objectivity²

WEALTH MANAGEMENT

of

RAYMOND JAMES®

2016 Outlook & Commentary

Summer Update

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O² Market Update-The Global Landscape

Supporting Data:

In the following slides we have provided links to some articles that provide more insight to the challenging environment for world stocks, as well as a detailed overview of sector performance; where you can clearly see that the yield areas of the market are performing well and more growth oriented areas of the market have been weak.

In addition, we've shared a couple of pertinent slides that help to articulate these thoughts.

US Equity Markets continue to trade in a rather tight band, with nothing significantly positive to move them above their resistance and nothing significantly negative to move them down to new lows. Within this band you have defensive sectors such as utilities and staples trading at lofty premiums, while growth areas such as technology, health care, financials continue to trade at discounts.

In Fixed Income, US Gov't Bonds continue to have their yields melt to new lows. With US interest rates down around 60 year lows one has to ask, WHY? And…… can they go lower. The absolute thirst for income and yield seems to be driving price movements in all markets. While this is clearly playing a part in driving US interest rates lower, it is also clearly impacting sector performance within the equity markets. Sectors such as Utilities, Consumer Staples and Telecommunications are performing very well given their higher than normal dividend yields, while areas such as Technology, Pharmaceuticals and Financials continue to lag. **As a total return value orientated investor, we continue to like those areas trading at discounts to growth rates and remain cautious of over paying for the more expensive sectors.**

On the International front, Emerging Markets are trading 25% below their 10 year average Price to Earnings ratio (P/E) but these relative valuations are being offset by challenging fundamentals.

Supporting Data:

- The 1st slide illustrates the sectors that we think offer Growth at a Reasonable Price
- The 2nd slide highlights the Emerging Market discount relative to longer term valuations
- Finally, the 3rd slide just offers an overview of the current valuations across major asset classes in relation to their 10 yr median PE, their 10 yr Max and their 10 yr Low. You will see in this slide how stretched some valuations are relative to longer term data.

Equity Market Thoughts

2/3 of Global Stocks are Down since 5/21/2015

We are now out over a year since most major equity indexes made a new high. The MSCI World Index, for example, made a new high of 1810 on May 21st, 2015. On May 31 it sat at 1677 or 7.3% off the 5/21/2015 high.

For further reading click on the link below:

http://blog.gavekalcapital.com/?p=11144

Only One Industry Group is Trading Below Book Value

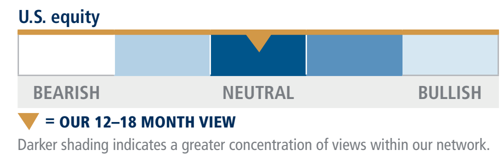
Financials have been pretty beaten up in 2016. As of the end of Q1 they were the worst performing developed world industry group YTD. As is usually the case, the only upside to poor performance is current valuations are becoming cheap, at least on a relative basis. In fact, banks are the only industry group, either from a median perspective or from an average perspective, that are trading below book value. To put this into perspective, not a single consumer staples group is trading below 2x book value

For further reading click on the link below:

