FINANCIAL CONCEPTS
UNLIMITED, INC.

Financial Concepts Unlimited, Inc.

30B West Street
Annapolis, MD 21401
Phone: (301) 315-6344
Fax: (301) 315-6343
Toll Free:(866)-444-5122
http://www.fcuinc.com

John R. Taylor Jr.
President & CEO

November 5, 2015

QUARTERLY MARKET REVIEW: JULY - SEPTEMBER 2015

Dear Clients,

Widespread concerns about global growth triggered sharp financial market volatility during the third quarter. China was the catalyst for the turmoil, with an abrupt currency devaluation from their central bank in August, followed by a sharp downturn in their equity market, all fueling fears that the world's second-largest economy was cooling at a greater pace than its government originally reported. In addition, slowing demand from China also helped drive already-low commodity prices even lower, which contributed to investors' concerns the world over and further fueled the sell-off among global stocks.

Entering the third quarter, most investors expected the Fed would finally lift the federal funds rate target off its near-zero level (where it's been since 2008) in September. Improving economic data released during the quarter seemed to support that assumption. At its fall policy meeting, the Fed tabled the rate hike, citing the global economic slowdown and its risks to the U.S. economy as reasons to hold rates steady. Instead of cheering the Fed's decision, investors interpreted the delay as confirmation of the global economy's weakness, which put additional pressure on U.S. stocks.

With all of this Headline Risk around the Globe, came daily volatility, mostly to the downside. However, we feel strongly that the most significant factor to focus on is the ongoing economic recovery in key developed markets, from the US to Europe. This recovery remains, in our view, early to mid-cycle. In this context, the emergence of extreme market volatility is a regular reminder of the importance of sound portfolio construction, and the need to exercise a risk-aware (capital preservation) approach to investing. With this in mind, we stood ready to act during the last Quarter to move equity assets to more stable investments. However, we felt that should the market abruptly bounce off of the bottom, as it did in hindsight, we may well have done more harm than good to your portfolio by temporarily moving to less volatile assets. This is because volatility is truly defined by sharp movements in BOTH directions, and as a result a kneejerk reaction would have been extremely detrimental to the foundation of your portfolio. Instead, we held firm to our convictions and examined how our portfolio's held up during both the downward pressure and the switch upward in momentum, and were pleased by the final result.

Looking ahead, we continue to see a rise in volatility across asset classes and expect this to persist—particularly in light of recent market moves. However, we believe a diversified approach to alternative strategies and management should position us well for the volatility we anticipate. Most risk asset classes look fully valued today, in our view, but we believe that the opportunity to generate positive returns with a hedged long/short approach is as strong as ever.

The Markets

Volatility returned to the equities markets in the third quarter, impacted by economic stress in China (the world's second largest economy) and Greece, coupled with underwhelming corporate earnings reports and falling energy stock prices. While some economic sectors, such as housing and unemployment, offered favorable news, others, including exports and wages, showed little in the way of positive movement. As a result, the Federal Open Market Committee once again declined to raise interest rates, noting that inflation still hadn't reached the committee's preferred target rate of 2.0%.

Despite a closing rally in the major market indexes listed here, the third quarter ended a tumultuous period in negative territory. The Dow closed the month of September down 243.33 points for the month and 1,334.81 points for the quarter. The S&P fell 6.94% from the close of the second quarter and 6.74% for the year. The Nasdaq dropped 7.35% for the quarter, but only 2.45% for the year--markedly less than the other major indexes listed here. The Russell 2000 and the Global Dow suffered the biggest percentage losses for the quarter, falling 12.22% and 10.58%, respectively.

U.S. Treasuries were not immune to the economic tumult that befell the third quarter. The yield on U.S. 10-year Treasury bonds fell 31 basis points for the quarter. Oil prices (WTI) dropped from $59 per barrel during the second quarter to $46.36 per barrel at the end of the third quarter. Gold, meanwhile, also felt the effects of the global economy, finishing the third quarter at roughly $1,114.50 an ounce compared to $1,172 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 $0.48 to $2.322 at the end of this quarter.

Market/Index	2014 Close	As of September 30	Month Change	Quarter Change	YTD Change
DJIA	17823.07	16284.70	-1.47%	-7.58%	-8.63%
NASDAQ	4736.05	4620.16	-3.27%	-7.35%	-2.45%
S&P 500	2058.90	1920.03	-2.64%	-6.94%	-6.74%
Russell 2000	1204.70	1100.69	-5.07%	-12.22%	-8.63%
Global Dow	2501.66	2245.80	-4.63%	-10.58%	-10.23%
Fed. Funds	.25%	.25%	0 bps	0 bps	0 bps
10-year Treasuries	2.17%	2.04%	-17 bps	-31 bps	-13 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.

Quarterly Economic Perspective

China's slowing economy sent global markets reeling this summer. Already at its slowest pace in 25 years, China is struggling to reach its target growth rate of 7% for the year. Adding to concerns about the weakening of the world's second largest economy is the Chinese government's repeated intervention in an attempt to halt a massive sell-off and stabilize its securities market.

Interest rates were cut and bank reserve ratios were lowered, allowing for more money to be available to borrow for investment. However, Chinese banks are facing increasing economic risks due to the increasing number of bad loans, further dampening the Chinese economy.

