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QUARTERLY MARKET REVIEW: OCTOBER – DECEMBER 2015

Dear Client,

We hope the New Year is starting off well for you and yours. 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.

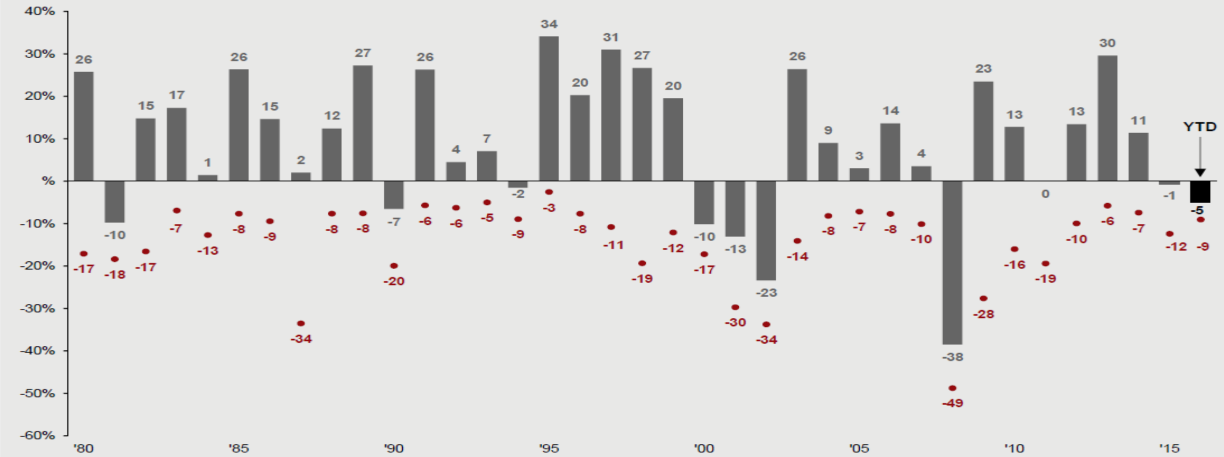
Of the indexes listed here, only the Nasdaq posted a year-on-year gain. Not even the expected fourth quarter rally could bring the other indices into positive territory for the year. Still, the fourth quarter saw gains in large caps as the S&P 500 finished up 6.45%, while the Dow closed the quarter up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

So we enter 2016 and the start for equities and the broader markets may be described as rocky at best. Stunted by receding oil prices and a plummeting Chinese stock market, January began with stocks hitting the skids in a big way. A late-month rally fueled by an about-face in oil prices, some favorable earnings reports, the prospect of further stimulus from the European Central Bank, and Japan dropping interest rates to negative numbers spurred stocks higher toward the end of the month, but not enough to lift each of the indices listed here out of negative territory year-to-date. The idea that oil would currently carry no inherent value for businesses and have such a direct correlation to the market was not expected on any level for the U.S. or Global Markets.

Even though the start of this year is the worst on record for the DOW & S&P, the charts below (Annual Returns and Intra-Year Declines 1980-2015) demonstrate the importance of diversification and asset allocation.

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns positive in 27 of 36 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2015, except for 2016 which is year-to-date.
Guide to the Markets – U.S. Data are as of January 31, 2016.

J.P.Morgan Asset Management

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	YTD	15-yrs. '01 - '15 Ann.	15-yrs. '01 - '15 Vol.
REITs 13.9%	Comdty. 25.9%	EM Equity 56.3%	REITs 31.6%	EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Fixed Income 1.4%	REITs 11.1%	REITs 22.4%
Fixed Income 8.4%	Fixed Income 10.3%	Small Cap 47.3%	EM Equity 26.0%	Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	Cash 0.0%	EM Equity 8.9%	Small Cap 21.6%
Cash 4.1%	High Yield 4.1%	DM Equity 39.2%	DM Equity 20.7%	DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	High Yield -1.5%	High Yield 8.4%	EM Equity 20.6%
Small Cap 2.5%	REITs 3.8%	REITs 37.1%	Small Cap 18.3%	REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. -1.7%	Small Cap 7.3%	Comdty. 19.0%
High Yield 2.3%	Cash 1.7%	High Yield 32.4%	High Yield 13.2%	Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	Asset Alloc. -3.5%	Asset Alloc. 5.3%	DM Equity 17.3%
EM Equity -2.4%	Asset Alloc. -5.9%	Large Cap 28.7%	Asset Alloc. 12.8%	Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs -3.5%	Large Cap 5.0%	Large Cap 17.0%
Asset Alloc. -3.9%	EM Equity -6.0%	Asset Alloc. 26.3%	Large Cap 10.9%	Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Large Cap -5.0%	Fixed Income 5.0%	Asset Alloc. 13.6%
Large Cap -11.9%	DM Equity -15.7%	Comdty. 23.9%	Comdty. 9.1%	High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	EM Equity -6.5%	DM Equity 4.0%	High Yield 11.8%
Comdty. -19.5%	Small Cap -20.5%	Fixed Income 4.1%	Fixed Income 4.3%	Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity -7.2%	Cash 1.5%	Fixed Income 3.5%
DM Equity -21.2%	Large Cap -22.1%	Cash 1.0%	Cash 1.2%	Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Small Cap -8.8%	Comdty. -1.0%	Cash 0.9%

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Barclays Global HY Index, Fixed Income: Barclays Aggregate, REITs: NAREIT Equity REIT Index. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period of 12/31/00 – 12/31/15. Please see disclosure page at end for index definitions. All data represents total return for stated period. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of January 31, 2016.

J.P.Morgan Asset Management

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.

In Summary-Closing

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.

As you have seen in the information above we have some reasonably positive economic data here in the United States that is being overshadowed by the raw emotion of fear. It is during these times that we must remember that keeping focused on our goals and objectives is even more paramount. We know, by looking back at history, that 6 of the 10 best days in the markets have occurred within two weeks of the 10 worst days. Furthermore, 60% of the January's that started the year with negative monthly returns posted positive full-year returns. With that being said, nothing in this world is ever predetermined or by any means guaranteed, but history shows us (as illustrated above) that a more welcome and prosperous outcome could very well be around the corner. We truly believe that sound allocation and steadfast objectives serve our clients well despite market conditions.

Wishing you and yours a healthy and happy 2016!

Warmest regards,

John R. Taylor, Jr.,
President & CEO

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).

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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.

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