The third quarter of 2015 was one of the more difficult over the past number of years; however, we remain committed and confident in our positioning in terms of asset allocation, geographic allocation, and sector allocation.

As we have written about in both of our previous two newsletters this year, our top themes remain very consistent. We continue to believe that it is important to be positioned in the leaders in the Technology space (particularly pertaining to the “Internet of Things”), the Healthcare industry (especially with the leaders in biotech and immuno-oncology), and the Consumer Discretionary sector (focusing on those players leading the way in E-Commerce). We believe that these areas are going to be the driving force behind the economy over the upcoming 10+ years.

In terms of geographic allocation, we continue to benefit from US dollar exposure, and remain very positive on the US economy as a whole (more on this later). We are also optimistic with regards to the strengthening economic picture in Europe.

**The China Effect**

Headlines surrounding China have been anything but encouraging for global markets during the past few months. Be it the slowing growth, currency devaluation, or a bubbling domestic stock market, China has been a contributing factor to much of the uncertainty we are seeing in the markets of late. It is no secret that China plays a rather large role in global growth and could drag global financial markets lower as a whole, however, we do not believe that the slowdown in Chinese economic growth will be enough to offset all the strength we are seeing in certain sectors and markets.

How much of an effect does a growth slowdown in China have on different markets? Based on the chart below, using data from the International Monetary Fund and put together by RBC Global Asset Management, the change in real GDP growth for different major markets caused by a 1% reduction in China GDP growth varies considerably. Two of the areas least affected by slowing growth in China happen to be the two areas we have very positive outlooks for, the US and Europe.

![China growth slowdown has varied implications chart](chart.png)
ARTICLE: HOW TWO OF HISTORY’S GREATEST INVESTORS DEAL WITH LOSSES

One thing that you may hear a lot of during more difficult periods in the markets is how they are actually opportunities. Sometimes, that may be hard to believe while actually living through these times, so we thought it may be interesting to share some insights on how two of the most successful investors in history have dealt with these situations before.

Warren Buffet and David Tepper have both lived and invested through some periods of fairly extreme market turmoil. Warren Buffet’s personal holdings in Berkshire Hathaway, his conglomerate holding company, declined on paper by some $6.2 billion following a 1998 currency crises originating in Asia known as the “Asian Contagion”. This crisis led to the unraveling of hedge fund Long Term Capital, and a subsequent global financial fall-out. For those who don’t follow Warren Buffet, Berkshire Hathaway shares have since climbed well over 180% higher than they were before this “Asian Contagion”, and he is considered to be one of, if not the greatest investor of our time. At the same time as this was happening to Warren Buffet, David Tepper, a renowned hedge fund manager, saw his fund “Appaloosa” fall to more than 20% below the fund’s high-water mark, before climbing back and surpassing it again within 6 months.

The lesson that this article tries to drive home is that the worst market periods invariably pave the way for the best market periods, and often patience is the most important trait investors can have. For more reading on this story follow this link.

LONG TERM OUTLOOK GOOD

When it comes to our outlook over longer term we remain very positive. We consider the US stock market to still be in the relatively early stages of a long term secular bull market (more on what exactly this means can be found in our Q2 2015 Newsletter). However, being in a long term positive trending market does not necessarily mean that every year within this cycle will be positive. The important distinction that must be made when determining if a more difficult period is indicative of a pause in a long-term upswing, or a reversal of this positive trend, comes from the underlying economic strength of the US. Right now, the economic picture of the US remains strong. An interesting chart below looks at US stock returns from 1926 to 2014, it shows that negative years occur less often, and when they do occur they tend to be concentrated in the less extreme area. Tying in the importance of the underlying economic picture, the 6 years in the chart attributed to drops of more than 20% have all coincided with US recessions, of which there is no indications we are currently headed for.
TODAY MOST PEOPLE KNOW OF ELON MUSK AS THE CEO OF TESLA, AND PERHAPS AS THE FOUNDER OF SPACE TRANSPORT SERVICES COMPANY SPACEX. HOWEVER, HE HAS ACTUALLY BEEN ASSOCIATED WITH A NUMBER OF DIFFERENT PROJECTS ASIDE FROM THESE.

- 1971: ELON MUSK IS BORN
- 1983: AT AGE 12 CREATES AND WRITES A VIDEO GAME WHICH IS SOLD FOR APPROXIMATELY $500
- 1999: SELLS FIRST COMPANY, ZIP2, TO COMPAQ FOR OVER $300 MILLION
- 1999: FORMS X.COM WHICH EVENTUALLY BECOMES PAYPAL
- 2002: EBAY ACQUIRES PAYPAL FOR EQUIVALENT OF $1.5 BILLION
- 2002: FOUND SPACEX
- 2004: INVESTS IN TESLA MOTORS
- 2007: SPACEX OBTAINS $1.6 BILLION CONTRACT TO TRANSPORT CARGO TO SPACE STATION
- 2008: BECOMES CEO OF TESLA
- 2010: TESLA IPO

PICTURED ABOVE IS THE COVER OF A NEW BOOK RELEASED WRITTEN BY ASHLEE VANCE THAT SERVES AS A BIOGRAPHY OF THE LIFE AND EXPLOITS OF ELON MUSK. ONE THING IS FOR CERTAIN, THERE WILL BE MANY MORE BIOGRAPHIES WRITTEN ON HIM AS TIME GOES BY AND SOME OF THE MANY VISIONS AND PROJECTS HE IS CURRENTLY UNDERTAKING COME TO LIFE.

THE DI ORIO WEALTH MANAGEMENT TEAM HAS 5 COPIES OF THIS BOOK THAT WE WOULD BE HAPPY TO SEND TO THE FIRST 5 CLIENTS WHO REACH OUT TO US REQUESTING ONE.