Greece's debt crisis culminated in an agreement with its creditors on an 86 billion euro bailout, which may have allowed the country to remain in the eurozone. Greek Prime Minister Alexis Tsipras, despite campaign promises to write off debt and ease austerity, ultimately negotiated the terms of the new deal, which included stricter austerity measures than had previously existed. Tsipras subsequently resigned, calling for new elections in September, which resulted in his reelection as prime minister and leader of his left-wing Syriza party. Whether the Greek economy can muster enough support to comply with the requirements of the new debt deal remains to be seen.

The U.S. economy is progressing, but not at a pace sufficient to warrant raising interest rates, according to the Federal Open Market Committee (FOMC). After its September meeting, the FOMC indicated that, while there were improvements in some economic sectors such as labor and the housing market, other areas have lagged, including business and exports. With inflation still running below the Fed's target rate of 2.0% and the economic uncertainties in China, the FOMC stressed continued patience, yet indicated its expectation that interest rates will be raised sometime this year.

Still revising its second quarter figures, the Bureau of Economic Analysis noted that the real gross domestic product (GDP), which measures the value of the goods and services produced by the nation's economy less the value of the goods and services used up in production, is stronger at an annualized rate of 3.9%. This is up from the prior estimate of 3.7%. The upward revision was attributed to increases in personal consumption expenditures and nonresidential fixed investment.

Exports continue to be a drag on economic growth domestically. According to advance figures from the Commerce Department, August exports fell 3.2% as the trade deficit grew 13.6% to $67 billion.

The Department of the Treasury reports that for the 11-month period ended in August, the federal deficit was $530 billion--$59 billion less than the same 11-month period last year. Government receipts were up 8%, while government spending increased 4.8%.

Showing signs of economic improvement, the third quarter saw an increase in consumers' income and spending. The Bureau of Economic Analysis reported that in August consumer spending increased $52.5 billion, or 0.3%; disposable personal income increased $47.1 billion, or 0.4%; and wages and salaries increased $35.6 billion. The rise in personal consumption compared to the first quarter has spurred GDP growth in the second quarter.

Durable goods orders, or new orders placed with domestic manufacturers for future sales, fell 2.0% in August following a 1.9% increase in July, according to the Commerce Department. However, excluding transportation, new orders decreased less than $0.1 billion, virtually unchanged from a month earlier.

Possibly reflecting the stock market slow-down in September, the University of Michigan's Consumer Survey came in at 87.2 to close the third quarter, its weakest reading since October 2014.

Inflationary trends continued on a rather benign track through the quarter, still well below the Federal Reserve's 2% annual target. Consumer prices fell 0.1% in August, primarily caused by a sharp decline in gasoline prices. Producer prices moved down 0.8% for the 12 months ended in August, the seventh straight 12-month decline. Generally, annual core inflation as of August 31 hovered around 1.83%, not having reached the Fed's preferred 2% target rate since June 2012.

The housing sector remained a favorably trending sector in the third quarter. According to the National Association of Realtors®, total existing home sales in August enjoyed a 6.2% growth rate in year-on-year sales, maintaining a seasonally adjusted annual rate of 5.31 million. The median existing-home price for all housing types remained at $228,700. New home sales were at a seasonally adjusted annual rate of 552,000 in August--5.7% above the July rate of 522,000 and 21.6% above the August 2014 estimate of 454,000, according to the Census Bureau.

More people are working and fewer are filing for unemployment insurance. The Bureau of Labor Statistics reports the number of job openings again rose to a series high of 5.8 million on the last business day of July. The number of hires and separations edged down to 5.0 million and 4.7 million, respectively. The unemployment rate for August stood at 5.1% compared to 6.1% in August 2014. Continuing claims for unemployment insurance in the early part of September came in at 2.24 million compared to 2.46 million a year earlier.

In Closing

Financial markets at times can be unpredictable and often confounding, but keeping long-term plans clearly in focus can be crucial as periods of volatility persist and negative macroeconomic events occur. It's usually best to ignore daily market moves and not make investment choices based on emotion.

Our top down approach balances our longer-term macroeconomic and thematic views with shorter-term cyclical factors around which we tactically adjust our portfolios, sometimes employing several key alternative asset classes. As preservation of your capital remains our primary emphasis, with return following closely in importance, it is key to remember that the price of controlling downside volatility through diversification is often a sacrifice of a portion of upward gains. During periods of adversity, however, it's more important than ever to maintain perspective and embrace a long term discipline.

As we proceed into the fourth quarter, our view remains unchanged: Deflationary pressures abound due to both cyclical and secular forces. We expect these pressures to result in a global environment of lower economic growth and supportive central bank monetary policies for an extended period. We also believe the spike in volatility, widening credit spreads, falling commodity prices, and reduced inflation expectations support a more cautious stance. As a result, we see the U.S. remaining the better economy, and consequently the better investment choice for the near term.

In our view, equities could stage a rally into the end of the year and finish 2015 with modest gains. First and foremost, we are enthusiastic about opportunities at the stock level in many markets that have sold off broadly in this environment of uncertainty and volatility. Lastly, in a continued era of low interest rates and low commodity prices, we believe equities are still attractive versus bonds, cash and commodities.

As always, thank you for your continued support and confidence in our stewardship of your assets…

Warmest regards,

Financial Concepts Unlimited, Inc.

30 (B) West Street, Annapolis, MD 21401
301.315.6344 office
301.315.6343 fax
866.444.5122 toll-free

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.

IMPORTANTDISCLOSURES

Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, or legal advice. The information presented here is not specific to any individual's personal circumstances. To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.