WEATHERING MARKET VOLATILITY

Pullbacks are normal. It's how you deal with them that counts.

"The real key to making money in stocks is not to get scared out of them."

Peter Lynch
Businessman, stock investor and former mutual fund manager

Periods of market volatility – especially pullbacks – can trigger emotional responses in investors. You may feel upset or worried. It happens. And it's normal. Volatility can also appear as rapid upswings causing sometimes-unbridled euphoria that can also impact judgment. That's why the best response to market volatility is to contact your advisor for a heartfelt conversation about what the numbers really mean.

Especially during declines, your advisor can act as a sounding board for your concerns. By talking about current events in light of your overall financial plan, your advisor can help provide reassuring perspective to help you stay the course, even though the market may seem relatively tumultuous.

Just ahead, you'll find information about market volatility, historic perspective on downturns and ideas for how to handle them.

HISTORY PROVIDES PULLBACK PERSPECTIVE	OVER TIME, RETURNS HAVE BEEN POSITIVE	DIVERSIFICATION MAY HELP SMOOTH THE RIDE	IN MARKET DECLINES OPPORTUNITIES MAY ARISE

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HISTORY PROVIDES PULLBACK PERSPECTIVE

> "Stock market corrections, although painful at the time, are actually a very healthy part of the whole mechanism."
>
> – Ron Chernow
>
> *Financial writer, journalist, historian and biographer*

Pullbacks can make investors want to pull up stakes and pull out – a common reaction and a common mistake, especially for long-term investors. On the other hand, the right knowledge can help us avoid mistakes. And when we are willing to learn, there's no better teacher than history.

By looking at the market over a long period of time, we're provided with a true testament of resiliency. Each decline along the way felt terrible. And declines today feel just as bad. But when we track the overall growth the market has achieved, we learn a lesson in persistence, patience and commitment.

KEY POINTS

- The stock market is cyclical.
- You will likely encounter numerous pullbacks and/or corrections as a long-term investor.
- A study of the stock market shows its resilience.
- The upturns have always been stronger than the downturns in the long run.

TIP

WHAT IS IT?

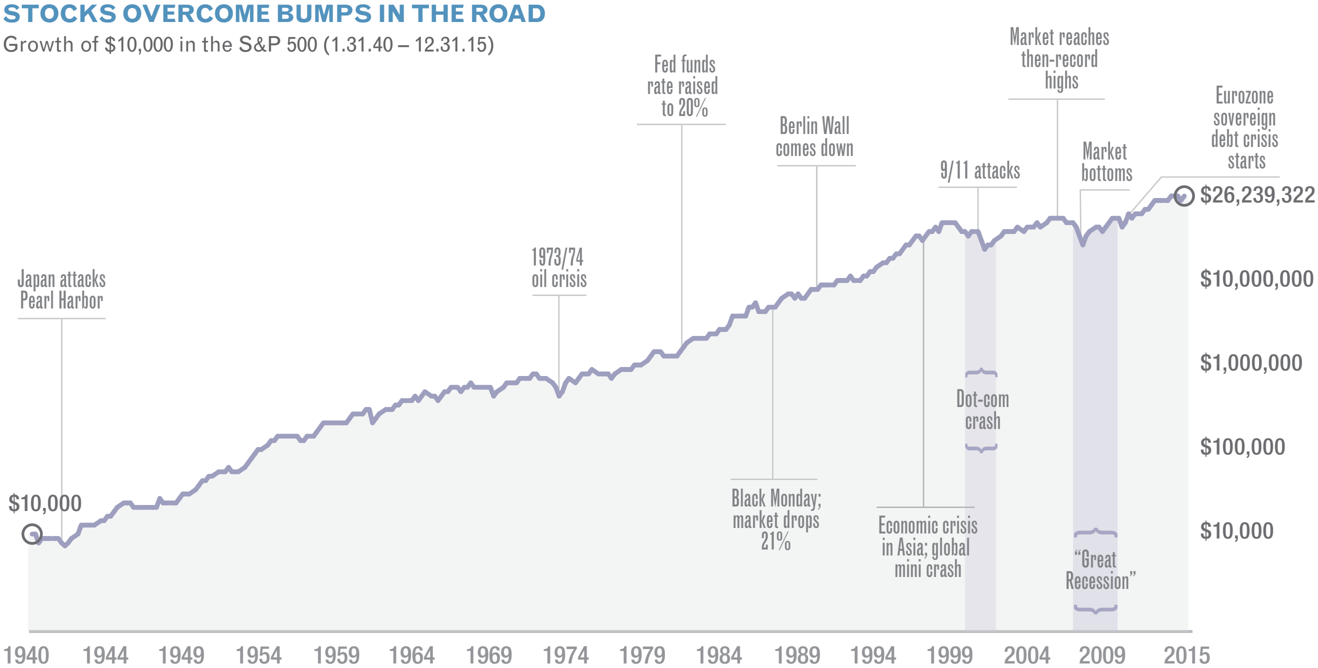
Pullback – usually a decline of 5% to 10% from recent highs

