KALORAMA Wealth Strategies
A Beautiful View To Your Financial Future℠

Kalorama Wealth Strategies, LLC
2136 12th Place, N.W., Suite 100
Washington, D.C. 20009-7507
Phone: 202.550.7262
Fax: 480.247.5620
www.kaloramawealth.com

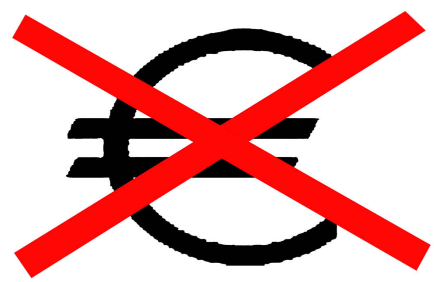
Second-Quarter 2015 Market Review ~ Greek Tragedy Looms Large

July - With Greece on the brink of defaulting on a $1.7 billion International Monetary Fund (IMF) loan repayment and a pending referendum about whether to accept European Union (EU) terms for a new debt bailout, U.S. stocks suffered their worst day of 2015 on the second-to-last day of the quarter. The Dow Jones Industrial Average plunged 350 points, resulting in a close for the first half of the year in the red, off 1.1%. The Standard & Poor's 500-Stock index managed to eke out a gain of 0.2%, its tenth consecutive quarterly advance.

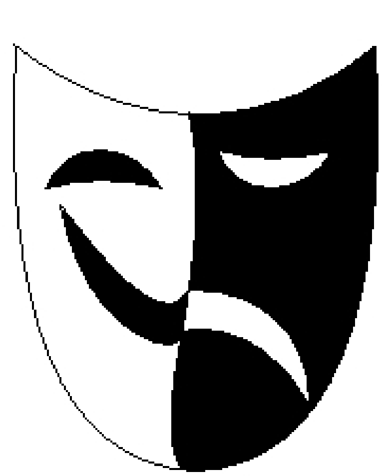
As negotiations broke down between Greece and its creditors, and no way to come up with the money, Greece failed to make the IMF payment, the first developed country to default on a rescue loan. Without a new bailout, more defaults were expected in the weeks ahead on Greece's massive debt of more than 300 billion euros.

Drachma Drama?

Darling you got to let me know
Should I stay or should I go?
If you say that you are mine
I'll be here 'til the end of time
So you got to let me know
Should I stay or should I go?



The song lyrics from the English punk rock band The Clash summed up the Greek quandary about whether to adopt further austerity measures and stay in the 19-country euro zone or ultimately abandon the euro currency and reinstate the drachma. Despite closed banks and limited ATM withdrawals, by a wide 61 to 39 margin, on July 5th, voters in the cradle of democracy said "No" to the proposed EU debt bailout. After five years of economic austerity imposed by EU creditors, Greeks rejected the potential more tax increases, government spending cuts, and pension reforms.



With the parties in a protracted showdown, the Greek drama loomed large over Europe. Greece exiting from the euro zone and 28-nation EU would demonstrate that the euro is reversible and a failure of the effort to tie Europe together in an economic and political alliance. There is concern about what would happen if the crisis spreads to other high-debt, slow-growth EU countries such as Portugal, Italy, and Spain. Nevertheless, global exposure is limited. As a result of past bailouts, Greek debt is not widely held. Its main creditors, the IMF, European Central

Bank, and other euro-area countries, collectively hold about 85%. (Notably, Britain is to vote on whether to stay in the EU by the end of 2017.)

The Greek crisis is not expected to have long-lasting effects on the U.S. markets and economy. With an economy the size of Connecticut (Greece represents only 1.8% of the euro zone economy), U.S. exports to Greece account for hundredths of 1.0% of total U.S. gross domestic product (GDP).

Subsequent to quarter end, Greece and its EU creditors reached an agreement, subject to approval by respective country legislators. Terms of the new bailout ended up being worse than those negotiated before the referendum. The $96 billion rescue, the third in five years, includes provisions to lower government costs, reform taxes and pensions, as well as establish a 50 billion euro asset fund to reduce debt and recapitalize banks. The asset fund would be created to sell ("privatize") nationally owned Greek utilities and land.

