

APRIL 2016 - ADVISORY COMMENTARY

THE S&P 500 ENDED THE MONTH OF MARCH WITH A 6.6% GAIN, THE LARGEST MONTHLY GAIN SINCE OCTOBER 2015. IT WAS THE BEST MARCH SINCE 2009. FOR THE QUARTER, THE S&P 500 WAS UP 0.8%, WHICH IS ALL THE MORE IMPRESSIVE CONSIDERING AT THE LOWS IT WAS DOWN MORE THAN 10%. IN FACT, THIS WAS THE FIRST QUARTER SINCE THE Q4 1933 TO SEE A REVERSAL LIKE THAT. THE QUARTER ENDED WITH 13 STRAIGHT DAYS WITHOUT A 1% MOVE (UP OR DOWN). CONSIDERING 26 OF THE FIRST 48 DAYS IN 2016 HAD AT LEAST A 1% MOVE, THE DISAPPEARANCE OF VOLATILITY IS AMAZING.

THE UPCOMING EARNINGS SEASON LOOKS TO BE ANOTHER NEGATIVE ONE, AS COMPANIES ARE SET TO DELIVER A 7% YEAR-OVER-YEAR DECLINE IN S&P 500 EARNINGS FOR THE QUARTER, THE WORST SINCE THE GREAT RECESSION AND THE THIRD STRAIGHT QUARTERLY DECLINE, BASED ON THOMSON DATA. THIS QUARTER MAY MARK AN INFLECTION POINT IN TERMS OF THE TRAJECTORY OF EARNINGS BECAUSE THE PRESSURE FROM OIL WEAKNESS AND U.S. DOLLAR STRENGTH IS STARTING TO LET UP. IN FACT, THE U.S. DOLLAR HAS DECLINED 5.1% OVER THE LAST TWO MONTHS AND OIL SHOT UP OVER 8.5% IN MARCH. THIS LIKELY MEANS THAT MANAGEMENT TEAMS' POPULAR EXCUSES FOR EXPLAINING THEIR PREVIOUS SHORTFALLS PROBABLY WON'T WORK MUCH LONGER.

GIVEN THAT THE GOVERNMENT EMPLOYMENT DATA CONTINUES TO SHOW RELATIVE STRENGTH IN THE FACE OF MOSTLY TEPID ECONOMIC DATA, THE FED SEEMS TO BE CONTENT WITH FORECASTING A MORE GRADUAL RATE-HIKING AGENDA AS WE MOVE FORWARD THIS YEAR. WITH THE RAPID RUN-UP IN MARCH, AND GIVEN THAT IT SEEMS TO HAVE LARGELY BEEN DONE ON THE BACK OF NON-FUNDAMENTAL FACTORS, WE BELIEVE THAT WE ARE LIKELY TO SEE ANOTHER PULLBACK COMING IN THE WEEKS AHEAD. FOR NOW, WE ARE HOLDING TO OUR CONVICTION THAT A MORE MODERATE PORTFOLIO ALLOCATION WOULD SEEM TO BE THE MOST LIKELY BENEFACITOR FOR THE REMAINDER OF 2016.

SINCERELY,



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MARCH 2016 - MARKET UPDATE

EQUITY MARKETS

- S&P 500 INDEX TR +6.78%
- DOW JONES INDUSTRIAL AVERAGE TR +7.08%
- NASDAQ COMPOSITE INDEX +6.84%
- RUSSELL 3000 INDEX TR +7.04%
- CBOE SPX MARKET VOLATILITY INDEX -32.12%

FIXED INCOME MARKETS

- BARCLAYS U.S. AGGREGATE BOND INDEX +0.92%
- BARCLAYS U.S. 7-10 YEAR TREASURY BOND INDEX -0.02%

ALTERNATIVE INVESTMENTS, COMMODITIES & CURRENCIES

- S&P GSCI TOTAL RETURN INDEX +4.93%
- GSCI WEST TEXAS INTERMEDIATE EXCESS RETURN +8.55%
- U.S. DOLLAR INDEX -3.73%
- GOLD SPOT +0.17%
- DOW JONES COMPOSITE REIT INDEX TR +10.15%
- CBOE BUYWRITE MONTHLY INDEX +1.97%

ANCHORED GROWTH BENCHMARK +5.16%

(70% RUSSELL 3000, 25% BARCLAYS U.S. AGGREGATE BOND INDEX, 5% CASH)

FOUNDATION TOTAL RETURN BENCHMARK +3.89%

(50% RUSSELL 3000, 40% BARCLAYS U.S. AGGREGATE BOND INDEX, 10% CASH)

INFLATION-PLUS INCOME BENCHMARK +0.44%

(40% BARCLAYS U.S. AGGREGATE BOND INDEX, 40% BARCLAYS U.S. 1-3 YEAR TREASURY BOND INDEX, 20% CASH)

*SOURCE: KWANTL.COM (4/11/16). INDEXES ARE UNMANAGED AND CANNOT BE INVESTED INTO DIRECTLY. UNMANAGED INDEX RETURNS DO NOT REFLECT FEES, EXPENSES, OR SALES CHARGES. INDEX PERFORMANCE IS NOT INDICATIVE OF THE PERFORMANCE OF ANY INVESTMENT. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.



The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system.

The NASDAQ Global Market Composite consists of 1,450 stocks that meet NASDAQ's strict financial and liquidity requirements, and corporate governance standards. The Global Market Composite is less exclusive than the Global Select Market Composite.

The Russell 3000 Index is a market capitalization weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire U.S. stock market. More specifically, this index encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S.

The CBOE SPX Market Volatility Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk and is often referred to as the "investor fear gauge."

The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

The Barclays US 7-10 Year Treasury Bond Index measures the performance of U.S. Treasury securities that have a remaining maturity of at least seven years and less than 10 years.

The S&P GSCI is recognized as a leading measure of general price movements and inflation in the world economy. The index – representing market beta – is world-production weighted. It is designed to be investable by including the most liquid commodity futures, and provides diversification with low correlations to other asset classes.

The GSCI West Texas Intermediate Excess Return Index reflects the returns that are potentially available through an unleveraged investment in the West Texas Intermediate (WTI) crude oil futures contract plus the Treasury Bill rate of interest that could be earned on funds committed to the trading of the underlying contracts.

The U.S. Dollar Index is a measure of the value of the U.S. dollar relative to majority of its most significant trading partners. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies.

Gold Spot refers to the price paid for current delivery of 1 ounce of physical gold.

The Dow Jones Composite REIT Index contains all publicly traded U.S. REITs in the S&P Dow Jones Indices U.S. stock universe that are classified into one of three subcategories—equity, mortgage or hybrid—as defined by the REIT/RESI Industry Classification Hierarchy.

The CBOE S&P 500 BuyWrite Index (BXM) is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index.



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