Correction – usually a decline of 10% to 20% from recent highs

Bear Market – usually a decline of 20% or more from recent highs

STOCKS OVERCOME BUMPS IN THE ROAD

Growth of $10,000 in the S&P 500 (1.31.40 – 12.31.15)



Source: Morningstar; Past performance may not be indicative of future results. There is no assurance these trends will continue. The market value of securities fluctuates and you may incur a profit or a loss. This analysis does not include transaction costs which would reduce an investor's return. The S&P 500 is an unmanaged index of 500 widely held stocks. An investment cannot be made directly in this index.

OVER TIME, RETURNS HAVE BEEN POSITIVE

"'Market timing' is unappealing to long-term investors. As in hunting or fishing, investors have learned the importance of 'being there' when opportunity knocks."

– Charles Ellis

A leading investment consultant

For every action, there's a reaction. While Newton applied this law in the physical world, it also holds true in the realm of human emotion. When we perceive things aren't going our way, we react. And when coping with seemingly unpredictable returns, knowledge and time can once again be our allies. Typically, returns over short periods of time have been quite unpredictable as shown by the chart below. But things tend to become less volatile when you expand the time horizon to five years or more using rolling returns.

Rolling returns show the behavior of returns for holding periods like those experienced by long-term investors. In the chart below, we see positive returns over every 20-year period in the S&P 500. Remembering your long-term time horizon can help when facing short-term disappointments.

KEY POINTS

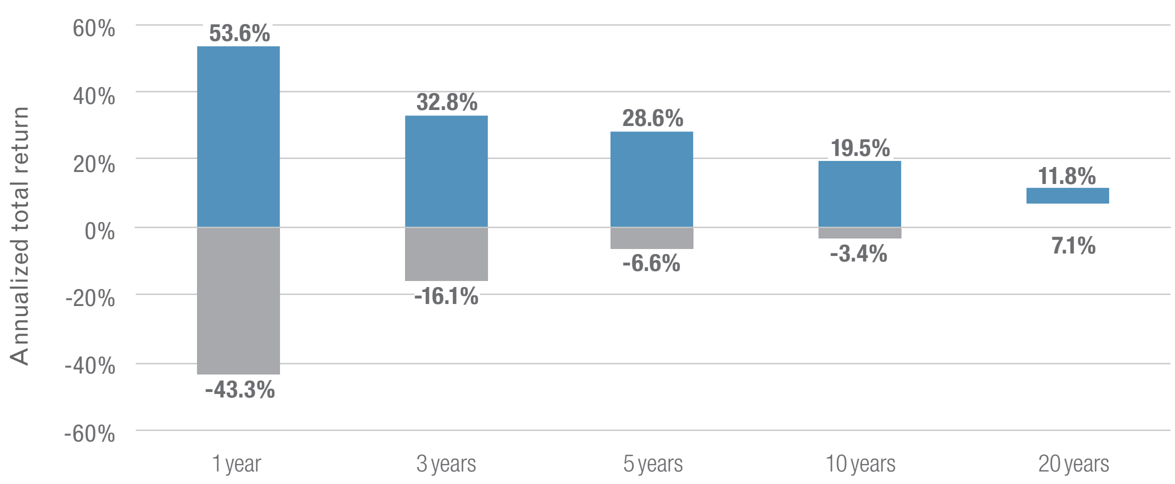
- Returns have been less volatile over longer holding periods.
- Returns over time have been positive.
- Dollar-cost averaging can help take advantage of volatility.

