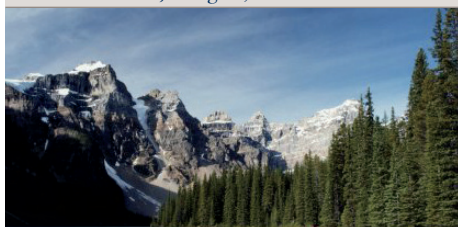


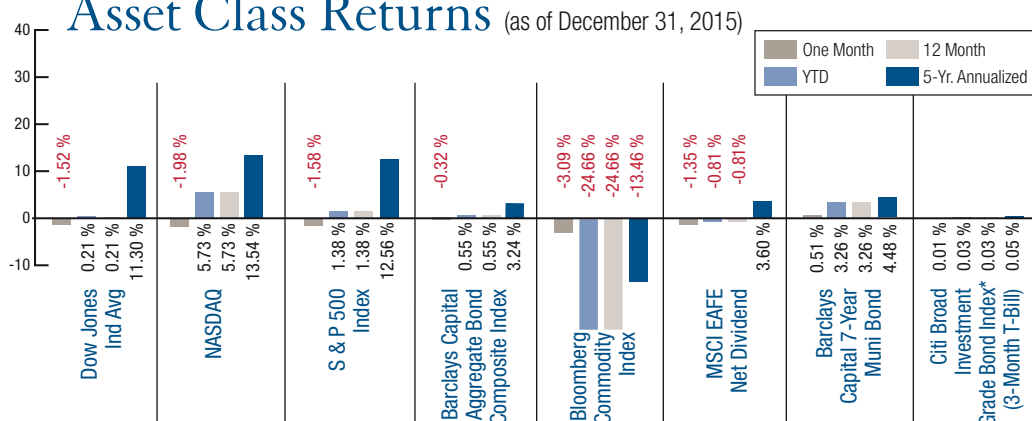
From the Office of:
Jeff Sgroi, CFP®



"The essence of investment management is the management of risks, not the management of returns. Well managed portfolios start with this precept."

Benjamin Graham

Asset Class Returns (as of December 31, 2015)



Market/Economic Synopsis

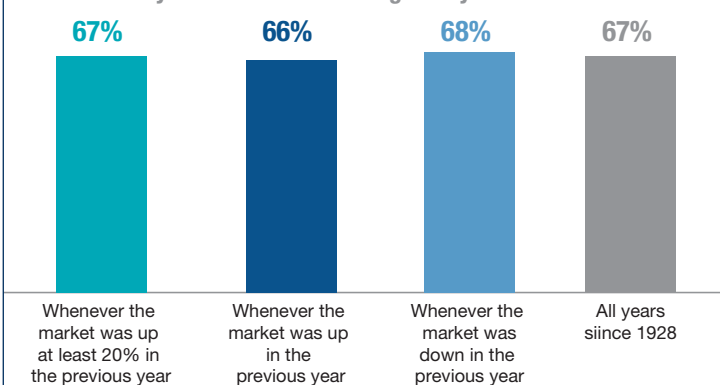
- Santa Claus rally dissipates at year end, as major equity averages finish flat for 2015
- U.S. dollar finishes strong in 2015, in large part to loose policies by foreign central banks
- Amazon, among other online retailers, continues to take additional share of holiday consumer spending
- Federal Reserve raises rates, as expected, with a 25 bps hike in its final meeting of the year

- 10-Year U.S. Treasury bumps up ever so slightly from 2.17% on 12/31/14 to 2.27% on 12/31/15
- Energy prices continue to slip in 2015 due to warm weather and oversupply, among other factors
- Housing prices post healthy gains year over year in most large markets
- North Korea claims to have successfully tested a hydrogen bomb, unnerving investors
- Chinese markets begin 2016 by tripping trade breakers on the first trading day of the year

2016 Market Outlook

In simple terms, the probability of positive U.S. equity returns in any calendar year remains virtually constant at 67%, regardless of how the market performed in the previous year, as reported by our colleagues at Goldman Sachs.

The Probability of the S&P 500 Rising in any Calendar Year



Source: Bloomberg and GSAM as of December 2015

Our theme of being only part way through a secular bull market remains intact – we likely have years to go of a general trend upward, interrupted by periods of downward setbacks. We experienced a textbook example late last summer, when China spooked the U.S. equity markets into a 10% correction between mid-August and September, only to have the losses all but erased in October.

