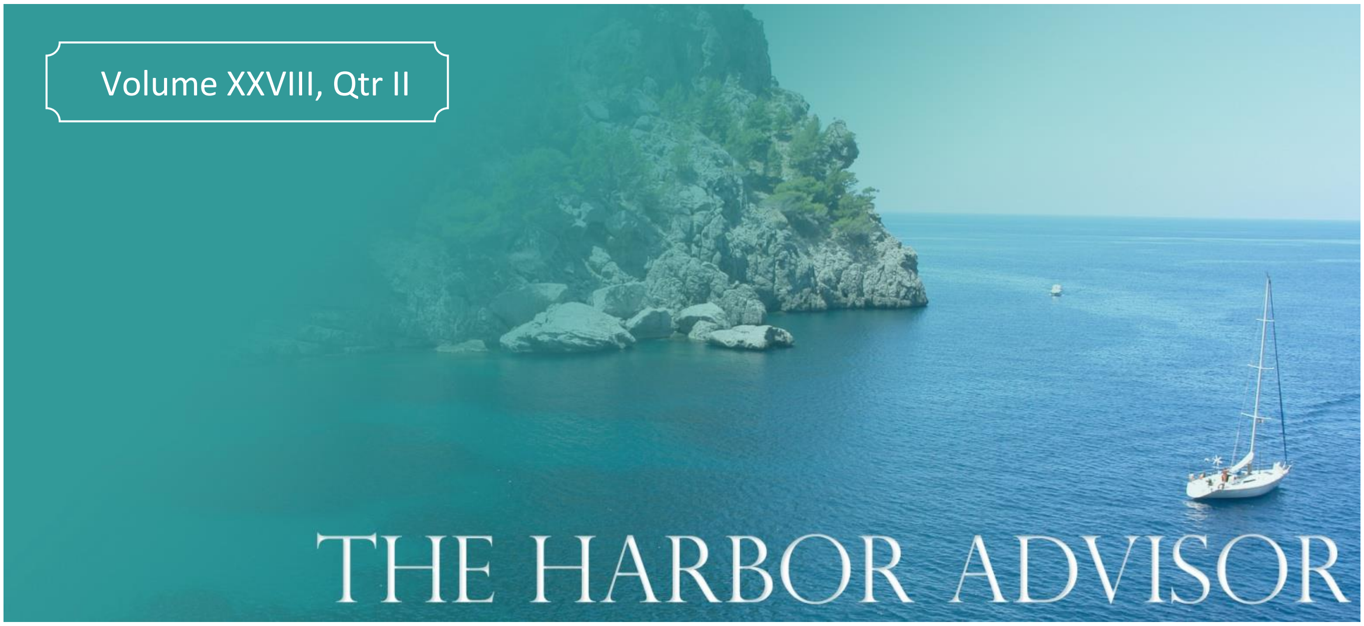


Contents

Main Articles

Individual Highlights

How Will You Spend Your Summer?

July is a great month and enjoying summer has always been on the top of my list. For one thing it is too short, at best we get 12 weeks. And that is only if you don't have kids in school. Everyone who knows me knows that I stretch this to the end of September, but summer is still too short.

I have a habit which I developed when my children were small that I still practice today. I list all of the fun things I want to do on a paper calendar and then coerce friends and family into joining me in the fun! First Fridays on Santa Fe, the Denver Botanic Gardens, Chautauqua concerts, a picnic near Brainard Lake, mountain golf, miniature golf and discovering new trails to hike in our beautiful mountains all come to mind. The list is endless.

The idea is not to let summer escape you - it is easy to do.

I suggest we focus on these activities instead of our financial plan, investment returns, insurance agents we need to contact and the cash flow that needs updating. Investment returns are moving in our favor, returns look good for stocks, bonds, real estate and private equity. While there are innumerable tweets and news blasts coming at us every day, does it really hurt to tune some of them out and enjoy a glass of lemonade?

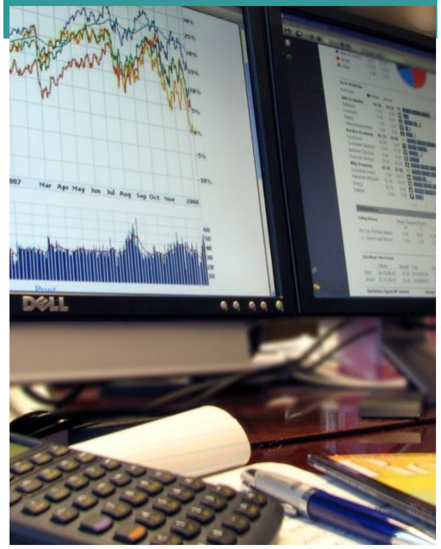
It is good for our health and our creativity not to mention our relationships. Back to school will be here before we know it with the attendant lists of to-dos, and pressures that come with our modern lives.

So, find a good book to read, a trail to pursue, a backyard in which to learn ladder golf and play. I would love to hear how you spent your summer.