http://blog.gavekalcapital.com/?p=10840

Sources: GaveKal Capital & John Hancock

Select sectors offer growth at a reasonable price

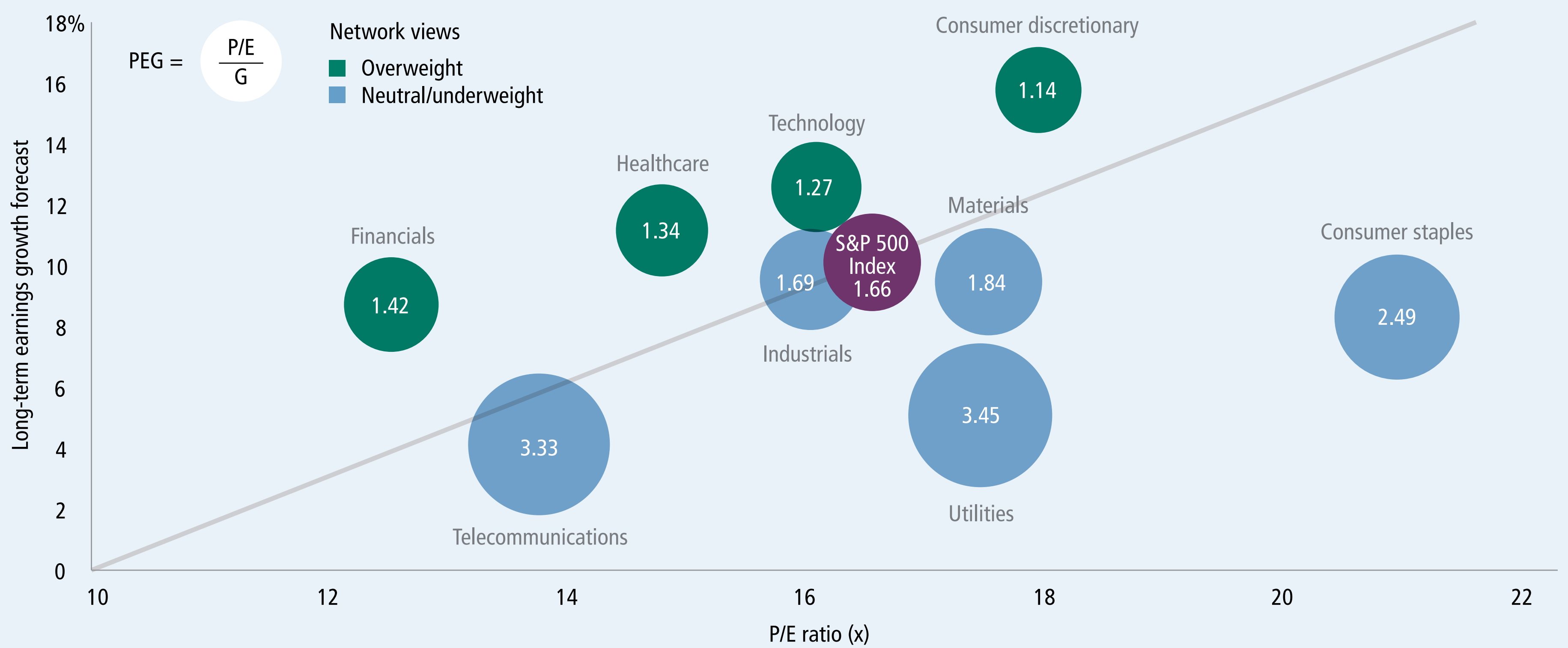


"Growth at a reasonable price is a great fit for today's macro and fundamentals, where growth is scarce and valuations are rich."

Ned Davis Research Group

Our network favors sectors with a combination of compelling growth and reasonable valuations (lower PEG ratios)

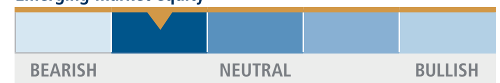
PEG ratios of S&P 500 Index sectors (size of the bubbles represents PEG ratio values)



Source: FactSet, as of 3/31/16. PEG (price/earnings-to-growth) ratio is a valuation metric for determining the relative trade-off between the price of a stock, the earnings generated per share, and the company's expected growth. P/E ratio is a valuation metric measuring a company's share price relative to its annual earnings (this illustration uses 12-month forecasted earnings). The energy PEG ratio (–106.39) is not charted. The long-term earnings growth forecast is an estimate of a company's expected long-term growth in earnings, derived from all polled analysts' estimates. The S&P 500 Index tracks the performance of 500 of the largest publicly traded companies in the United States. Past performance does not guarantee future results.

