Foresight
Capital Management Advisors, Inc.

Newsletter 4Q 2015 and Market Summary

FCMA's Model Portfolios ended 2015 as follows:
Conservative Model -2.86%, Moderate Model -2.85%, and Aggressive Model -2.92%. These were lagging the S&P 500, which ended -.73%. This was caused primarily by the slight overweight in the healthcare sector and the fact that we moved 10% to Cash prior to the Federal Reserve interest rate announcement in Dec. Healthcare was behind a bit at the end of the year, but we still believe this sector to have great promise for the next 10 years and it will be a defensive sector moving forward. The 10% move to Cash did hold back the returns slightly for 2015, but has been a wise move considering the investment correction that has rolled out thus far in 2016. The portfolios have a built in protection on the downside and are down much less than the market for 2016!

Foresight is pleased to introduce:

Our Newest Employees!

Justin Littleton –EMU finance Intern

Maeve Skelly our Saline High Assistant, All State Soccer Champion,and Honor Society Student

The 401(k) and IRA savings limits for 2016 remained unchanged for 2016. 401(k) limit is $18,000 and if age 50+ $24,000. The IRA limits for 2016 are $5,500 and if age 50+ $6,500. Let us know if you intend to fund your IRA's for the year 2015, you have until April 15th to fund them. HSA savings limits for 2016 have been increased for a **family to $6,750 and if age 55+ family will be $7,750*. Foresight now offers HSA and HRA savings plans*!**

A new Foresight white paper releasing in 1Q 2016 featuring our research titled "Low Cost Investing: The Costly Approach" We meet people every day that are so focused on only investing in low cost mutual funds that they are missing the real reason they should be investing, and that is to earn a return net of the cost! Our white paper explains that having tunnel vision on only cost can really cost you a lot of return. Please see our website or email us and we will send this publication to you.

FCMA Model Returns
Dec 31, 2015 YTD

Conservative Model	-2.86%
Moderate Model	-2.85%
Aggressive Model	-2.92%
Indexes:	
S&P 500 Index	-0.73%
MSCI EAFE Foreign	-3.30%
10Yr T-Bond Index	+0.10%

Future performance is not guaranteed; above returns are 2pt actual averages

Foresight's Outlook and Portfolio Strategies

"Happy New Year, everyone. It has been a great year so far, if you ignore the stock market, the economy, the Middle East, and anyone running for president." This was the greeting from Barron's at a recent 2016 Roundtable of investment panelists[1]. This resonates and pretty much sums up the start to 2016. The news surely has most of us on edge and wondering what will happen next. There are some key factors to remember. Our stock market is undervalued at the point I'm writing this newsletter and is likely being oversold due to a mixture of global political issues surrounding the oil based countries, coupled with China devaluing their yuan, and predicted growth slow downs globally has caused chaos in the market globally. Although the start to 2016 has been rough and scary from the news, we do see this leveling out soon and a market rebound in the making for 2016. Schwab shared the following chart form Liz Ann Sonders their Chief Economist, Source: Bespoke Investment Group (B.I.G.).

S&P 500 worst 10-day starts			
	S&P 500 price performance		
Year	First 10 days of January	Rest of January	Rest of year
2016	-8.0%	?	?
2009	-6.6%	-2.1%	32.2%
1978	-6.0%	-0.2%	7.5%
2008	-6.0%	-0.2%	-34.6%
1935	-5.7%	1.6%	49.9%
1982	-5.1%	3.5%	20.9%

Note every year the January start was negative the market rebounded the rest of the year except for 2008 during the financial crisis. What I can say is we are not in the situation we were in 2008. The US economy is healthly and not recession bound yet. The economy is expected to slow growth to 2%, but not turn into a recession. Dr. David Kelly, Chief Global Strategist for JP Morgan, states on a call January 14, 2016 the following: There are five key areas to note for 2016: 1. China 2. Low Energy Prices 3. Companies Earnings 4. US Economy-no recession 5. Valuations of stocks . He believes China's leaders will not let their economy go into a big recession and China only represents about 7% of the US GDP in exports, which is a small %. Low Energy Prices are down about 77% form the peak of about $118 per barrel now $27. Dr. Kelly states over supply of oil worldwide will take a long time to work out. The Oil industry in the US is very tiny and effects about 266k workers in comparison to the construction industry which employs 6.5 million workers. He says the consumer should enjoy the low prices as they will not last. Additionally banks only have about 2% in oil debt so it is not a big deal if we begin to hear of oil companies debt defaults. The third area Dr. Kelly covered was Company Earnings and he sees 70% of companies beating earnings estimates for 2015 and 40% beating revenue estimates. This is down slightly due to a rising US $ which has hurt our exports by about 6%. He sees the consumer to continue spending with extra gasoline savings and the US Govt to provide fiscal stimulus by spending as well. The fourth is the US Economy which he states is not on the brink of a recession. Recessions occur when we have one of the following: financial crisis with banks, inventory crisis, overextended sector like tech bubble or housing bubble, or Fed interest tightening too fast. He sees none of these happening currently so therefore no recession. Lastly, stock Valuations were at the end of 2015 16.1 times earnings. At the writing of this newsletter on January 14, 2016 valuations are at 14.9 times earnings so Dr. Kelly says the stocks are undervalued and cheap. His overall conclusion is we have had a fundamental Market Freakout! Oil will not blowup the US economy, China is not a significant GDP driver in the US, our economy is not headed for recession, and valuations for stocks are cheap.