July 11, 2017

2017 Anniversaries

50 Years Ago
The Beatles album release of "Sgt. Pepper's Lonely Hearts Club Band".



Second Quarter 2017 Market Recap

After several quarters of major market moving events, the second quarter of 2017 was relatively calm. US equities saw broad based gains powered by overall economic strength, technological advances, and consumer and business spending. Of the 11 sectors that make up the S&P 500, 9 saw positive returns for the quarter. Healthcare in particular performed very well, while energy and financial stocks lagged. Global equity markets advanced, supported by easing of political risk and strong corporate earnings. These gains are reflected in the major stock and bond indices. The Bloomberg Barclay's Aggregate Bond index was up 1.45% while the small-cap Russell 2000 gained 2.12%. The large-cap S&P 500 rose 2.57% and the foreign stock MSCI EAFE increased 5.03% during the second quarter. Showing confidence in the US economy, the Federal Reserve hiked interest rates once again in June. Rates settled between 1% and 1.25%. The job report released in June, marking the 8th anniversary of the recession's end, shows a tight labor market, with 4.4% unemployment.

"If you don't decide what your priorities are in life, everyone else will decide for you." Christy Wright

Fund Focus: Oppenheimer Developing Markets (ODVYX)

In the 1980s, emerging economies accounted for 36% of global GDP. In 2010-2015 emerging economies grew to account for 56% of global GDP, reflecting that these markets are doing exactly what their name represents: emerging. Harbor capitalizes on the significant growth in these markets through the Oppenheimer Developing Markets Fund (ODVYX). Justin Leverenz, the portfolio manager for the fund since 2007, takes a bottom up valuation approach, focusing on a specific company rather than an industry or the overall economy. This approach is enhanced by the fund's unusually low turnover ratio, which allows the selected companies time to perform. The fund focuses on companies that fit four investment themes: mass affluence, new technology, restructuring, and aging, and further selects market leaders that show sustainable growth and strong cash flows. The fund is a benchmark agnostic, which means it doesn't need to match the allocation of benchmarks such as the MSCI Emerging Markets Index. The fund has a Morningstar rating of 5 stars for the 10-year time frame and strong returns, which is impressive considering the notorious volatility of the emerging market investment universe.

Brexit: An Update

It has been just over a year since the UK voted to leave the EU. Since then, the pound has been weighed down due to the uncertainty and concerns about the effect that Brexit will have on the UK's economic growth. So far inflation has risen but unemployment has fallen to an 11-year low. While the economy has not languished as some first predicted, it is unknown what will happen after the UK actually leaves the EU.

Official negotiations mandated by Article 50 went into effect on June 19th, 2017. Article 50 outlines the legal procedure for any country that wishes to leave the EU. A 2-year process is now set in motion for the separation to occur. This is a tight deadline to work out the details of the departure, and while a longer timeframe could be negotiated, all EU countries would need to agree to it. Some of the terms being negotiated include the rights of British workers in the EU and EU workers in Britain. Border issues between Northern Ireland and the Irish Republic must be worked out and both sides will need to determine the amount of the exit cost that Britain should pay, based on the lost contribution to the EU.

One of Prime Minister Theresa May's priorities is to put restrictions on immigration, limiting the EU's policy of the open flow of people between borders. Yet, she wants to keep the "single market" free-trade deal with the other countries in the EU along with the EU's trade deals with 53 other countries. For this to occur, the UK would most likely need to agree to the EU's regulatory standards and open migration policies.

Other policies that will need to be negotiated over the next 2 years include financial services regulations, industrial policy, agricultural support and higher education. Uncertainty abounds but already many banks in the UK are planning to move operations to the EU. Also, Northern Ireland and Scotland are planning referendums of their own to stay in the EU.

Once the separation is complete, Britain will need to redefine itself as an independent country. While proponents of Brexit believe that leaving the EU will allow Britain to be free to make its own decisions, it will no longer be the strong economic power it was as part of the EU. We continue to watch our European investments closely but are pleased with their performance.

Sources: "One Year On, the Pound Can't Shake Brexit Blues", WSJ.com, June 23, 2017.
"The Two-Year Countdown to Brexit Has Begun", The Economist, April 1, 2017.

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Fiduciary, a word that looks even more interesting when spelled phonetically, has been in the financial news quite a bit lately. From the Latin fiduciarius meaning ‘something inspiring trust’, the word has come to connote the highest standard of care when used in the financial sphere. Among other things, the fiduciary standard requires that the advisor put the client’s interests above their own, making a best effort to use accurate and complete information in their advice. This standard also means advisors must disclose any potential conflicts of interest to the client.

The fiduciary rule, created during the Obama administration, took partial effect on June 9th of this year. For now, the rule only applies to retirement accounts and, in fact, still does not require an advisor to disclose a deficiency of training or education in financial planning and/or investing. It does offer consumers protection from excessive commissions, churning and other financial abuses in their retirement accounts.

Application of the rule hinges on the fiduciary standards outlined above versus suitability standards. Suitability standards are less rigorous, requiring only that the advisor suggest suitable investments. These ‘suitable’ investments can include those on which the advisor receives a higher fee but on which the performance is inferior. The advisor is also not required to disclose conflicts of interest in the recommendations.