Emerging-market valuations are being pulled down by fundamentals

Emerging-market equity

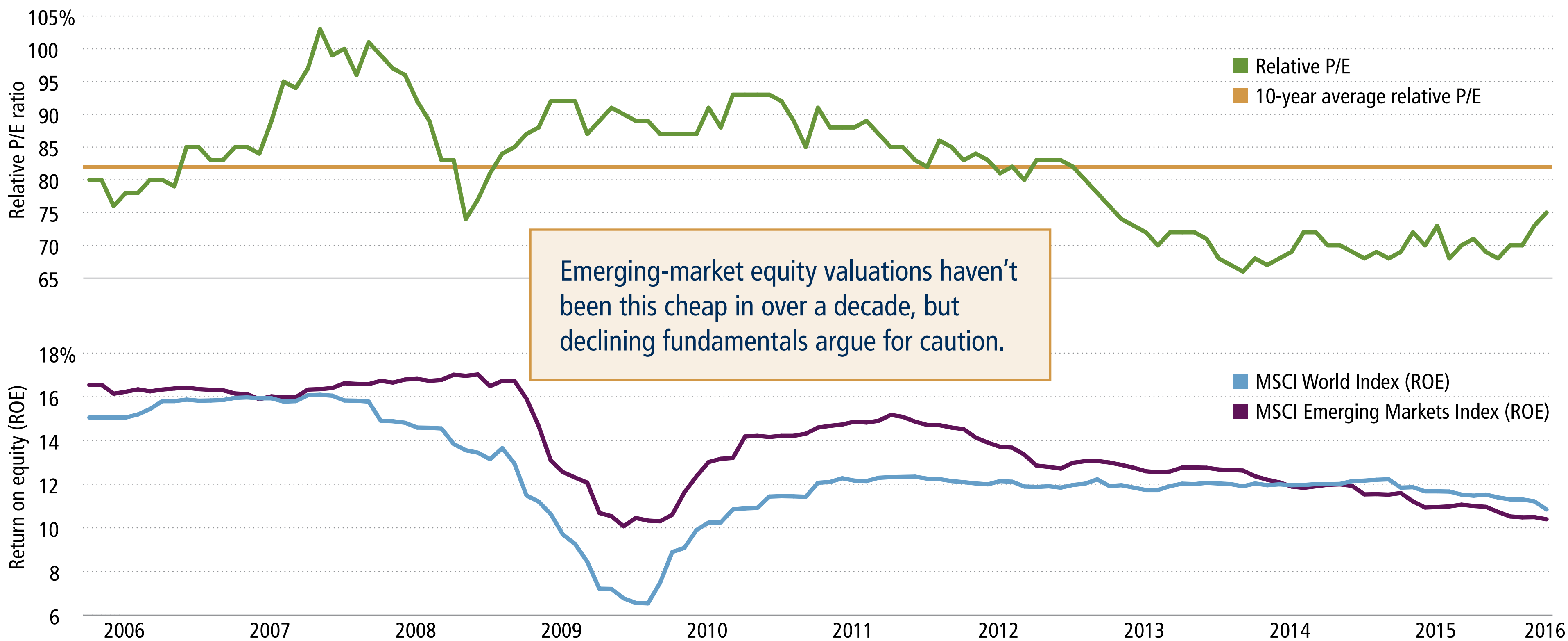


= OUR 12–18 MONTH VIEW

Darker shading indicates a greater concentration of views within our network.

"... our bias remains that EM/China growth will not pick up sustainably, and that EM EPS will not recover materially in the next 12 months."