Foresight has moved all our portfolios into a cautious lower risk allocation. In December, before the Fed Reserve raised interest rates, we pulled 10% into cash across all portfolios. This proved to be a wise decision as this has buffered the down the market has suffered by adding support of about 40% less negative. We're not always right but this time our intuition was correct! This quarter we have moved the majority of all equity postions to value dividend paying stock holdings. We cut back on healthcare, foreign, banking, mid and small caps, and sold out of high yield debt in December. We have added utilities, preferred stock, mortgage backed securities, more telecom, and more absolute return market neutral bonds. We believe these moves will bring the stability to the portfolios that is needed during this market correction time. For clients with stock portfolios we continue to have many stop-losses in place as a defensive measure to hold onto gains that have been earned in the stock holdings. Some of these have triggered during the 1Q of 2016. They did exactly what they were intended to do. We held onto the bulk of the gains and have cash freed up to buy low the next stocks we see value in. We expect the market to level out during the 1Q and begin to climb back the remainder of the year. Please contact us if you have any concerns or questions about your portfolios.

[1] Barron's January 18, 2016, A World of Possibilities 2016 Roundtable Part 1 S4, by Lauren R. Rublin.

Foresight Planning Ideas

***IRS Contribution Limits for 2016!* $18,000 deferral max and for 50+ $24,000 deferral, and IRA limits $5,500 and if age 50+ $6,500.**

Did you Know? If you have Roth 401(k) it is wise to roll these funds to a Roth IRA before you turn 70 ½ because if the Roth funds are left inside a 401(k) they must take RMD (required minimum distributions) just like the pre-tax funds which defeats the purpose of letting the Roth grow! However if you roll it over into a Roth IRA before 70 ½ then you do not need to take the RMD from the Roth IRA. This is a very important hint to remember!

Exit Planning Newsletter. Foresight recently launched this newsletter which features topics on business succession planning and retirement planning we can assist you with. If you would like to be added to this newsletter list or know someone who would be interested in receiving the information please contact us at consultant@fcmadvisors.net. Did you know about 75% of all businesses do not have a succession plan. Please contact us if you are interested in completing this important planning for your business. Foresight can now assist with transition planning for your business!

Did you Know?: You can take a distribution from your 401(k) or 403(b) prior to age 59 ½ without a 10% penalty; if you have separated from service no earlier than age 55. Funds must be in a 401(k) or 403(b) and cannot be in an IRA. Additionally, if you retire and wish to begin normal distributions prior to 59 ½ then a 72-t calculation can be done to allow funds to be removed from your IRA without a 10% penalty as long as you have separated from service.

Happy 80th Birthday Social Security Plus Happy 50th Birthday for Medicare! Although these two programs have their issues and privatization may be considered according to AARP, no politician, as FDR predicted is in no position to take them away. If you would like Foresight assistance on determining when it is best to begin taking your Social Security please contact us.

New Health Savings Accounts-HSAs with Foresight at Schwab: . Foresight now offers HSA accounts at Schwab for your Company or Individual HSA savings. An HSA with Foresight will allow you to choose the same 3 Model portfolios of risk either Conservative, Moderate, or Aggressive. If you have a High Deductible Health Plan then you can consider opening a HSA = Health Savings Account with Foresight. The HSA will allow you to save in 2016 up to $3,350 for single and $6,750 for a family; if +55 then $4,350 for single and $7,750 for a family. The HSA savings are not subject to Federal Tax and will grow, much like a Roth IRA, with no tax due if used for all qualifying health expenses, note cannot be used to pay health insurance premiums. If you are interested in more information on this strategic investment idea for your healthcare savings please contact us. 2016 HDHP=minimum deductible for single $1,300 and family $2,600 and out of pocket maximum for single $6,550 and family is $13,100.

Roth IRA Ideas if interested in additional savings ideas consider opening a Non-deductible IRA. This will allow you to save the maximum in your 401(k) and also save an additional $5.5k in a Non-deductible IRA, and $6.5k if age 50+. Then convert the Non-deductible IRA to a Roth IRA! It is a way to obtain Roth IRA funds even if you are not able to save directly into a Roth IRA.

Elder Care: Contact us if you are in need of assistance with obtaining Veteran Benefits in the Greater Detroit area or Elder care.

Auto-Enrollment and Auto-Increment Options for Retirement Plans: Please consider adding both or one of these important options to your company's retirement plan. They allow every employee who is eligible to be automatically enrolled at the beginning of the year, and if Auto-increment is added the company can increase the savings of each employee by 1% each year. The employee has the ability to opt out of the "Auto", but history has shown few do. Therefore the company has accomplished something good for the employee by automatically setting up savings for their retirement! Please contact us if you are interested in pursuing these features. They are very inexpensive to amend and add to your current company plan. We recommend adding them when you renew and update your plan document which needs to be done by 2016.

