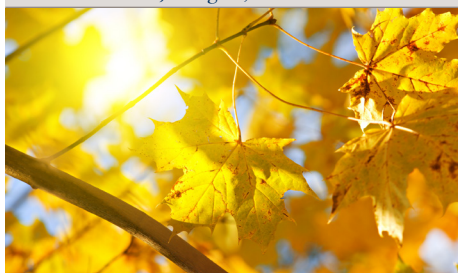


market update

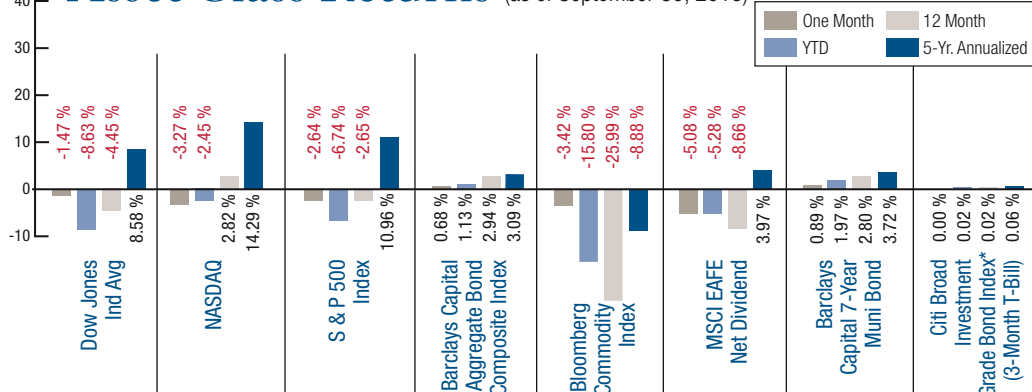
From the Office of:
Jeff Sgroi, CFP®



"Well done is better than well said."

Benjamin Franklin

Asset Class Returns (as of September 30, 2015)



Market/Economic Synopsis

- U.S. and global equity markets muddle along after steep sell-off in late summer
- Earnings season a mixed bag as early announcers surprise many analysts
- Walmart decision to raise wages and further develop online sales program drives stock price lower, while McDonalds shareholders celebrate breakfast all day on the menu
- 10 year U.S. Treasury yield drops below 2.00% as investors

- continue to expect lower rates for a longer period of time after Fed opts to NOT hike rates in September meeting
- Oil prices reach short term high, as West Texas Intermediate crude prices break \$50/bbl. level
- Volkswagen engineers cheated on emission testing in 11 million vehicles sold worldwide, shocking Fahrvergnügen fans
- House Speaker John Boehner announces resignation effective October 30th

Market Outlook

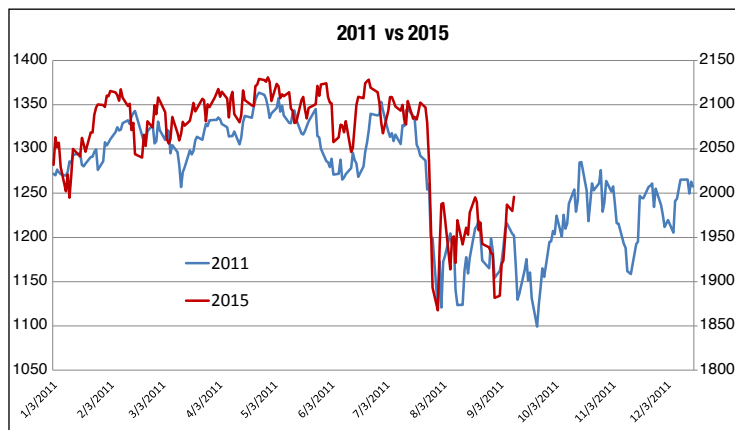
Since our Market Letter published in August, markets have somewhat settled down. And although the August 24 Dow drop of 1000+ points certainly caught everyone's attention (and rightfully so), much of the recent market activity has been normal, healthy movement. As I have noted a few times since the beginning of 2014, we should be prepared for a market "correction" of 10%+, which is precisely what happened since reaching all-time highs in major market bourses earlier this year.

In fact YTD 2015 is very similar to a year that we experienced not too long ago. As Andrew Adams, Raymond James Research Associate, pointed out in a timely manner with Yogi Berra's recent passing, "It's déjà vu all over again".

there were some additional, significant sell-offs after the initial shock in August 2011 that could be repeated in 2015, of course.

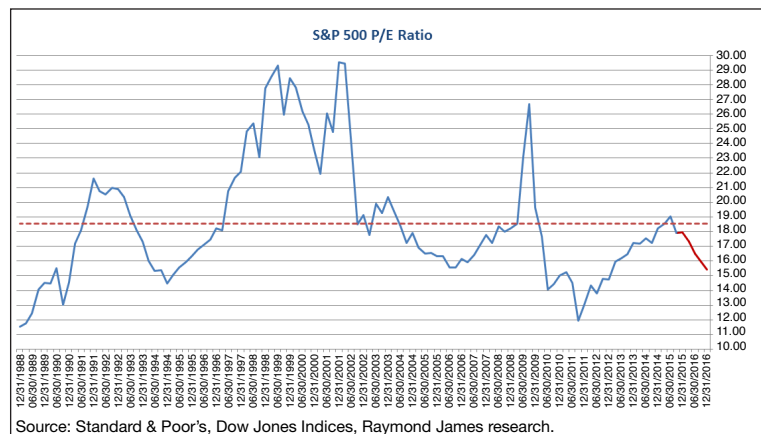
My takeaway is that in the three years following 2011, we had steady movement upward in the S&P 500 to the point where the August 2015 drop may be a brief blip on the radar.