One important indicator we are following is January's market performance. As the old adage states – as goes the month of January, so goes the year. Historically, January's performance has been a statistically significant and accurate indicator for the calendar year. Stay posted!

Market Volatility...AND THOUGHTFUL PERSPECTIVE

As noted in previous market letters, we went through a rather unusual period of four years when the S&P 500 did not experience a 10% drop. This came to a screeching halt back in August, when we experienced the proverbial "correction" and the S&P 500 dropped 12.4% (Standard & Poor's).

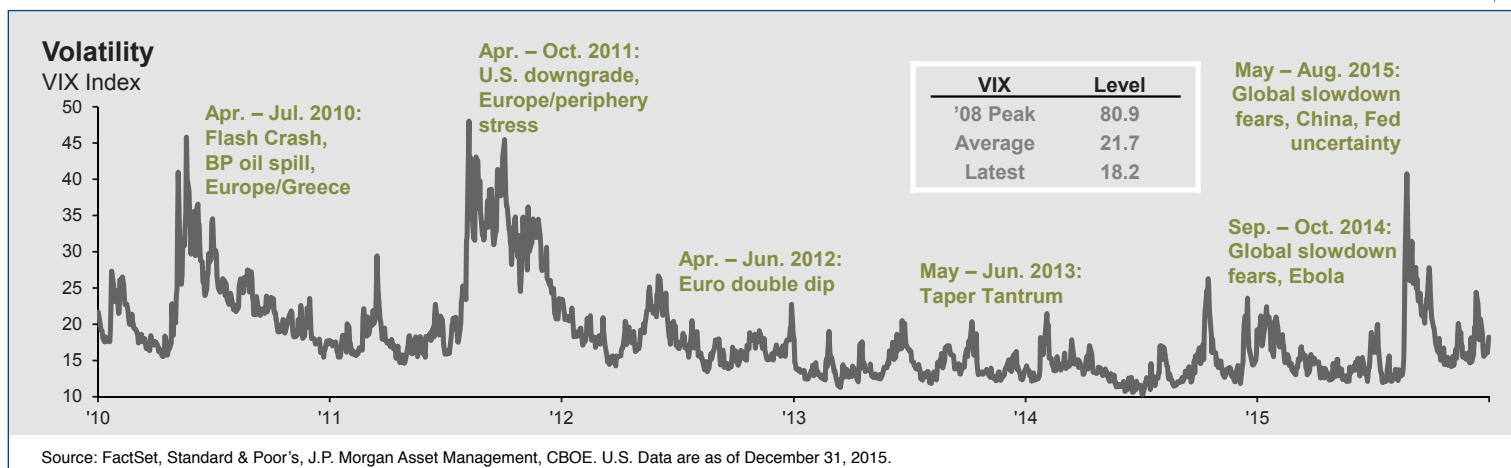
Volatility, as measured by the VIX Index, reached levels last year not reached since 2011. In the first day of trading in 2016, we had a selloff in domestic and foreign markets not seen since 2008. Market movement like this is understandably alarming - however it is important to maintain perspective on what these movements mean to investors.

SEE VOLATILITY CHART ON TOP OF NEXT PAGE

Our colleagues at Eaton Vance did a nice job of explaining sources of recent market volatility and its implications. Some of their important (paraphrased and quoted) points are as follows:

RICHARD BERNSTEIN – Two variables affect equities: corporate earnings and interest rates. Currently, the U.S. is in a profits recession and the Fed has shifted to a tightening cycle. This combination has never happened before and has led to increased volatility.

ERIC STEIN – There is a divergence of central bank monetary policies occurring now. In the U.S. and U.K., the Fed and Bank of England are raising rates while the Bank of Japan and European Central Bank, among other powerful central banks, have taken a dovish position. This is creating uncertainty, which typically leads to volatility. In addition, China's slowing growth has created pessimism in the global economic outlook.



EDWARD PERKIN – “It’s been said by others that war is long periods of boredom interspersed with occasional moments of sheer terror”. In Mr. Perkin’s words, this is what we saw with U.S. equity markets in 2015. Much of the year saw the S&P 500 around the 2,100 level, with a brief, but sudden move to the downside in August and September. Much of the excitement (i.e. terror) has abated since then and we are near last year’s average level.

Mr. Perkin also noted that although equities are an inherently volatile asset class, they are an essential portfolio component for a long-term investor. As such, it is critical to keep a long term view in perspective when investing in equities.