Target Date Funds-The Next Retirement Dilemma: Foresight completed a white paper on Target Date Funds-The Next Retirement Dilemma. This is now published on a national website at fi360.com. It contains research related to TDFs and is quite eye-opening how they are missing the Target! Please email us at consultant@fcmadvisors.net if you would like a copy to read.

Feeonlynetwork.com: Foresight is now a published advisor on-line at www.feeonlynetwork.com. This is a website to locate fee-only advisors in your communities. Check it out and see a video from the AIF® national conference when Laurie was interviewed about our investment processes at Foresight!

Foresight's New WebPortal Reporting: Are you getting your quarterly reporting from us? If not please let us know so we can help you access it online through our web portal or send you a copy in the mail. We want our communication to be timely and beneficial to you. If you have any access issues please call or email us at 1-877-429-4690 or mgallagher@fcmadvisors.net. Soon we will be sending you a survey to get feedback on the use of the WebPortal.

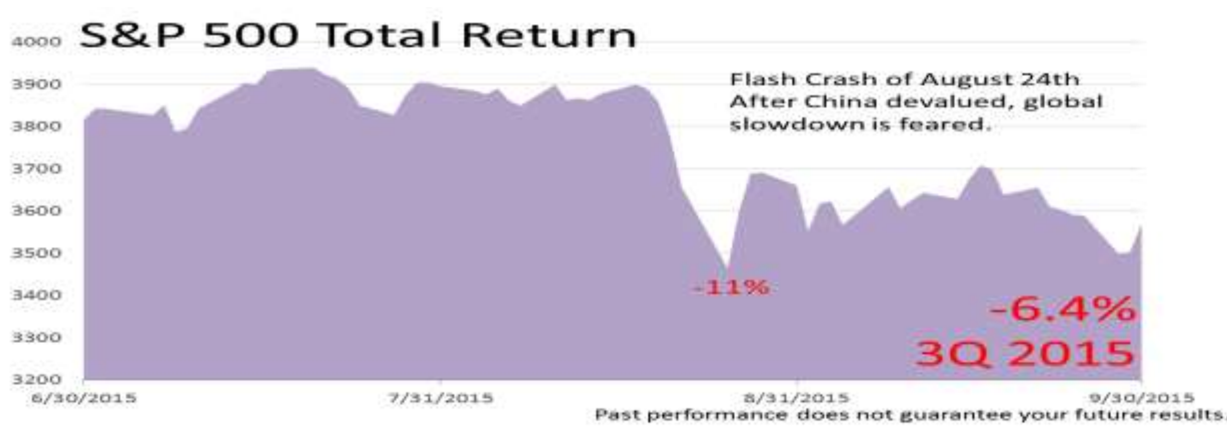
On-line Access each year we encourage everyone to test your on-line access to your account(s) at the custodian or third party administrator for your plan. Please visit **Journeyrps.com** or **Noblepension.com** if a retirement participant. For individual clients at TD Ameritrade access **Advisorclient.com** for Schwab Institutional Clients access **Schwaballiance.com.** If you have any difficulty accessing your account, please email or contact us for assistance.

Newsletter 4Q 2015 and Market Summary

The Standard & Poor's 500, a measure of the strength of America's largest publicly-owned companies, showed a total return of 7% in the fourth quarter of 2015.

Since stocks historically average about a 10% return, a 7% return in a single quarter is pretty darn good.

It was a real comeback for stocks.



In the third quarter of 2015, the S&P 500 lost 6.4%, after an August 24th "flash crash" in which the Dow Jones Industrial Average plunged about a thousand points in the first six minutes after the opening bell.

At its low, the S&P 500 fell 13.4% from its all-time high in the spring.

The August 24 meltdown was the first correction in stock prices in over six years.

The correction occurred despite a stream of good economic data.

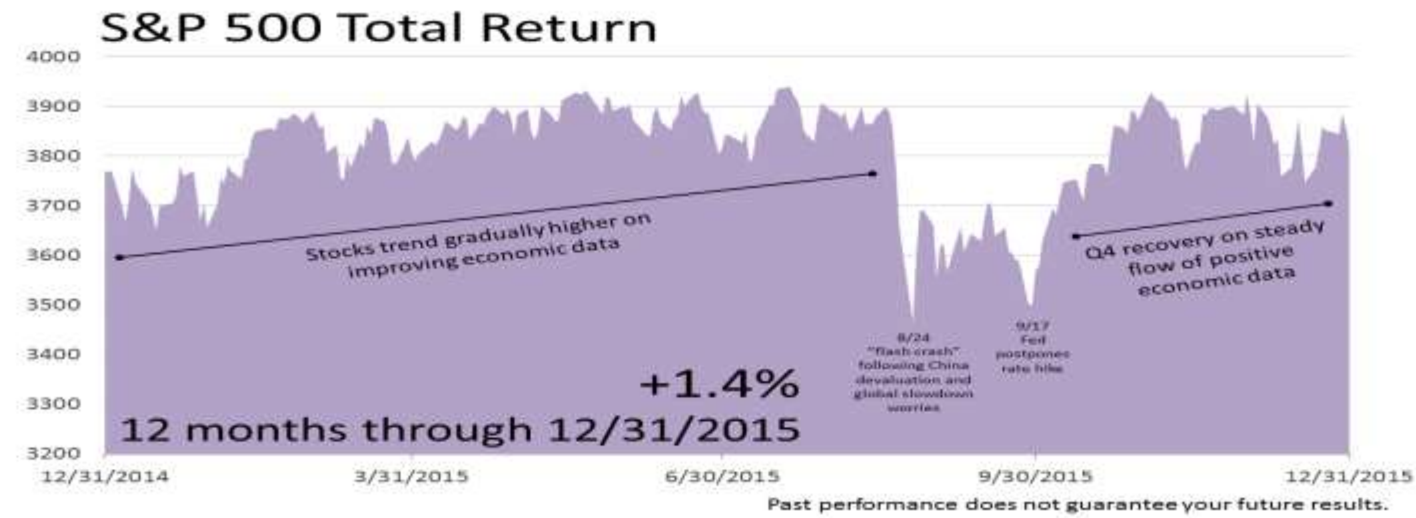
The bulls regained their footing in the fourth quarter of 2015, and stocks climbed through October.

