



MARKET SUMMARY

The third quarter of 2015 was marked by a significant rise in volatility as investors grappled with thoughts on whether the Federal Reserve Open Market Committee (“FOMC”) would raise interest rates for the

first time since 2006. The market volatility index, “VIX”, (which is referred to as the “fear index”) rose from 12 to a high of 40 and is currently around 22. Generally, the higher the VIX index figure, the more the volatility

in the stock market; typically correlating to downward movements in the stock market. Investors also started to be concerned about U.S. stock valuations. The S&P 500 Index lost 6.94% and the Dow Jones Industrial Average lost 7.58% during the third quarter of 2015.

The biggest event of the year, so far, occurred on September 17, 2015 when the FOMC decided not to raise interest rates. We believe on the surface this sounds like wonderful news, but it appears to us that the FOMC has developed a credibility problem as they have continuously discussed the need to raise interest rates. Janet Yellen, Chair of the Federal Reserve System, sounded very dovish and cited concerns of global growth as reasons to keep interest rates low. We believe there are several problems in keeping rates artificially low. First, the FOMC appears to be targeting stock prices which is not in its mandate. Second, artificially low interest rates encourage companies to take on considerable amounts of debt to fuel stock buybacks. We believe this scenario creates risk whereby this type of extreme leverage could lead to a major debt crisis further down the road as companies may not be able to service their debt. Lastly, with interest rates currently so low, the FOMC doesn't have any room to decrease interest rates if a crisis does occur.

Given all the current uncertainty, Lee Financial Group expects continued volatility going forward. We believe this could lend itself to opportunities to invest in high quality stocks at attractive valuation levels.



*Aloha,
Another quarter has come and gone! During the third quarter of 2015, we have experienced increased*

volatility in the equity markets. With issues like the impending increase of interest rates, the significant decline of the Chinese stock market and the continuing troubles with Greece and its impact on the European markets, the issue of selecting strategic investments may seem daunting or almost impossible.

I believe as investors, we understand that there are risks associated with all investments. The challenge is not to find a way to eliminate all market risk, but rather how can risk be reduced.

There are many opinions on how to reduce portfolio risk. I believe one of the easiest to understand and least disruptive methods is to take a long term view towards your investments.

Studies have shown that as we lengthen our investment horizon, the average annual rate of return over that timeline becomes less variable. Wharton School finance professor Jeremy Siegel, in conjunction with Wisdom Tree Investments, amassed figures on equity returns since 1871 and found that the stock market's total returns, including reinvested

dividends, have always been positive through holding periods of 15 years or greater. (source: <http://www.barrons.com/articles/the-bulls-long-run-is-not-over-yet-1420866621>)

There also may be tax advantages for investors who hold their investments longer than a year.

Long term investing also helps to reduce transaction costs and commissions.

If you have any questions about long term investing please give us a call.

I am very excited to introduce a new Lee Financial Group program called the “Educated Investor” that will begin in November 2015.

We will be conducting a series of educational seminars covering various investment topics. You will be able to hear from professionals at Lee Financial Group as well as special guest speakers. If you have any topics that you would like us to consider please let us know.

As we head into the last quarter of 2015, I once again want to thank you for your business. We work hard every day to earn your trust. Please call us if we can be of assistance. We would love to hear from you.

Mahalo,

Terry Lee



Please join us...

STRATEGIES THAT MAY PROTECT YOUR MONEY IN A VOLATILE ENVIRONMENT

A Free Seminar presented by
Barry Magaoay, VP/Senior Wealth Manager



*A 23-year veteran in the financial services industry,
Barry will discuss investment strategies that may
lower portfolio risk.*

Thursday, November 19, 2015

11:00 a.m.

Lee Financial Group Hawaii, Inc.

3113 Olu Street (Kapahulu)
Honolulu, HI 96816

About Barry...

*Barry joined Lee Financial Group Hawaii in 1993, and is
a series 7, 6, 63 and 65 FINRA registered representative,
and a State of Hawaii Life and Health Insurance producer.*

*Barry was born in California, and grew up on Kauai. He
also lived in Japan for two years and speaks Japanese. He
has a BA from the University of Hawaii, and was a four
year letterman on the UH men's volleyball team.*

**Registration Deadline:
Tuesday, November 10th**

Call 988-8088 to reserve your seat

Seating Limited

Educated Investor Series

*Lee Financial Group's Educated Investor Series seminars
will be held throughout the year for smaller groups and
focus on various investment topics.*

MAHALO FOR ATTENDING OUR HAWAII MUNICIPAL FUND EVENTS



Japanese Cultural Center of Hawaii, 8/04/15

Mahalo to everyone who joined us at our Hawaii Municipal Fund (SURFX) Update meetings. Many of you commented how great it was for us to come out and meet you in your communities, so we definitely plan to host these meetings again. We hoped you gained a greater understanding of how we manage the Hawaii Municipal Fund. We enjoyed your company and all of your feedback, and look forward to seeing you soon. For those of you who were not able to attend, please feel free to give us a call to set up a personal meeting to review your account.



Daniel, Keri & Barry at the Eagle Scout Ceremony

Outside the office, Barry oversees the Unit Commissioners for the Boy Scouts. Like our President and CEO Terry Lee, Barry is a former Eagle Scout, and now his oldest son, Daniel, is also an Eagle Scout. Barry has been married to Keri for 24 years and they have 3 other children - Luke, Peter and Aisha. Luke and Peter are also active in Boy Scouts and Aisha is a recent graduate of BYU.

This newsletter may contain certain forward-looking statements about factors that may affect the portfolio performance in the future. These statements are based on the predictions and expectations of Lee Financial Group Hawaii, Inc., concerning certain future events, such as performance of the economy, changes in interest rates and other factors that may impact the performance of the portfolios. Lee Financial Group Hawaii believes that these forward looking statements are reasonable, although they are inherently uncertain and difficult to predict. Actual events may cause adjustments in portfolio management strategies from those currently expected to be employed.