stock returns were also muted, with the Russell 2000 Small Cap index gaining 0.4%. Overseas results were similar. The MSCI Europe, Australia and Far East Index (**Figure 2**) rose 0.6%, although it gave back most of its gains towards the end of the quarter, as did the MSCI Emerging Markets Index, which fell 0.2%. Stocks in China continued to rise; the MSCI Hong Kong index added 4.5% in the quarter.

In the first quarter, U.S. corporations posted earnings that were largely better than forecasted, although revenue growth was constrained. According to market research firm Factset, 71% of S&P 500 companies topped analyst estimates, but only 46% beat revenue expectations. As expected, the energy sector, hurt by the recent sharp drop in oil prices, was the biggest loser. Seven of ten S&P sectors did grow earnings, led by strong quarters from health care and financial companies. Overall growth of 0.8% was slight, but significantly better than the decline of 4.6% that had been predicted. Analysts are again looking for an earnings decline of 4.6% in the second quarter. If corporations are able to beat this measure, it should help to move stocks higher. In particular, investors will be watching for signs that earnings have bottomed, and will reaccelerate in the second half of the year.

U.S. economic data in the past three months was once again mixed, but generally positive. As has often been the case in this tepid recovery, when one sector has faltered, others have provided a boost. Service sector readings have been steady, indicating solid growth. While overall gross domestic product was slightly down in the first quarter, the most recent revision showed better than expected consumer spending. Housing readings have also been strong. Both existing and new home sales have risen, along with new building permits, and the home price surveys have logged solid increases. The inventory of homes available for sale remains at historic lows, helping to maintain a seller's market. Buyers continue to be aided by still relatively low mortgage rates.

Index returns taken from Morningstar.com

Employment growth during the quarter was also solid, as the economy added more than two hundred thousand jobs each month. The unemployment rate ticked down to 5.3% in the June report. This improvement is due in part to a disappointing participation rate, as some have stopped looking for work. On a more positive note, the Labor Department recently reported the highest level of job openings since December of 2000. Demand for workers has been steady. Weekly initial claims have remained historically low, and corporate layoffs have been within norms, even with hiring weakness from energy companies. This demand has helped fuel the strength in housing and has led to improved levels of consumer confidence. This may in turn add to consumer spending in the months ahead, which comprises 70% of our economy.

The manufacturing sector was weak, particularly early in the quarter. The stronger dollar continued to make U.S. exports less attractive, and many companies are struggling with lower capital expenditures from the energy sector contraction. However, some of the June purchasing manager surveys indicated a step-up in new orders, which may signal improved results for manufacturers in the months ahead.

Developments overseas have once again added to investor uncertainty. As of this writing, negotiations continue between Greece and the rest of the European Monetary Union. Greece has defaulted on a payment to the International Monetary Fund and Greek citizens have rejected further austerity measures, raising the possibility (again) that Greece will exit the shared euro and return to its own currency. In addition, Chinese stock markets have fallen precipitously, after two years of very robust gains. These headline events are important, but seem unlikely to derail the U.S. economy.

Fig. 3 – U.S. Dollar Index

Fig. 4 – Russell 2000 Small Cap Index

Two themes that were highlighted in this letter last quarter seem likely to persist in importance. First, with the Federal Reserve likely to finally raise interest rates, and the European Central Bank continuing to print euros and buy European bonds, the U.S. dollar will probably resume its rise against other major currencies (**Figure 3**). Second, while this may squeeze results for some of large cap exporters, the strong domestic environment should provide a solid backdrop for small company stocks, which may continue to outperform (**Figure 4**).

We hope that you are enjoying a beautiful summer and look forward to speaking with you soon.