The reason I bring this to your attention is to try and keep the recent market volatility within the context of a broader picture and larger objective – intermediate to long term wealth accumulation and eventual distribution for you. The chart below offers some perspective of where we are, from a valuation standpoint, with our markets.



Source: FactSet, Raymond James research.

As clearly shown, 2015 has thus far shaped up to look very similar to 2011, with the S&P 500 drifting upward modestly for the first half of the year, followed by a steep sell-off in August, only to rebound in the close of the calendar year. As Adams did note in his analysis of the chart,



Source: Standard & Poor's, Dow Jones Indices, Raymond James research.

As Raymond James's Chief Investment Strategist Jeff Saut points out, U.S. stocks are not all that expensive based on the most widely watched valuation metric – the S&P 500 Price/Earnings (P/E) Ratio. He notes that if the S&P 500 is anywhere near the mark of our 2016 earnings estimate of \$129.45, the index is trading at a reasonably valued 15X multiple. As I interpret it, there is room for the economy to slow (i.e. corporate

earnings to slip) or a low P/E multiple to remain, without a sustained downturn in our equity market.

Finally, I would like to follow up on the focus of my last Market Letter distributed two months ago, which addressed some of the challenges that China faces. Specifically, our content focused on the anticipated slowing of China's growth.

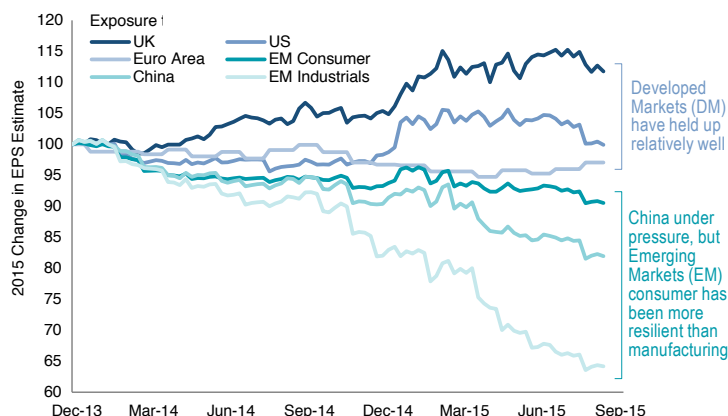


Chart Source: Factset, I/B/E/S, Goldman Sachs Investment Research, and GSAM as of 9/15/15. Market and Economic Summary Source: Bloomberg and GSAM. Key Economic Releases Source: Goldman Sachs Global Investment Research and Bloomberg.

As the chart illustrates, the developed markets of the UK, U.S. and Euro Area have much more promising growth estimates than do those in China and other emerging markets. The purpose for showing this chart, however, is to emphasize that even though growth and corporate earnings are what drives the equity markets over the long term, brief movements (i.e. the August 2015 sell-off) are often caused by news and similar headline events that have minimal fundamental impact on what should be driving market performance. In fact, I enjoyed a conversation regarding this very subject with a friend on an early morning hike recently. He asked what is happening in the markets, and are things going to improve soon? My response was, quite simply, that we have a lot going in the right direction in the U.S. right now and we anticipate U.S. equity markets to continue an upward trend for years to come. In the meantime, expect trading activity over the short term to be driven by news – such as: “What is the Fed going to do?”, activity in Syria and tensions with Russia, and Hillary Clinton’s announcement that if elected she will cap prices on pharmaceuticals.

To sum it up – drops in our financial markets are rarely pleasant events, but should be expected from time to time. The past few months have been no exception – volatility has increased, investor concern has risen and many account balances are lower. With that being said, we maintain that a healthy, growing economy will continue for the foreseeable future and markets should respond accordingly.

From the Officefront

We are always striving to improve our service to you and are excited to be rolling out an improved Client Service Review format beginning in 2016. Our goal is to provide you more thorough, predictable and clear content during our formal reviews and meetings. As always, we welcome your feedback and look forward to providing more information as we refine our process over the next two months.

From the Homefront

I have been told that death, divorce and moving are three of life’s greatest stresses and can thankfully say that last month Tracy and I successfully made it through moving without divorce or worse! We moved all of five miles down the mountain, from Snowmass to Basalt in what I consider to be a big lifestyle change. Now, we are located a short walk to Stella’s kindergarten class (she began school in late August), and a brief walk to many friends’ homes in a neighborhood where the girls will be able to jump on their bikes without much concern from Mom or Dad.



Last month I visited my folks for a quick weekend visit to Martha’s Vineyard and fished in the 70th Annual Striped Bass & Bluefish Derby. It is a five week long fishing derby where thousands of contestants participate in an event as much about the comradery, fundraising and positive island spirit that is Martha’s Vineyard, as it is about the fishing. With that being said, my objective was to help my Dad land a “keeper” bass (it had to exceed 28”, although they get much larger!). In fact, he did get one on our first night out on the beach, along with a number of hard-fighting false albacore. I was also able to get into some bluefish and bonito and other species with a few longtime friends as well. As always, it was great to get some sand between these land-locked toes!

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.

Opinions expressed are those of Jeff Sgroi and are not necessarily those of Raymond James. All opinions are as of this date and are subject to change without notice. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. Investments mentioned may not be suitable for all investors.

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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