On December 16, the Federal Reserve made a long-anticipated hike in interest rates, signaling the U.S. central bank's confidence that steady economic growth was ahead.

Throughout the quarter, positive economic data continued.

The data supported expectations of profit growth in the S&P 500, an index of America's biggest blue-chip publicly-held companies.

Stocks recovered from the China scare, and made up for last quarter's 6.4% loss.



In the first three quarters of 2015, stocks haltingly lurched higher on steadily improving U.S. economic data.

And the final quarter of 2015 was very positive for stocks and marked by positive economic growth.

And then there was this little section of time in August and September. Two events stand out from the timeline of 2015.

In the August 24 flash crash, the Dow Jones Industrials plunged a thousand points in six minutes. The September 17th spike down followed the Federal Reserve's postponement of an interest-rate hike.

Investors interpreted the Fed action as a signal that the U.S. central bank feared that even a small rate hike might smother the slow-growth economy following The Great Recession in 2009.

For calendar year 2015, stocks returned just 1.4%, taking a breather from seven straight calendar year gains.

DECEMBER 2015 NON-MANUFACTURING INDEX SUMMARIES

NMI®

In December, the NMI® registered 55.3 percent, a decrease of 0.6 percentage point when compared to November's reading of 55.9 percent, indicating continued growth in the non-manufacturing sector for the 71st consecutive month. A reading above 50 percent indicates the non-manufacturing sector economy is generally expanding; below 50 percent indicates the non-manufacturing sector is generally contracting.

An NMI® above 48.7 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the December NMI® indicates growth for the 77th consecutive month in the overall economy, and indicates expansion in the non-manufacturing sector for the 71st consecutive month. Nieves stated, "The past relationship between the NMI® and the overall economy indicates that the NMI® for December (55.3 percent) corresponds to a 2.8 percent increase in real gross domestic product (GDP) on an annualized basis."

NMI® HISTORY

Month	*NMI®*	*Month*	*NMI®*
Dec 2015	55.3	Jun 2015	56.0
Nov 2015	55.9	May 2015	55.7
Oct 2015	59.1	Apr 2015	57.8
Sep 2015	56.9	Mar 2015	56.5
Aug 2015	59.0	Feb 2015	56.9
Jul 2015	60.3	Jan 2015	56.7
Average for 12 months – 57.2 High – 60.3 Low – 55.3			

One of the economic highlights of 2015 was when the Institute of Supply Management's survey of purchasing managers in non-manufacturing sectors, which accounts for the vast majority of U.S. gross domestic product (GDP), hit a record high of 60.3 in July. The ISM said a 60.3 index translates into a 5% real-growth rate in the economy. The ISM index hovered near its record high through December.

But the summer peaks in the stock market were not to last.

For months, global commodity prices had been dropping, when, in the summer of 2015, a new global economic reality began to emerge.

The United States, thanks to advances in drilling technology, was now able to produce enough oil and natural gas to keep prices low worldwide.

Meanwhile, raw materials producers, who had been ramping up production capacity of natural resources worldwide as the global economy turned slowly around over the past six years, flooded the market with commodities just as China, the world's biggest manufacturer, began experiencing a slowdown and its thirst for raw materials suddenly slackened.

Would resource-rich countries throughout the Mideast, Africa, as well as the economies of Russia, Australia, Brazil and Canada, face lean years ahead?

On August 11th, China, now the world's second-largest economy, announced a devaluation of its currency, the yuan.

China's devaluation of its currency threatened manufacturing economies in Asia and throughout the world.

Lowering the value of its currency would make Chinese goods less expensive to American and European consumers.

It was destabilizing to Asia and other manufacturing economies.

On August 24th, when stocks opened, pent-up anxiety burst into the headlines as the confluence of weak commodities prices and China's devaluation erupted in a "flash crash."

In the first six minutes after the opening bell, the Dow Jones Industrial Average dropped a thousand points.

Stocks rallied in the days ahead of the Federal Reserve's September 16th meeting.

At that meeting, the Fed was expected to raise rates by one-quarter of one-percent.