Industry groups such as the Certified Financial Planning board, the National Association of Personal Financial Advisors and the Financial Planning Association are supportive of the rule and a hoped for expansion of fiduciary protections for investors. The rule promotes transparency in fees which has prompted many advisors to change to a fee only practice model versus the former commission and transaction based model. It also supports more holistic planning centered on client goals rather than the investment based model.

President Obama said at the time the rule was created “It’s a very simple principle. You want to give financial advice, you’ve got to put your client’s interests first.” We here at Harbor Financial Group agree wholeheartedly and act as fiduciaries for all of the assets we manage. Rule or no rule, we plan to continue.

Managing Your Digital Legacy

We recently updated our Personal Financial Organizer to include a section on digital legacy. This is designed to address your online accounts such as emails, photos, and social media/networking accounts.

If you don't plan for the management of your digital assets after death, your family may not be able to access them. Most online accounts will not pass through your will as they are not considered to be your property but simply ‘yours’ by license. When you die, that license is cancelled.

Laws vary by state and only 25 states have created laws to protect digital assets. Also, each provider has their own terms of service to determine how access is handled. Yahoo for example will delete an account upon presenting a death certificate but they will not archive or grant access to others. Google on the other hand allows you to designate a beneficiary who will inherit access to your Google accounts. It’s important to review your providers’ policies and understand who owns and has access rights to your digital legacy.

We suggest making a list of your accounts and their passwords so that your heirs or personal representative will have access. Some states allow you to specify a “digital executor” in your will. Leave instructions on how you want each treated after your death. Letting your loved ones know your wishes in this area can be as important as the financial details. Finally, find a safe place to store this information and don’t include login information in your will as it can become public record.

Please contact us if you wish to update or create a Personal Financial Organizer.

Living Well/Living Smart

Tidying Up

I’ll just admit it, decluttering brings me joy. I love cleaning out closets, cabinets and drawers. I love to be organized and even more so, think about being organized. A couple of years ago I read a book by Marie Kondo “The Life-Changing Magic of Tidying Up”, which has now sold over five million copies worldwide.

Kondo’s methods are quite different. Her method requires one to pull everything out of a closet, pick up each item and answer the question: Does this item spark joy? If yes, then it can go back into the closet. If not, then out it goes! Her method is extreme: Purging must be done all in one go. No procrastinating. No “maybe” pile.

I have to admit, I did not follow the rules entirely. I did not master her sock folding technique. And instead of completely clearing out my closet, I took one drawer or one shelf at a time. I did answer her question and finished with several large bags for the donation truck to pick up.

“Keep only the things that speak to your heart. Then take the plunge and discard all the rest” Kondo advises. “When you put your house in order, you put your affairs and your past in order, too. As a result, you can see quite clearly what you need in life and what you don’t.”

Happy spring cleaning this summer!

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Harbor Happenings

Second Saturday Divorce Workshop for Women

Megan Miller, CFA® CDFA® (Certified Divorce Financial Analyst), along with other professionals, will be hosting a divorce workshop in the fall for women who are going through or contemplating divorce. More information on the date and time will be coming later. Second Saturday workshops offer non-biased financial, emotional and legal advice from qualified local professionals, providing women with the knowledge, support and resources that they need to survive the divorce process and move forward with confidence toward a new life.

Elyse Foster Invited to Moderate Panel at the Private Wealth Mountain States Forum

In June, Elyse moderated a panel titled "Opportunistic Alternative Investing" at the Private Wealth Mountain States Forum held in Denver. This yearly, by invitation only, day-long investor education and professional networking event was attended by many large family offices, registered investment advisors, private banks and wealth management firms. The panel delved into the issues and strategies surrounding asset allocation and asset protection specific to the high-net-worth community of the Mountain States region.

PUTTIN' ON THE LEASH

This year Harbor co-sponsored the Humane Society of Boulder Valley's Puttin' on the Leash Gala – ***The Silver Screen*** – held on Saturday, April 22nd. It was an incredibly fun evening and, at the same time, raised money for the Humane Society of Boulder Valley, which benefits the animals in their care and increases awareness of the humane society's mission. Twenty restaurants catered for 1,300 guests and volunteers. There were more than 500 silent auction items and, altogether, proceeds from the evening garnered more than $450,000 – a substantial increase from 2016's event! Click ***here*** to see photos of the evening on Facebook.

Privacy Policy and New ADV Available

A full copy of Harbor's updated ADV (the form used by investment advisors to register with the SEC) is now available on our website. Please notify us if you would like a hard copy sent to you by mail.

2017 Closures

Our office is closed on the following New York Stock Exchange holidays in 2017: September 4, Labor Day; November 23, Thanksgiving Day; November 24, half day; December 25 Christmas Day.

The majority of our growth over the past 28 years has come from referrals from clients and other professionals. We thank those of you who have referred your friends and colleagues. If you know of anyone who might be interested in our services, please ask them to give us a call at 303-939-8788.