Attractive relative valuations are being offset by deteriorating fundamentals



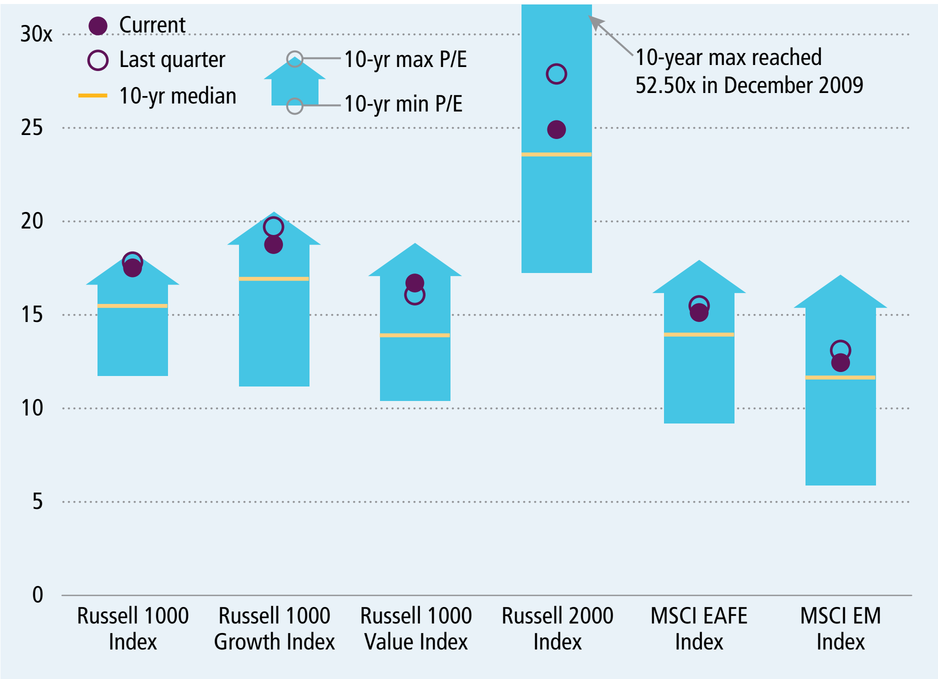
Source: FactSet, MSCI Emerging Markets Index fundamental data, as of 3/31/16. Relative price to earnings (P/E) measures the ratio of the MSCI Emerging Markets Index as a percentage of the MSCI World Index's P/E ratio. P/E ratio is a valuation metric measuring a company's share price relative to its annual earnings. The MSCI Emerging Markets Index tracks the performance of publicly traded large- and mid-cap emerging-market stocks. The MSCI World Index tracks the performance of publicly traded large- and mid-cap stocks of foreign developed-market companies. Total returns are calculated gross of foreign withholding tax on dividends. It is not possible to invest directly in an index. Past performance does not guarantee future results.

Bond yields remained low and equity valuations stretched

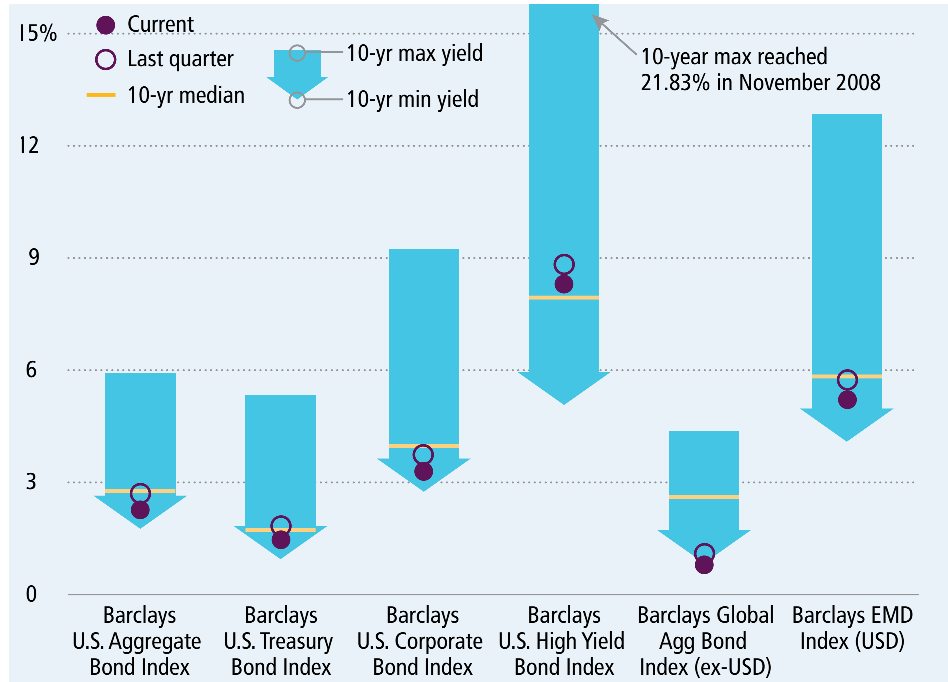
"... across asset classes we are becoming wary of valuations at current levels, which is a key issue as it relates to the amount of risk to take going forward."[1]

