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"Meh" is how the New York Times described 2015 as far as investments go. Three asset classes: Cash, US fixed income and the broad US stock market all had total returns of less than 1%. Commodities were down about 33%. The best of this sorry lot were US REITs with a 2.5% return. "Meh" indeed.

And, if "Meh" describes 2015, then the partial month of Jan 2016 can be characterized by "Ouch". The Equity markets, worldwide, and the commodities started 2016 negatively, and decisively so. Few, if any, had an inkling on New Year's eve 2015 that they would wake to such a difficult start to 2016.

We are (always) mindful of the bears and the pessimists, but are currently biased towards the thinking of the bulls. Accordingly, we deployed cash in portfolios to re-balance and invest them.

Our portfolios remain diversified across the five main asset classes with minimal exposure to fixed income. We think they are positioned prudently and believe that this diversified approach will provide enough return for investors to make meaningful progress towards their financial goals, without taking undue risk. We are also cost-conscious and endeavor to keep the total cost of investing at or below median levels in the industry. Thus, we anticipate that long-term investors with a sensible investment program will make progress towards their goals.

ANNUAL MARKET REVIEW 2015

Overview

Volatility may best describe the equities markets for the majority of 2015, as they were impacted by economic stress in China and Greece, coupled with underwhelming corporate earnings reports, falling oil prices, and terrorist attacks here and abroad. While some economic sectors, such as housing and labor, offered favorable news, others, including exports and wages, showed little in the way of positive movement. Nevertheless, despite inflation running below the Fed's target rate of 2.0%, there were enough signs of overall economic growth to prompt the Federal Open Market Committee to raise interest rates in December for the first time since 2006.

Of the indexes listed here, only the Nasdaq posted a year-on-year gain. Not even a fourth quarter rally could bring the other indexes into positive territory for the year. Nevertheless, the fourth quarter saw gains in large caps as the S&P 500 finished up 6.45%, while the Dow closed the quarter up 7.0%. Even the Global Dow gained a little over 4.0% for the quarter.

U.S. Treasuries saw prices fall during the fourth quarter as the yield on 10-year Treasury bonds jumped 22 basis points for the quarter. Oil prices (WTI) continued

Key Dates/Data Releases

1/4: ISM Manufacturing Index

1/6: International trade

1/8: Employment situation

1/15: Producer Price Index, retail sales, industrial

production

1/19: Consumer Price Index, housing starts

1/22: Existing home sales

1/25: New home sales, Federal Open Market Committee announcement

1/28: Durable goods orders

1/29: GDP

to fall, dropping from $46.36 per barrel at the end of the third quarter to $37.07 per barrel at the end of the fourth quarter. Gold, meanwhile, also felt the effects of the global economy, finishing the fourth quarter at roughly $1,060.50 an ounce compared to $1,114.50 an ounce at the end of the prior quarter. Finally, not all falling values are necessarily bad, as the average retail price of a gallon of regular gasoline fell $0.29 to $2.034 at the end of the quarter.

Market/Index	2014 Close	As of 9/30	2015 Close	Month Change	Q4 Change	2015 Change
DJIA	17823.07	16284.70	17425.03	-1.66%	7.00%	-2.23%
Nasdaq	4736.05	4620.16	5007.41	-1.98%	8.38%	5.73%
S&P 500	2058.90	1920.03	2043.94	-1.75%	6.45%	-0.73%
Russell 2000	1204.70	1100.69	1135.89	-5.19%	3.20%	-5.71%
Global Dow	2501.66	2245.80	2336.45	-2.32%	4.04%	-6.60%
Fed. Funds	0.25%	0.25%	0.50%	25 bps	25 bps	25 bps
10-year Treasuries	2.17%	2.04%	2.26%	6 bps	22 bps	9 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Snapshot 2015

The Markets

- **Equities:** It was a roller coaster ride in the equities markets in 2015. After a lackluster start, domestic equities spent much of the year riding a wave of peaks and valleys, to ultimately close the year short of where they started. Anticipation of a federal interest rate hike influenced the markets, as did global economies, particularly in China and Greece. Favorable labor and unemployment figures pushed the markets higher, only to see them recede with news of poor exports, stagnant inflation, mediocre earnings reports, and falling oil prices. While the close of 2014 saw several of the major indexes listed here post double-digit returns, 2015 found only the Nasdaq finishing ahead of its 2014 close--up 5.73%. The Dow lost 2.2% (the first time it posted negative annual returns since 2008), while the S&P 500 fell 0.7% following three straight years of double-digit gains. The Russell 2000 and the Global Dow took the biggest year-on-year hits, finishing down 5.71% and 6.60%, respectively.
- **Bonds:** Long-term bond yields ticked up only moderately at the close of 2015, confounding those who expected the yield on 10-year Treasuries to rise toward 3.0% by the end of the year, especially with the interest rate increase announced by the Fed early in December. Instead, the yield on 10-year Treasuries closed 2015 at 2.26% compared to the 2014 closing yield of 2.17%. A strong dollar, continued uncertainty surrounding the global economy, and low inflation made Treasury debt an appealing investment choice, keeping bond prices up and yields down.
- **Oil:** As oil producing countries flooded the market, oil prices remained below $40 a barrel. While falling energy stocks had an effect on the stock market, the plunge in oil prices helped fatten consumers' wallets, with prices at the pump hovering around $2 a gallon for regular gasoline.
- **Currencies:** Falling oil prices coupled, with the expectation of higher interest rates, helped boost the U.S. dollar, which continued to rise over the course of the year. The U.S. Dollar Index, a measure of the dollar relative to the currencies of most U.S. major trading partners, gained about 9% over its December 31, 2014, closing value. The dollar also benefitted from interest rates abroad, some of which were even lower than those for Treasuries. The strong dollar raised new