TIP Over time, **dollar-cost averaging** can reduce the average cost of shares you purchase and help volatility work in your favor. Automatically invest a consistent amount of money in your portfolio at regular intervals regardless of market ups and downs. You automatically buy more shares when prices are low and fewer shares when prices are high. Ask your advisor if this practice is right for you.

A rolling return is the annualized average return for a period ending with the listed year.

RANGE OF S&P 500 RETURNS BASED ON TIME HORIZON

12.31.87 – 12.31.15



Source: Morningstar; Past performance may not be indicative of future results. There is no assurance these trends will continue. Investing involves risk including the possible loss of capital. The market value of securities fluctuates and you may incur a profit or a loss. This analysis does not include transaction costs which would reduce an investor's return. The S&P 500 is an unmanaged index of 500 widely held stocks. An investment cannot be made directly in this index.

Dollar cost averaging does not assure a profit and does not protect against loss. It involves continuous investment regardless of fluctuating price levels of such securities. Investors should consider their financial ability to continue purchases through periods of low price levels.

DIVERSIFICATION MAY HELP SMOOTH THE RIDE

“I think it’s a mistake to rely too much on any one economic factor. It’s why investors try to spread their portfolio round.”

– Paul Wolfowitz

Former president of the World Bank

This chart shows the best-performing asset class often changes from year to year, and the difference between the best- and worst-performing in any year can be significant. Most times this is due to correlation – a statistical measure of how two securities move in relation to each other. If returns are negatively correlated, when one return declines, another return is likely rising. And while diversification does not assure a profit or protect against loss in declining markets, it provides the opportunity to reduce risk, temper volatility and enhance risk-adjusted returns.

KEY POINTS

- Balanced portfolios may help reduce overall risk.
- Diversification may smooth ups and downs to help ease stress.
- Diversify by asset class and investment styles.
- A broad portfolio offers the potential of better risk-adjusted returns.
- Review your allocation regularly with your financial advisor.

TIP Help keep your portfolio on track with periodic checkups and rebalancing. If you don’t, a good run in stocks could put your portfolio at a risk level contradictory to your investment strategy and financial goals. Talk to your advisor.

The process of rebalancing may result in tax consequences.

A BALANCED PORTFOLIO MAY LIMIT VOLATILITY

As of 12.31.15

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
39.7%	16.7%	5.2%	41.5%	19.3%	7.8%	29.0%	33.6%	13.9%	0.6%
26.7%	16.2%	1.8%	40.2%	16.9%	**2.1%**	16.8%	15.3%	12.6%	0.5%
15.7%	**7.8%**	**-21.7%**	28.3%	16.8%	1.0%	16.4%	**13.9%**	**7.1%**	0.0%
12.1%	7.0%	-35.7%	**20.2%**	**11.9%**	0.1%	**11.0%**	1.6%	6.0%	**-0.2%**
4.8%	5.1%	-37.3%	18.9%	11.2%	-8.7%	4.2%	0.1%	0.0%	-1.2%
4.3%	4.7%	-45.5%	5.9%	6.5%	-13.3%	0.1%	-2.0%	-3.9%	-5.7%
2.1%	-5.0%	-50.2%	0.2%	0.1%	-13.7%	-1.1%	-9.5%	-17.0%	-24.7%

U.S. Equity · Non-U.S. Equity · **Portfolio*** · Fixed Income · Real Estate (REITs) · Commodities · Cash & Cash Alternatives

*Portfolio: 45% U.S. Equity, 15% Non-U.S. Equity, 40% Fixed Income; See back page for asset class index.

Source: Morningstar; Past performance may not be indicative of future results. There is no assurance these trends will continue. The market value of securities fluctuates and you may incur a profit or a loss. This analysis does not include transaction costs which would reduce an investor’s return. Real estate securities are susceptible to the many risks associated with the direct ownership of real estate. International investing is subject to additional risks such as currency fluctuations, different financial accounting standards by country, and possible political and economic risks, which may be greater in emerging markets. Commodities are generally considered speculative because of the significant potential for investment loss. Fixed income investments may involve market risk if sold prior to maturity, credit risk and interest rate risk.

IN MARKET DECLINES, OPPORTUNITIES MAY ARISE

"Be fearful when others are greedy, and greedy when others are fearful."