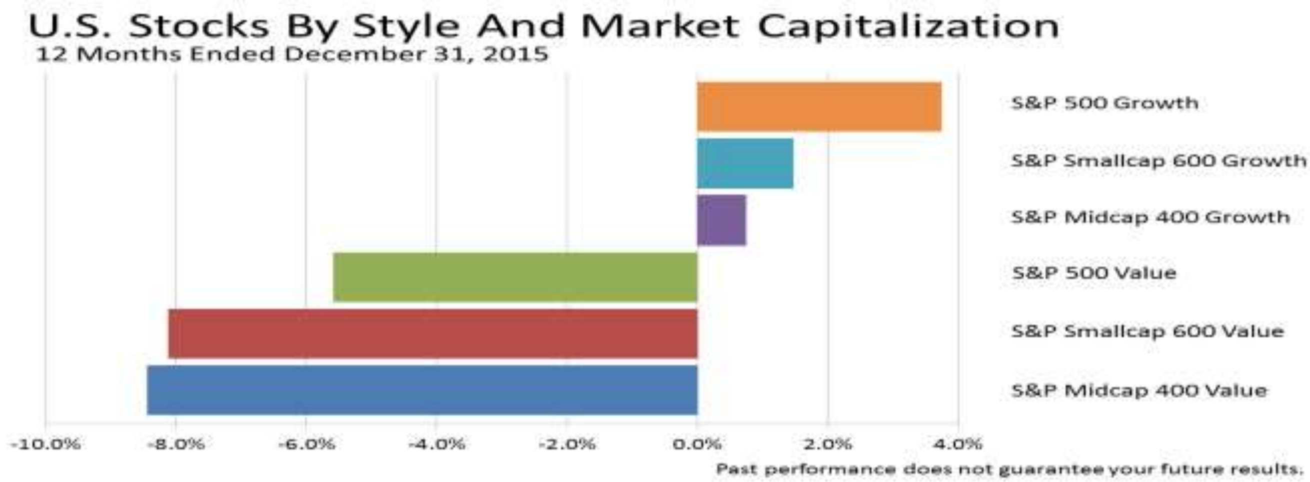
It would be the central bank's first rate hike in seven years.

Fed Chair Janet Yellen's press conference, held after the Fed meeting, made the announcement public, live on the Internet.

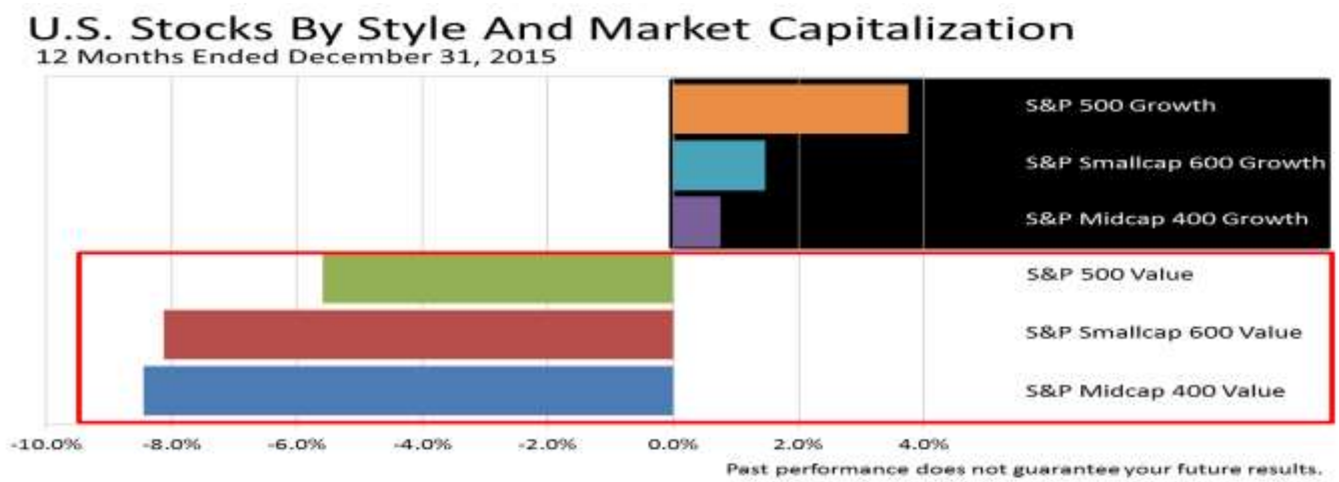
Yellen's announcement, that the Fed had decided not to raise rates, sent the stock market into another tailspin.

The Fed's postponement of the rate hike set off a selloff that ran through the end of the third quarter, and the fourth quarter brought a steady stream of positive economic data.

New job formation data, most notably, was strong in October and November, and the stock market righted itself from the late summer's long-awaited "10% correction."



This slide gives us an opportunity to mention something important about our firm's prudent style of investing.



Look at the huge 12% difference in returns on the best- versus the worst-performing styles.

In calendar year 2015, growth-companies returned 12% more than value stocks across the full spectrum of small-, medium-, and large- blue-chip American companies.