Standard Life Investments

Forward P/E ratios (3/31/06–3/31/16)



10-year yields (3/31/06–3/31/16)



Source: FactSet, Bloomberg, as of 3/31/16.

1 Andrew Milligan, head of global strategy, Standard Life Investments.

The Russell 1000 Index tracks the performance of 1,000 publicly traded large-cap companies in the United States. The Russell 1000 Growth Index and Value Index track the performance of publicly traded large-cap companies in the United States with higher price-to-book ratios and higher forecasted growth values, and lower price-to-book ratios and lower forecasted growth values, respectively. The Russell 2000 Index tracks the performance of 2,000 publicly traded small-cap companies in the United States. The MSCI Europe, Australasia, and Far East (EAFE) Index tracks the performance of publicly traded large- and mid-cap stocks of companies in those regions. Total returns are calculated gross of foreign withholding tax on dividends. The MSCI Emerging Markets (EM) Index tracks the performance of publicly traded large- and mid-cap emerging-market stocks. The Barclays U.S. Aggregate Bond Index tracks the performance of U.S. investment-grade bonds in government, asset-backed, and corporate debt markets. The Barclays U.S. Treasury Bond Index, U.S. Corporate Bond Index, and U.S. High Yield Bond Index track the performance of U.S. bonds in those respective markets. The Barclays Global Aggregate (Agg) Bond Index (ex-USD) tracks the performance of global investment-grade bonds in government, corporate, and securitized debt markets. The Barclays Emerging Markets Debt (EMD) Index (USD) tracks hard currency emerging-market debt that includes fixed- and floating-rate U.S. dollar-denominated debt issued from sovereign, quasisovereign, and corporate emerging-market issuers. It is not possible to invest directly in an index. Forward price-to-earnings (P/E) ratio is a stock valuation measure comparing the current share price of a stock to the underlying company's estimated earnings per share over the next 12 months. Past performance does not guarantee future results.

Fixed Income Thoughts

We have spoken a lot about the lofty valuations of Fixed Income markets with the primary focus being on Government Debt across the globe. On an absolute basis, interest rates are trading near 60 year lows and conversely the prices trading near 60 year highs. **That being said, if you consider that 7.8 Trillion of Global Debt is currently trading with zero or negative interest rates, then a 10 year US Treasury Bond providing 1.7% yield looks fairly attractive.** In the article we share below, you'll see that US spreads to Japanese and French Government bonds are higher than they have been in over a decade. It would seem entirely possible that these spreads narrow with US rates declining further.

It is this dynamic, in addition to the economic data coming out of the US, which has our Federal Reserve seemingly confused. Should we raise now or should we wait until we see strong economic data, seems to be the continual question. In the slides that follow we illustrate where the Fed Board Members think interest rates in the US will be at end of 16, 17 and 18. It should be noted, they have consistently been off the mark and thus it is interesting to see on this slide where the market actually thinks rates will be. You'll see quite a difference between the two. Our second slide just highlights for you some of the factors pushing rates lower and the competing forces that seem to want to push rates higher.

Can Interest Rates Go Down Further? A lot of Capital seems to Think So
This may come as a shock with 10 year US Rates near multi-year lows this week, but there is a lot of capital positioned for a further decline in rates. Furthermore, we should also not forget that US 10 year rates are still very attractive relative to others such as Germany, France and Japan.

