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QUARTERLY MARKET REVIEW: JANUARY-MARCH 2016

Dear Client,

WOW …….. for those who like amusement parks, the first quarter of 2016 has provided one of the best roller coaster rides in recent memory. And for those who like to stay home and watch movies, what a curious case of Dr. Jekyll & Mr. Hyde.

In the first six weeks leading into the month of February, we saw the SP 500 & the DOW off more than 10 percent.
We saw crude oil prices drop more than 22 percent, and Treasuries following the same direction, yet as we mentioned in our prior commentary "6 of the 10 best days in the market have occurred within two weeks of the 10 worst days".

The DOW and the SP 500 rebounded nearly 13 percent from their mid February lows with crude oil prices experiencing roughly a 35 percent rally. With Treasuries, caught between equities and oil, that wonderful word called "fear", caused yields to be pulled in either direction with the erratic swings in risk assets and a rush for haven assets.

In a sign of its resilience, the domestic economy as held up well in the face of many negative factors, including a weak international economic growth outlook: a shift in domestic interest rate policy; an unsettled presidential election campaign; and volatile equity markets.

As a result of the above market shift, we took this opportunity to rebalance the portfolios, buy assets while they were on sale and to reposition into assets that help dampen volatility.

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The Markets (as of market close March 31, 2016)

The first quarter of 2016 started with a whimper as equities suffered several weeks of losses. However, as March came to a close, several of the indexes listed here recovered enough to finish the quarter in positive territory. The Dow picked up 260 points to close 1.49% ahead of its fourth-quarter closing value. The S&P 500 also finished the first quarter slightly better than it ended the previous quarter.

However, the NASDAQ, Russell 2000, and Global Dow each ended the quarter behind their respective December 2015 closing values. March proved to be a good month for equities, as each of the indexes listed here yielded positive returns, led by the Dow and the Russell 2000, each of which gained more than 7.0% over February.

The debt side of the ledger also produced a mixed bag of revolving returns as 10-year Treasury yields fell to their lowest end-of-quarter levels since the fourth quarter of 2012. Yields on long-term Treasuries opened the quarter at around 2.25%, but ended it at 1.79% as money moved in, driving prices higher and yields lower.

Gold was a winner in the first quarter, moving from $1,060 at the beginning of the quarter to over $1,233 by March 31--a gain of over 16% for the quarter. Crude oil (WTI), on the other hand, began the quarter selling at around $37 per barrel, then fell to under $30 per barrel by mid-January, only to rise to close to $40 per barrel by mid-March, ultimately closing the quarter at $37.49 per barrel as of the 31st.

Market/Index	2015 Close	As of March 31	Month Change	Quarter Change	YTD Change
DJIA	17425.03	17685.09	7.08%	1.49%	1.49%
NASDAQ	5007.41	4869.85	6.84%	-2.75%	-2.75%
S&P 500	2043.94	2059.74	6.60%	0.77%	0.77%
Russell 2000	1135.89	1114.03	7.75%	-1.92%	-1.92%
Global Dow	2336.45	2307.34	6.88%	-1.25%	-1.25%
Fed. Funds	0.25%-0.50%	0.25%-0.50%	0 bps	0 bps	0 bps
10-year Treasuries	2.26%	1.79%	6 bps	-47 bps	-47 bps

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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.

The Quarter in Review

Employment: The employment sector remained strong with 215,000 new jobs added in March compared with 262,000 at the end of the fourth quarter 2015. The unemployment rate remained at 5.0% in March. There were 8 million unemployed persons in at the end of the first quarter, while the labor force participation rate increased slightly to 63.0% from 62.6% at the end of the fourth quarter. According to the latest figures from the Bureau of Labor Statistics, the average workweek decreased to 34.4 hours from December's average of 34.5 hours. Average hourly earnings rose to $25.43.

FOMC/interest rates: At both its January and March meetings (it did not meet in February), the Federal Open Market Committee determined that overall economic conditions were not sufficiently improved to justify a further interest rate hike. The last time the Fed increased rates was December, when the Committee raised the target range for the federal funds rate to 0.25%-0.50%. In support of its decision to maintain interest rates at their present level, the FOMC noted that strong labor market conditions, improvement in the housing sector, and increased household and business spending were offset by slowing economic growth, soft exports, and low inflation, which is continuing to run below the Committee's target rate of 2.0%.

Oil: Oil prices rebounded a bit during the first quarter, although prices remain volatile and relatively low. At the end of March, crude oil (WTI) was selling at $37.49 per barrel compared to December's closing price of $37.07 per barrel. The national average retail regular gasoline price increased during the first quarter of 2016, selling at $2.066 per gallon on March 28, 2016, $0.032 above the December 28 price of $2.034.