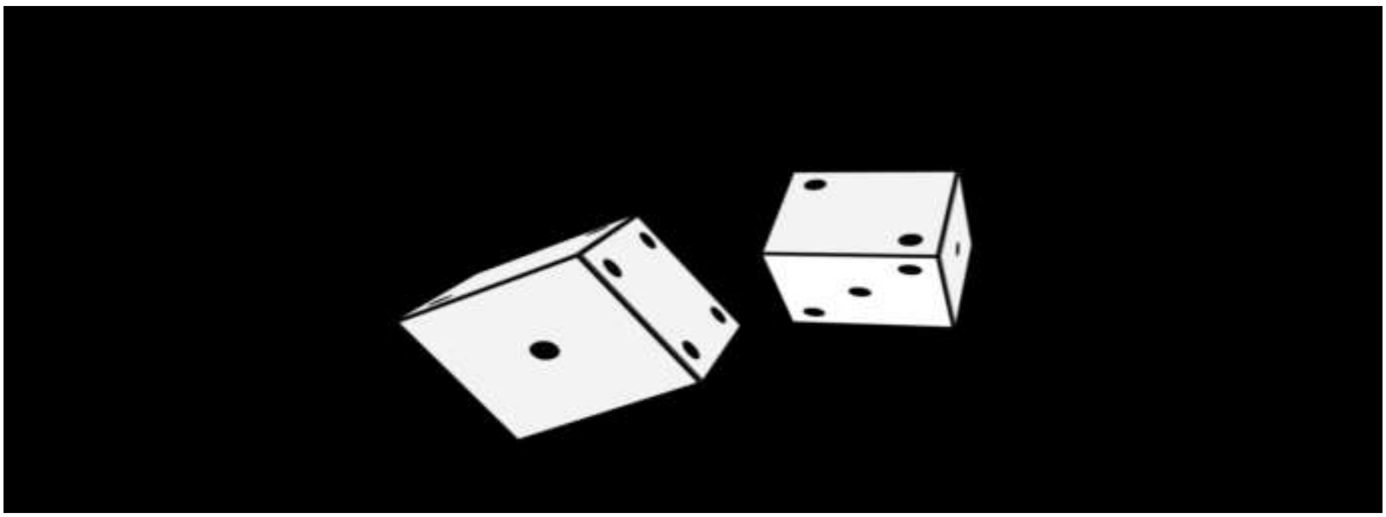
2015 shows how the stock market's pendulum can swing from one extreme to another.

In 2015, the pendulum clearly swung toward growth-style investing.

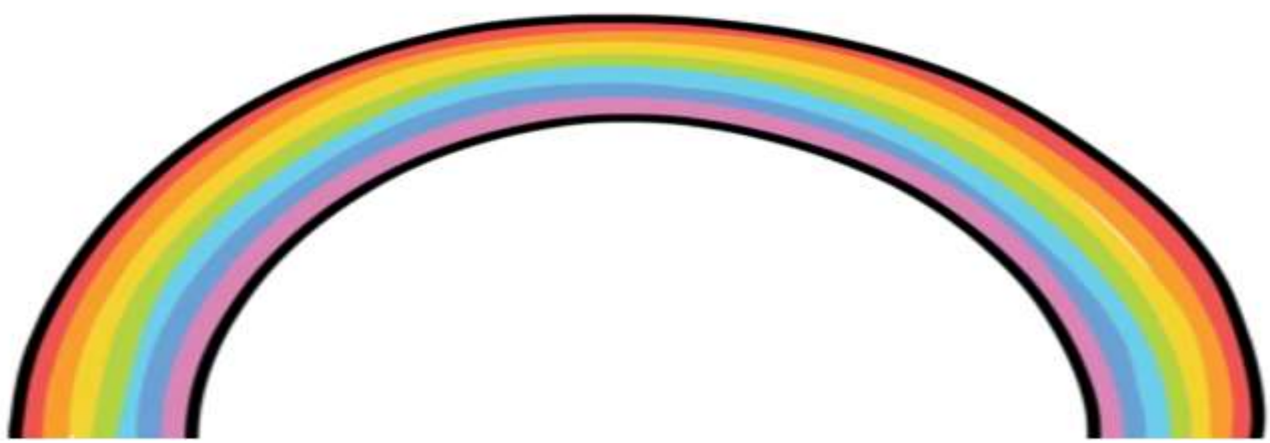
As it is almost always the case, the illusion that is Wall Street's crystal ball was shattered.

As usual, Wall Street's top strategists never saw the growth rampage that was coming.

Not one of the 10 top investment strategists at Wall Street's top firms had forecast the drubbing in value stocks, according to Fritz Meyer, an independent economist who has tracked the predictions made by Wall Street's top 10 strategists in *Barron's*, every year since 2005.



Meyer's annual scorecard shows that an investment strategy based on predicting which stocks will outperform next is a risky approach.



Staying broadly diversified across styles of stocks avoids making bad bets.