For further reading click on the link below:

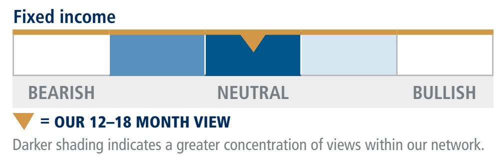
http://blog.gavekalcapital.com/?p=11223

Source: GaveKal Capital & John Hancock

Supporting Data:

- **The 1st slide illustrates where the Fed Board Members think interest rates in the US will be at end of 16, 17 and 18. It should be noted, they have consistently been off the mark and thus it is interesting to see on this slide where the market actually thinks rates will be. You'll see quite a difference between the two.**
- **The 2nd slide just highlights for you some of the factors pushing rates lower and the competing forces that seem to want to push rates higher.**

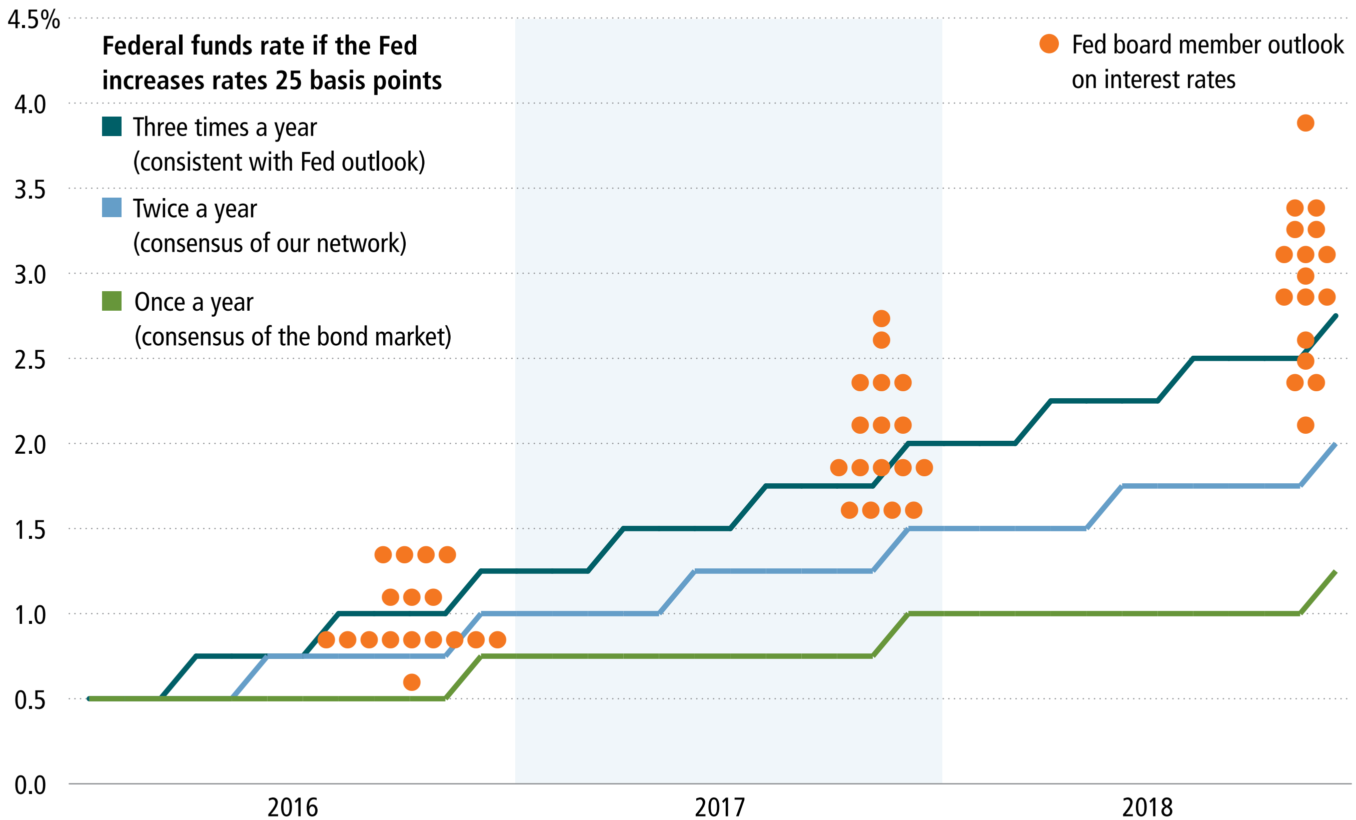
The federal funds rate may be lower for longer than the Fed's projections suggest



"We believe Fed action in 2016 will be more moderate than that of prior tightening cycles, and less than that suggested by current Fed forecasts ..."