concerns that countries and foreign corporations hurt by lower oil prices might have trouble repaying debt in currencies that were substantially weaker against the U.S. dollar.

- **Gold:**With inflation hovering below 2.0%, gold, historically seen as a hedge against inflation, saw its value drop throughout the year, posting its third consecutive annual loss. The precious metal ended the year at roughly $1,060.50--about $120 below its value at the close of 2014.

The Economy

- **Employment:** Improvement in the U.S. job market was slow but steady. The unemployment rate ended the year at 5.0%, lower than the 5.6% rate at the close of 2014. According to the Bureau of Labor Statistics, over the past 12 months the unemployment rate and the number of unemployed persons were down by 0.8% and 1.1 million, respectively. Over the prior 12 months, total nonfarm payroll employment averaged a monthly gain of 237,000, adding 2.3 million jobs. Over the year, average hourly earnings have risen by 2.3% to about $25.25 per hour.
- **GDP:** Challenging weather, a strengthening dollar, and lower oil prices slowed growth in the first quarter of 2015 to 0.6%. Economic growth in the second quarter expanded at an annual rate of 3.9% on the strength of increased personal spending. However, the latest figures for the third quarter show growth is once again slowing down to an annual rate of 2.0%, as consumer and business spending figures were revised downward.
- **Inflation:** Inflation remained below the Fed's stated target rate of 2.0%, but indications are that it is expanding, albeit at a very slow pace. The Bureau of Labor Statistics reported that the all items index rose 0.5% from November 2014 to November 2015--the largest 12-month increase since the 12-month period ended December 2014. The food index rose 1.3% over the span, while the energy index declined 14.7%. The index for all items less food and energy rose 2.0%--its largest 12-month increase since the 12 months ended May 2014. The core personal consumption expenditures price index, relied upon by the Fed as an important indicator of inflationary trends, sat at 1.3% for the year, giving no clear indication that it will approach the Fed's 2.0% target rate.
- **Housing:** The housing market had been relatively strong for much of the year. However, the latest figures from the National Association of Realtors® show that sales of existing homes fell in November by 10.5% compared to October, and the year-on-year rate of existing home sales is -3.8%--the first such decrease since September 2014. The median price for existing homes in November was $220,300, which is 6.3% above November 2014. The number of new home sales in November 2015 increased 9.1% compared to the number of sales in November 2014. The median sales price of new houses sold in November 2015 was $305,000 and the average sales price was $374,900, compared to $302,700 and $358,800, respectively, in November 2014.
- **Manufacturing:** Manufacturing and industrial production have not been consistently strong sectors this year. The Federal Reserve's monthly index of industrial production was down 1.2% from November 2014 to November 2015. In addition, the latest report from the Census Bureau shows orders for all durable goods in the first 11 months of 2015 fell 3.7% on the year.
- **Imports and exports:** For the year, the goods and services deficit increased $22.2 billion, or 5.3%, from the same period in 2014. Exports decreased $84.7 billion, or 4.3%. Imports decreased $62.5 billion, or 2.6%. Low prices for oil held down imports, while the continued strength of the dollar was a key factor in the year's sluggish exports sector leading to weak demand abroad.
- **International markets:** For most of 2015, economic problems overseas impacted the United States and contributed to the Fed's caution with raising interest rates. Though the European Central Bank extended its program of buying bonds, cut a key interest rate to -0.2%, and passed measures intended to pressure banks to lend more, the eurozone economy grew at an annual rate of just 1.2%, with unemployment sitting at 10.7% and inflation at an annual rate of

only 0.1%. Greece began the year electing an anti-austerity prime minister, saw its economy contract to the point where its banks and stock markets were forced to shut down, then agreed to more intense austerity measures to help support its economy. China had experienced an average annual growth rate of 10%. However, 2015 saw China's economy grow at a much slower rate of about 7%, prompting several government-backed measures intended to support growth.

Eye on the Year Ahead

As the year came to a close, the Fed finally raised interest rates based on some favorable economic news, particularly on the labor front and, to a somewhat lesser extent, in the housing market. The Fed is expected to consider three to four more rate increases during 2016. However, falling oil prices, inflationary trends that have been less than robust, poor manufacturing and production numbers, and a glaring weakness in exports could impact whether additional rate hikes are in the offing for 2016.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.