Greek lawmakers approved the bailout measures its citizens had rejected just days before. Banks are to reopen, although withdrawals will be limited. It remains to be seen what effect all the turmoil will have on Greece's fractured government.

Turning to market activities, broad stock measures mostly rose during the second quarter and first half of 2015, while real estate stocks dropped with a rise in interest rates and the commodity sector was dragged down by declining oil prices. Leading on the upside for 2015 are International Developed stocks, with Small Caps jumping 10.4% and Large Caps advancing 5.9%.

Higher interest rates saw most bond sectors lose ground for the second quarter and a stronger dollar led to declines for global bonds for the first half.

Although the Federal Reserve maintained its easy-money policy during the quarter, if economic growth stays on track, it is expected to hike its benchmark interest rate at some point in 2015, the first time in nearly a decade. The pace of future interest rate increases would likely be gradual which would mean that it will be several years before the federal funds rate would be back to its normal, longer-run level of about four to five percent. However, focusing on its data-dependent monetary policy, international developments or a disappointing U.S. recovery could push the initial rate increase into 2016.

At quarter-end, the yield on the 10-year Treasury note was 2.35%, up 42 and 18 basis points for the quarter and year-to-date, respectively (the yield as of July 9th was 2.30%).

Below are rates of return for selected market indices for the second quarter and first half of 2015, and the three, five, and 10-year compound annual returns as of December 31, 2014.

KALORAMA Wealth Strategies

A Beautiful View To Your Financial Future[sm]

	2Q:2015	YTD-2015	3-Year	5-Year	10-Year
Equity (Stock) Indices					
Domestic					
Russell 1000 - Large Cap	0.11%	1.71%	20.62%	15.61%	7.96%
Russell Midcap	-1.54%	2.35%	21.98%	17.43%	9.43%
Russell 2000 - Small Cap	0.42%	4.75%	19.21%	15.55%	7.77%
Real Estate (FTSE EPRA/NAREIT Global)	-5.72%	-1.91%	15.06%	10.93%	6.86%
Commodity (Dow Jones Global Equity 100)	-0.88%	-5.48%	-3.89%	NA	NA
International					
MSCI EAFE Developed Large Cap	0.84%	5.88%	11.56%	5.81%	4.91%
MSCI EAFE Developed Small Cap	4.50%	10.40%	14.20%	8.98%	6.40%
MSCI Emerging Markets	0.82%	3.12%	4.41%	2.11%	8.78%
Global - MSCI All Country IMI	0.70%	3.43%	14.90%	10.03%	6.91%
Fixed-Income (Bond) Indices					
Barclays Capital					
Global Aggregate	-1.18%	-3.08%	1.47%	3.15%	3.85%
U.S. Aggregate	-1.68%	-0.10%	3.32%	4.85%	4.91%
U.S. Treasury TIPs	-1.06%	0.34%	2.80%	5.58%	5.10%
U.S. Corporate High Yield	0.01%	2.53%	7.11%	8.23%	7.34%
Municipal	-0.89%	0.11%	5.32%	5.77%	5.04%
International Emerging Markets	0.45%	2.76%	7.73%	8.58%	8.41%

Source: russell.com, reit.com, djindexes.com, msci.com, barcap.com

Please feel free to forward this newsletter to friends and colleagues who can benefit from information about investing and financial planning. As always, if I can be of any assistance to you or anyone you know, please do not hesitate to contact me. It would be my privilege to assist with your investment and financial planning needs. For more information, please see our web site at www.kaloramawealth.com.

KALORAMA Wealth Strategies

A Beautiful View To Your Financial Future[sm]

Fee-Only Investment Advisory And Financial Planning

David M. Taube, CFA, CFP®

2136 12th Place, N.W., Suite 100, Washington, D.C. 20009

Phone: (202) 550-7262 Fax: (480) 247-5620

dtaube@kaloramawealth.com www.kaloramawealth.com