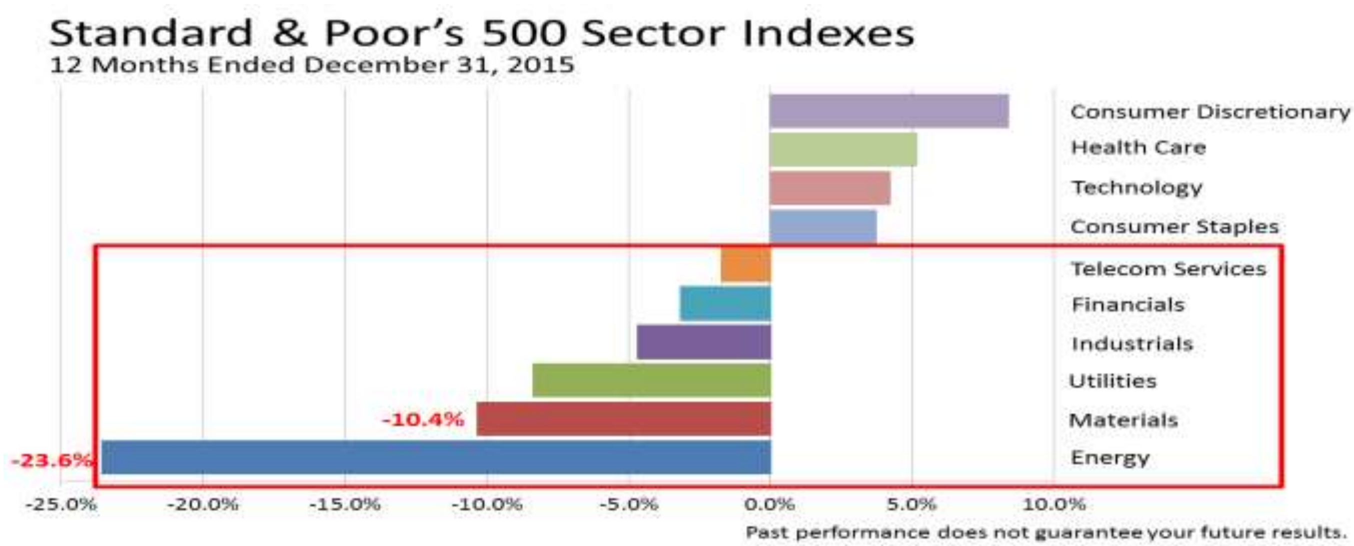
By owning value as well as growth stocks, you never perform as poorly as the worst sector or style or as well as the best style or sector.

When you engage me to provide you with financial planning advice, I am required to follow professional standards established by the CFP Board of Standards.

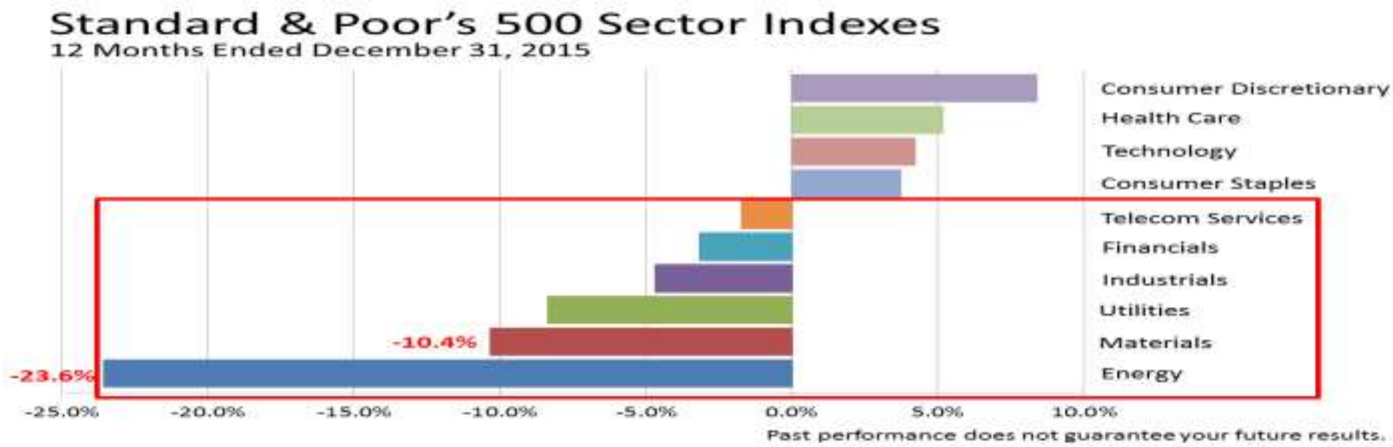
As a CFP^{TM}, I owe you a fiduciary obligation and must always give you advice that is in your best interest, without regard to my compensation.

I cannot push you toward a product because it would be better for me.

