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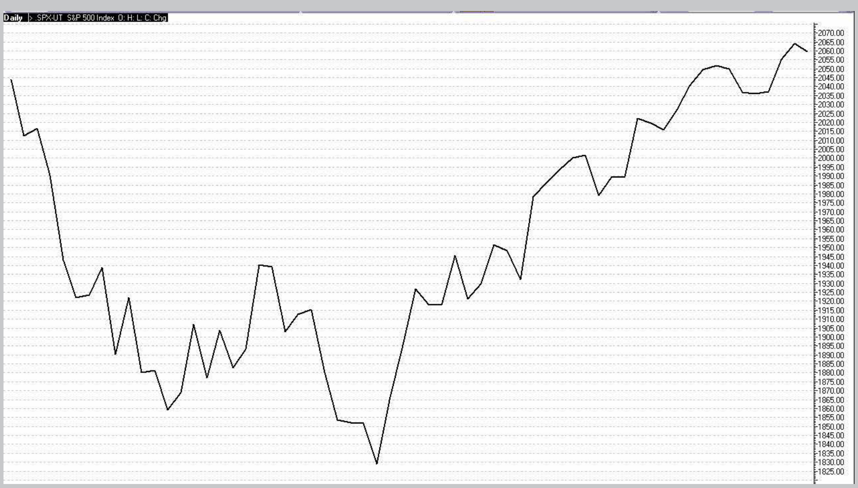
HINDSIGHT IS 20/20

> "The oldest and strongest emotion of mankind is fear, and the oldest and strongest kind of fear is fear of the unknown." – *H.P. Lovecraft*

A chart of the S&P 500 for the 2016 first quarter looks like a diagram of a hike of the Grand Canyon from one rim down to the bottom and back up to the other rim! From peak to trough the S&P 500 was down 11% during the quarter; and yet still managed to return a positive 1.3% for the three months ending 3/31/2016.

S&P 500 – 1ST QUARTER 2016



SOURCE: MORNINGSTAR

The current bull market starting in March 2009 is 86 months in duration and has returned 204% through March 31. It is the second longest bull market in history; only trailing the bull market of 115 months beginning in October 1990. The total return of 204% is the third most profitable, trailing the 229% returned by the August 1982 bull market which lasted 61 months and the 417% returned by October 1990 bull market.

Developed international equity markets returned -2.90% for the quarter. The bright spot in international equities was emerging markets returning 5.8% for the quarter.Emerging markets are closely correlated to the commodity complex. The strength in oil prices into the quarter end and a weakening in the US dollar helped move emerging market equities higher during the last half of the quarter.

Savers continue to bear the brunt of the financial repression imposed by the major central banks of the world. Yields on the 10-year treasury were 1.78% on March 31, 2016. Real yields after inflation are -0.56%. Since the initial Federal Reserve rate hike of .25% (bring the rate to .50%), the rhetoric from the Fed regarding future interest rate hikes has been tempered and dovish. With the US economy percolating at a 2%+/- GDP forecasts, it is difficult to imagine the FOMC original forecast being realized of a 3.00% Fed Funds rate in the next several years.

The yield curve (the difference in yields of US government securities over a 30 year maturity horizon) continues to flatten. With 10-year yields of 1.80% and 30-year yields of 2.60%, investors are willing to accept a miniscule .80% premium to invest their capital for an additional 20 years!

Low interest rates are a global phenomenon. And not only are interest rates generally low across the global markets, the enigma of negative interest rates continues to proliferate. In June of 2014, there was not a country in the world with interest rates below 0%. Today approximately 25% of the world's government bond index has yields that are negative (BofAML Global Government Bond Index). Would you have imagined a time where holding your cash and earning 0% was more beneficial than loaning it to the bank or government and losing money via negative interest rates.

The global debt markets make-up has changed significantly over the last 25 years. In 1990 the US comprised 60% of the worlds' global debt market. Today it represents only 39%. Conversely, during this same 25 years the emerging markets have gone from representing 1% of the global bond supply to 15%. Today the emerging markets contribute 25% of the globe's GDP and continue to gain financial parity with the developed nations. China continues to be the juggernaut in this impressive EM growth. Developed markets ex-US represents 45% of the global debt markets.

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CONTINUED FROM P4

For the quarter global bond markets rewarded risk taking. Emerging markets debt (LCL), corporates and high yield led total returns up 9.10%, 4.0% and 3.40%, respectively. The broadest measure of US bond market performance the Barclays Aggregate returned 3.0% for the first quarter.

Uncertainty is the prevailing perspective in the markets today. Whether it is US elections, China growth questions, oil and commodity market pricing concerns, central bank monetary strategies, currency volatility, etc., there are plenty of questions to plant the fears of doubt in investor's minds. This first quarter of 2016 may be a precursor of market behavior until there is some clarity and continuity to the globe's bigger political, economic and financial concerns.

Numbers 03/31/2016

	Current Yield	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years	Last 10 Years
Equity Asset Classes						
US Large Cap Value	-	1.28	-2.96	8.16	8.75	5.20
US Large Cap Growth	-	-2.45	-2.37	11.07	9.88	6.63
Small Cap Value	-	2.19	-6.88	6.06	6.61	5.11
Foreign Large Cap Value	-	-1.64	-8.74	1.28	0.98	0.70
Foreign Large Cap Growth	-	-2.00	-5.68	2.83	2.87	2.80
Emerging Markets	-	1.39	-2.62	-0.08	-0.13	3.70
Natural Resources	-	6.07	-13.66	-6.68	6.77	-
Fixed Income Asset Classes						
Barclay's Intermediate Credit	0.19	2.35	2.25	1.53	2.59	4.04
Barclays Municipal 1 -10	-0.07	1.24	2.86	2.50	3.68	4.21
Barclay's Global Bond	2.70	5.90	4.57	0.87	1.81	4.35

REQUIRED DISCLOSURES

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Diversification and strategic asset allocation do not ensure a profit or protect against a loss. Investments are subject to market risk, including possible loss of principal. Gross Domestic Product (GDP) is the annual market value of all goods and services produced domestically by the US. Alternative investment strategies involve greater risks and are only appropriate for the most sophisticated, knowledgeable and wealthiest of investors. High-yield bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio.

The S&P 500 is an unmanaged index of 500 widely held stocks. The MSCI Emerging Markets Index is designed to measure equity market performance in global emerging markets. The Russell 2000 index is an unmanaged index of small cap securities which generally involve greater risks. Barclays Capital U.S. Aggregate Bond Index is made up of the Barclays Capital U.S. Government / Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Based Securities Index, including securities that are of investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least $100 million. The MSCI EAFE (Europe, Australia, and Far East) index is an unmanaged index that is generally considered representative of the international stock market. These international securities involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. The Dow Jones-UBS Commodity Index aims to provide broadly diversified representation of commodity markets as an asset class. It is not possible to invest directly in an index. The Vanguard REIT Index is a real estate investment trust fund that offers investors wide exposure in the real estate sector at a low price. The fund holds each of its stocks in approximately the same proportion as the weighting in the MSCI US REIT Index. It is not possible to invest directly in an index.

The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities.

The value of fixed income securities fluctuates and investors may receive more or less than their original investments if sold prior to maturity. Bonds are subject to price change and availability.

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