GDP/budget: The fourth quarter 2015 gross domestic product grew at an annualized rate of 1.4%, according to the third estimate of the Bureau of Economic Analysis. This is behind the third quarter's 2.0% growth rate and the 3.9% second quarter rate. As to the federal government's budget, figures can fluctuate significantly from month to month, depending on the timing of payments and outlays.

So it's not surprising that the Treasury reported a $192.6 billion budget deficit for February, following January's $55 billion budget surplus. The deficit for fiscal 2016 (October through February) is $353 billion ($386.6 billion for the same period in 2015). Compared to the first five months of fiscal 2015, government receipts are up 5.3%, while outlays are also up 1.86%.

Inflation: Inflation continues to run below the Fed's target rate of 2.0%. In February, personal income (pretax earnings) and disposable personal income (income less taxes) each rose 0.2%, according to the latest report from the Bureau of Economic Analysis. Personal spending increased only 0.1%. An inflationary indicator of special interest to the Fed, core personal consumption expenditures (personal spending excluding volatile food and energy costs) rose 0.1% in February from the prior month, and is up 1.7% from a year earlier--still short of the Fed's inflation target rate of 2.0%.

The Producer Price Index, which measures the prices companies receive for goods and services, decreased 0.2% in February. For the 12 months ended February 2016, final demand prices for all categories of goods and services remained unchanged. However, over the same period, prices (less food, energy, and trade services) rose 0.9%--the largest 12-month advance since July 2015. Overall, the Consumer Price Index declined 0.2% for February. However, year-on-year, the Consumer Price Index has increased 1.0%. Retail sales were down 0.1% in February

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over the prior month, but are 3.1% ahead of February 2015.

Housing: The housing market, which has been a strong sector of the economy, may be showing signs of slowing in the first quarter. Sales of existing homes were down 7.1% in February at an annualized rate of 5.08 million, compared to 5.46 million at the end of the fourth quarter. According to the latest report from the National Association of Realtors®, year-on-year sales growth of existing homes is up 2.2%.

On the other hand, the median sales price for existing homes was $210,800--a drop of 5.9% from the median price for existing homes in the fourth quarter ($223,200 in December). The latest figures from the Census Bureau show that the 512,000 annual rate of sales of new single-family homes in February was 6.25% below December's revised rate of 544,000. The median sales price of new houses sold in February was $301,400, while the average sales price was $348,900.

Manufacturing: Manufacturing and industrial production have been relatively weak economic sectors. The Federal Reserve's monthly index of industrial production (factories, mines, and utilities) fell 0.5% in February following an 0.8% increase in January. More specifically, manufacturing production increased 0.2% in February, and is up 1.8% over the last 12 months. Nevertheless, factory production has been hindered by weak exports and low demand for energy equipment. In addition, the latest report from the Census Bureau shows new orders for all durable goods (expected to last at least three years) fell 2.8% in February from January's revised figures. Excluding the volatile transportation segment, new orders fell a disappointing 1.0%.

Imports and exports: International trade in goods showed favorable movement in February as imports were up 1.6% ($181,562 billion), while exports increased 2.0% ($118,698 billion). The difference between the cost of imports and exports increased to $62.9 billion, up slightly from January's revised difference of $62.4 billion. The prices for U.S. imports (goods bought here but produced abroad) fell 0.3% in February following a 1.0% drop in January. The prices for exports dropped 0.4%. Year-on-year, import prices are down 6.1% and export prices have fallen 6.0%.

International markets: The health of China's financial system remains a concern, with large blocks of capital leaving the country on a regular basis. The European Central Bank initiated additional stimulus moves intended to spur the euro zone's economy--and it may be working as economic activity picked up in March, at least according to the latest survey of purchasing managers. However, inflation remains at historically low levels and exports continue to hinder sales.

Consumer sentiment: Consumer confidence seems to have picked up during the first quarter. The Conference Board Consumer Confidence Index® for March rose to 96.2 following February's index reading of 94.0. Consumers expressed favorable views on the labor market and business conditions, but remained concerned with the overall economic outlook.

Summary-Closing

This amusement park is currently open 24 hours and the movie has not yet ended…

Though the exact moment of market volatility's arrival can rarely be predicted, there is no disputing its eventuality.

The slump in oil prices, the spillover from China's financial transition, and signs of late-cycle caution in credit are much like the ebb and flow of tides, whose intensity varies but whose existence does not.

The FOMC's decision to stand pat at its recent meeting, coupled with committee chairwoman Janet Yellen's dovish comments during congressional testimony, have assuaged financial markets in the near term. However, the FOMC will

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be looking for continued signs of improvement and current indications are they will not follow their initial plan for this year.

These events are something we will be closely monitoring, as we proceed into 2016…

Sincerely,

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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). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. 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. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.