STRATEGAS

The U.S. Federal Reserve may find its projections for rates too high to achieve without derailing the economy



The Fed's outlook calls for additional rate hikes this year, with a year-end fed funds rate of 1%. The futures market, however, is pricing in much more gradual rate increases, currently only about one move a year.

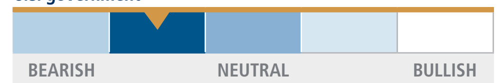
2016 FOMC meeting schedule			
January	26–27	July	26–27
March	15–16*	September	20–21*
April	26–27	November	1–2
June	14–15*	December	13–14*

* Meeting concludes with a press conference.

Source: U.S. Federal Reserve (Fed), John Hancock Investments, as of 3/31/16. Interest-rate projections are based on the lower boundary for the federal funds rate and assume a 25 basis point increase for every policy change. (One hundred basis points equals one percentage point.) The Federal Open Market Committee (FOMC), the body responsible for setting the federal funds rate, meets eight times a year. FOMC members anonymously report interest-rate projections four times a year, in March, June, September, and December. Past performance does not guarantee future results.

Competing forces are creating a tug of war on rates

U.S. government



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Darker shading indicates a greater concentration of views within our network.

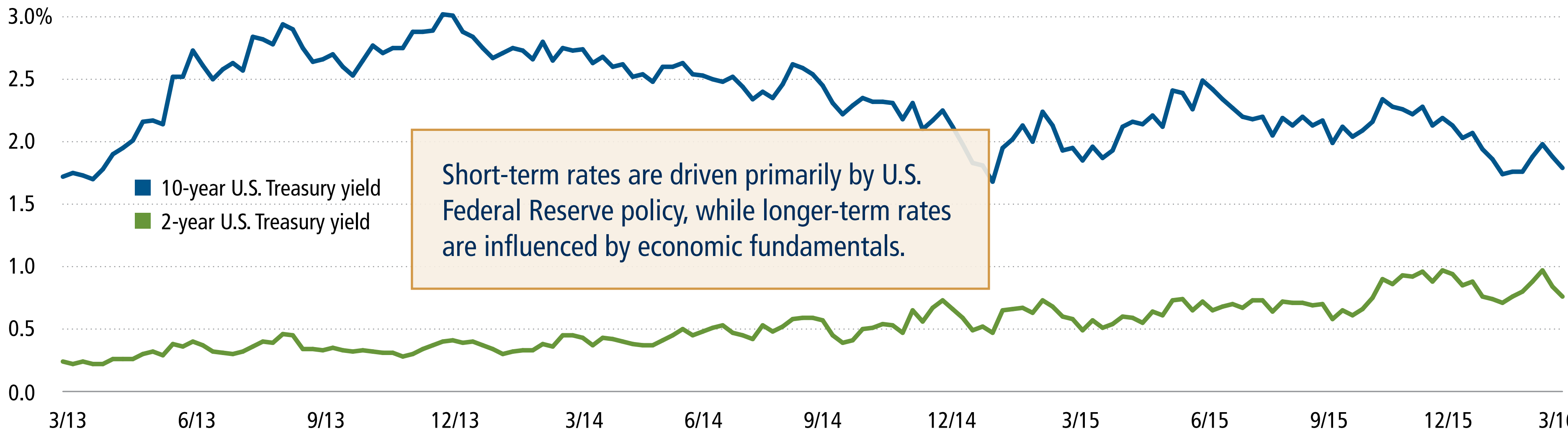
"Yield curve positioning will be critical in an environment where the short end of the curve is rising and the long end remains under pressure."