– Warren Buffett

Business magnate, investor and philanthropist

Just like life, the market has ups and downs. For example, this chart highlights several S&P 500 index pullbacks of 5% or greater in recent years. While it illustrates that declines are fairly common, it also shows the gains that followed each time. But you have to participate, not withdraw, to benefit from those gains. The chart also reveals that investors who chose to pull their money out of equities during those periods may have missed some of the market's biggest gains because some of the market's best days came right after periods of steep decline. Also, remember that a decline can present opportunities to buy quality investments while they're temporarily undervalued. This can enable you to invest in high-quality companies at lower prices and capture additional value.

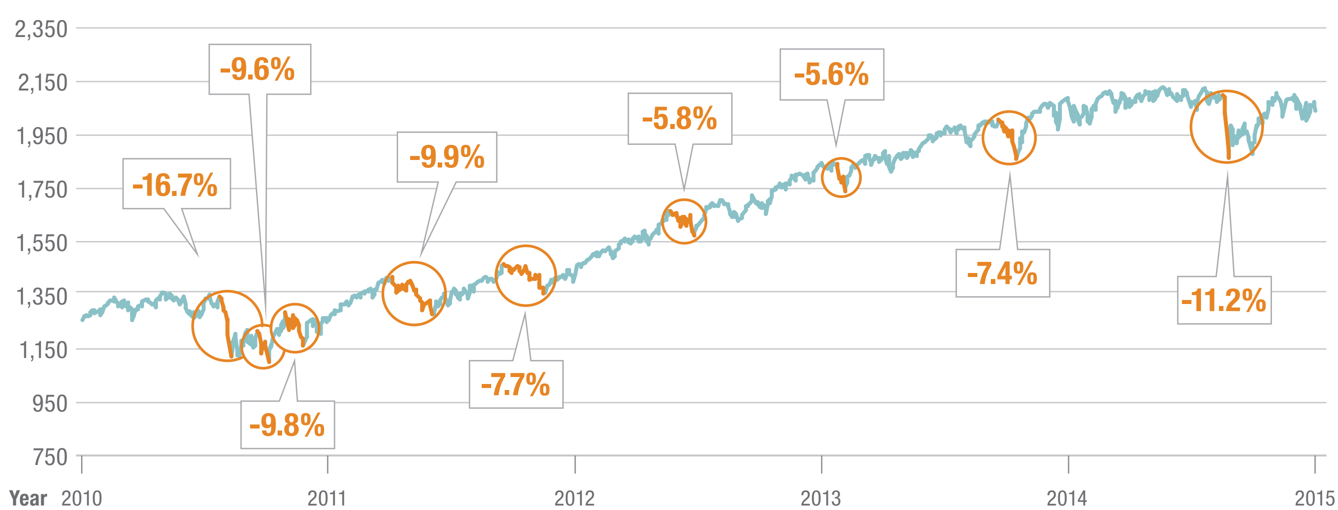
KEY POINTS

- Selling during downturns may lock in the loss.
- Pullbacks and corrections can present buying opportunities.
- Fundamentally sound investments may be discounted.

TIP Ask your advisor if you are in a position to take advantage of buying opportunities during a downturn.

MARKET PULLBACKS CAN PRESENT OPPORTUNITIES

S&P 500 pullbacks of 5% or greater (12.31.10 – 12.31.15)



Source: Yahoo! Finance and Raymond James research

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WE'RE HERE TO HELP

Market volatility is an inevitable part of investing. And it's understandable that tumultuous times will likely trigger emotional responses to match. But it's important to remember to take a deep breath, pick up the phone and talk to a trusted advisor – one who has seen an unpredictable market or two and the subsequent recovery.

Things you may want to discuss include:

- The cause of the recent market volatility and how long might it last
- The possible effect current market conditions may have on your overall financial plan and goals
- The impact to your portfolio and if it should be adjusted
- How to plan for the road ahead and take advantage of opportunities that may arise

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Asset Class Index

Non-U.S. Equity: MSCI ACWI ex U.S. Net Return; U.S. Equity: Russell 3000 Total Return; Blended Portfolio: 45% U.S. Equity / 15% Non-U.S. Equity / 40%; Fixed Income; Cash & Cash Alternatives: Citi Treasury Bill 3 Month; Fixed Income: Barclays U.S. Aggregate Bond Total Return; Commodities: Bloomberg Commodity Total Return; Global Real Estate (prior to 2009): NASDAQ Global Real Estate Net Return; Global Real Estate (2009+): FTSE EPRA/NAREIT Global Net Return