In conclusion, it is important that we not become lulled into the expectation of consistent, easy returns. We must expect the unexpected, and be prepared for the inevitable downturns in the market that may become more frequent than we have experienced over the past few years.

From the Officefront

For the new year, we have some exciting goals that we hope will enhance your client experience.

First, as promised in the last market letter, is a revised portfolio review structure. We will be distributing review information either electronically (via email) or hard copy (via postal/USPS mail) to you based on your assumed preference, and we ask that you then contact Susan or Denise to schedule an in-office meeting or phone appointment to review the content. The change was made to provide a more consistent, thorough review process that works best with your schedule.

Secondly, we will be making a concerted effort to assist clients in establishing online access to accounts, for those who have not yet done so. We see many advantages to offering services online - including the ability to access your account information not offered on statements, effectively monitor your assets from any computer and mobile device, and receive your statements, tax documents, prospectuses and other documents electronically. As a secondary technology-based initiative, we are redesigning our website. As a result, we expect to offer you more information and resources, while complementing our current services.

Finally, with your assistance, we will be reviewing your account titling, beneficiaries, and other personal data to be sure that documentation is current and appropriate. It has been our experience that some of these simple, but critical, steps can go a long way in one’s estate planning.

From the Homefront

The year end was full of action in the Sgroi household. Following the Advanced Planners Study Group event in Vail, we returned home with a packed calendar including visits with Santa, decorating our Christmas tree, Christmas parties and finally a visit from my parents and brother with his family. We were all able to squeeze under one roof and enjoy our cozy confines. There was a quick visitor turnaround, as one of Tracy’s dear friends - Lisa, and her husband and three-month-old daughter stayed with us over the New Year’s weekend.

For 2016, there are a few New Year’s resolutions (still intact at the time of this writing) and the renewed optimism of a fresh start. This year, we wish you and your close ones health, happiness and prosperity.

Index performance is shown for illustrative purposes only and does not reflect the deductions of fees, trading costs or other expenses, which will affect actual investment performance. You cannot invest directly in any index. Individual results may vary. Past performance is not a guarantee of future results.

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The DJIA index covers 30 major NYSE industrial companies. The NASDAQ represents 4500 stocks traded over the counter. The S&P 500 is a broad based measurement of performance of 500 widely held common stocks. The Barclays Aggregate Bond Index is diversified index measuring approximately 6,000 investment grade, fixed rate taxable securities. The Bloomberg Commodity Index is a diversified benchmark for the commodity futures market. The MSCI EAFE index is designed to measure the equity market performance of developed markets excluding the US & Canada. The Barclays Municipal Bond Index is a measure of the long-term tax-exempt bond market with securities of investment grade. The Citigroup Broad Investment Grade Bond Index is market capitalization weighted and designed to track the performance of U.S. dollar-denominated bonds issued in the U.S. investment-grade bond market.

International investing involves additional risks such as currency fluctuations, differing financial and accounting standards, and possible political and economic instability. Also, investing in emerging markets can be riskier than investing in well-established foreign markets. There is no assurance any of the trends mentioned will continue in the future. Investing involves

risk and investors may incur a profit or a loss, including the loss of all principal. Investing in the energy sector involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

U.S. government bonds and treasury bills are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise. Commodities may be subject to greater volatility than investments in traditional securities. Investments in commodities may be affected by overall market movements, changes in interest rates, and other factors such as weather, disease, embargoes, and international economic and political developments. Diversification and asset allocation do not ensure a profit or protect against a loss. Dividends are not guaranteed and must be authorized by the company’s board of directors.

Ratings provided by nationally recognized statistical rating organizations, also called ratings agencies, are appraisals of a particular issuer’s creditworthiness, including the possibility that the issuer will not be able to pay interest or repay principal. Ratings are not recommendations to buy, sell or hold a security, nor do ratings remove market risk. Securities with the same rating can actually trade at significantly different prices. In addition, ratings are subject to review revision, suspension, reduction or withdrawal at any time, and a rating agency may place an issuer under review or credit watch.

Alternative Investments involve substantial risks that may be greater than those associated with traditional investments and may be offered only to clients who meet specific suitability requirements, including minimum net worth tests. These risks include but are not limited to: limited or no liquidity, tax considerations, incentive fee structures, speculative investment strategies, and different regulatory and reporting requirements. There is no assurance that any investment will meet its investment objectives or that substantial losses will be avoided.

If you prefer to receive this newsletter via email, please notify us at jeff.sgroi@raymondjames.com.

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