John Hancock
ASSET MANAGEMENT

Competing forces are preventing large moves in key rates

Factors pushing rates lower

- U.S. yields are attractive to buyers in a low-yield world
- International Monetary Fund cut 2016 global growth forecasts from 3.4% to 3.2% in April
- Federal Reserve Bank of Atlanta is forecasting U.S. Q1 GDP to be 0.7%
- Labor productivity remained subdued in Q4 at –2.2%



Factors pushing rates higher

- Core Consumer Price Index reaches 2.3% in February
- Over 2.8 million jobs were created over the past 12 months through March
- There were 5.4 million job openings as of the end of February
- Average hourly earnings have been ticking higher, reaching 2.3% YoY through March

Source: FactSet, U.S. Bureau of Labor Statistics, Macrobond, Treasury International Capital System, as of 3/31/16. The Consumer Price Index is a comprehensive measure used for estimation of price changes in a basket of goods and services representative of consumption expenditure in an economy. Past performance does not guarantee future results.

Disclaimers

The views in this commentary do not take into account the particular investment objectives, financial situations, or needs of every individual client.

Investments are subject to market risk, including possible loss of principal. International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risk are greater in emerging markets.

Commodities are volatile investments and should only form a small part of a diversified portfolio. There may be sharp fluctuations even during periods when prices are rising overall. The price of gold has been subject to dramatic price movements over short periods of time and may be affected by elements such as currency devaluations or revaluations, economic conditions within an individual country, trade imbalances, or trade or currency restrictions between countries. As a result, the market prices of securities of companies mining or processing gold may also be affected.

Dividends are not guaranteed and can fluctuate.

Past performance does not guarantee future results. There is no assurance that these trends will continue.

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Raymond James &Associates is not affiliated Gavekal Capital or John Hancock.

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 rise.

Material is provided for informational purposes only and does not constitute a recommendation. It has been obtained from sources believed to be reliable, but accuracy is not guaranteed.

Technical Analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume.

Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity.

Asset allocation and diversification do not ensure a profit or protect against a loss. Investments are subject to market risk, including possible loss of principal.

P/E is the price of the stock divided by its earnings per share.

Disclaimers

U.S. Treasury securities are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value.

Indexes Referenced:

The S&P 500 is an unmanaged index of 500 widely held stocks. It is not possible to invest directly in an index.

The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities.

The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market.

The MSCI World Index is designed to measure the equity market performance of developed markets. It tracks 23 countries including the Unites States.

The MSCI EAFE (Europe, Australia, 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 MSCI Emerging Markets Index is designed to measure equity market performance in global emerging markets.

The MSCI US REIT Index is a free float-adjusted market capitalization index that is comprised of equity REITs. The index is based on MSCI USA Investable Market Index (IMI) its parent index which captures large, mid and small caps securities. With 143 constituents, it represents about 99% of the US REIT universe and securities are classified in the REIT sector according to the Global Industry Classification Standard (GICS®). It however excludes Mortgage REIT and selected Specialized REITs.

The Alerian MLP Index is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs).

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.

Barclays Capital US Government/Credit Bond Index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year.

The Nikkei index is an unmanaged index which is representative of the Japanese stock market.

Disclaimers

The EURO STOXX 50 Index, Europe's leading Blue-chip index for the Eurozone, provides a Blue-chip representation of supersector leaders in the Eurozone.

VIX is the Chicago Board Options Exchange (CBOE) Volatility Index, which 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. The VIX is a widely used measure of market risk. Gross Domestic Product (GDP) is the annual total market value of all final goods and services produced domestically by the U.S. The charts above are for illustrative purposes only.

Keep in mind that indexes are unmanaged and individuals cannot invest directly in any index. Index performance does not include transaction costs or other fees, which will affect the actual investment performance. Individual investor results will vary.

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