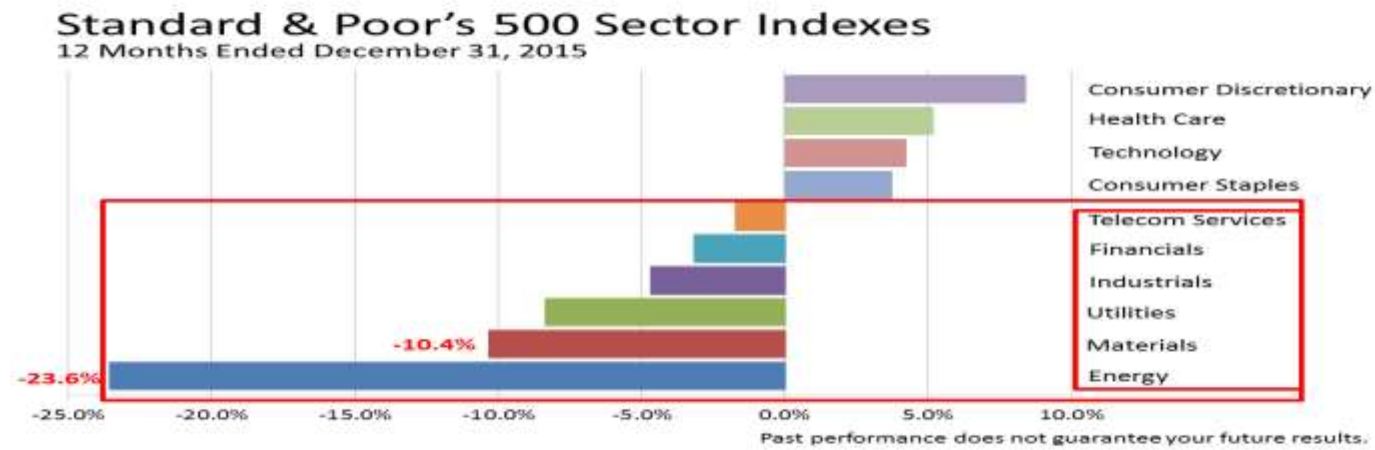
We are on your side.



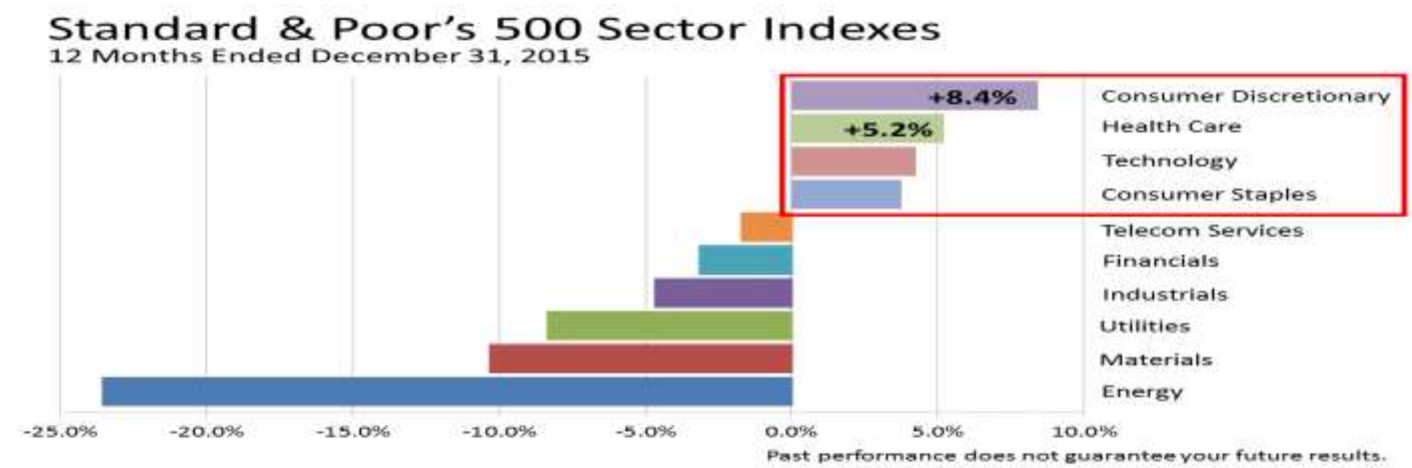
Energy, materials, utilities, industrials, financials and telecom all lost money in 2015.



Energy stocks were just a wreck. They lost nearly a quarter of their value.

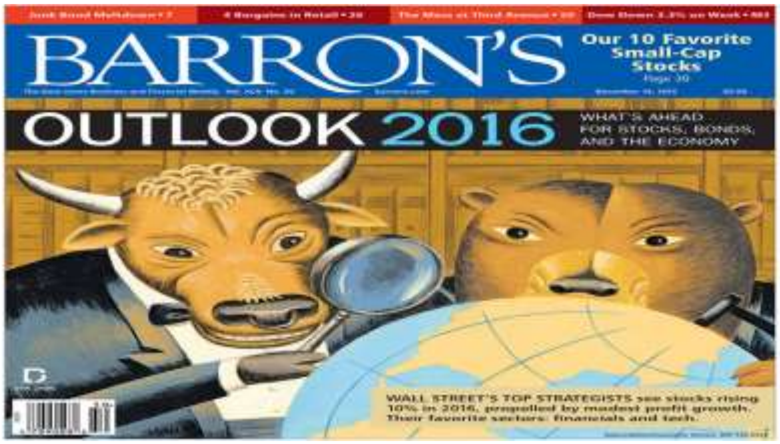


The stocks in these industries are typically classified as value-style stocks.



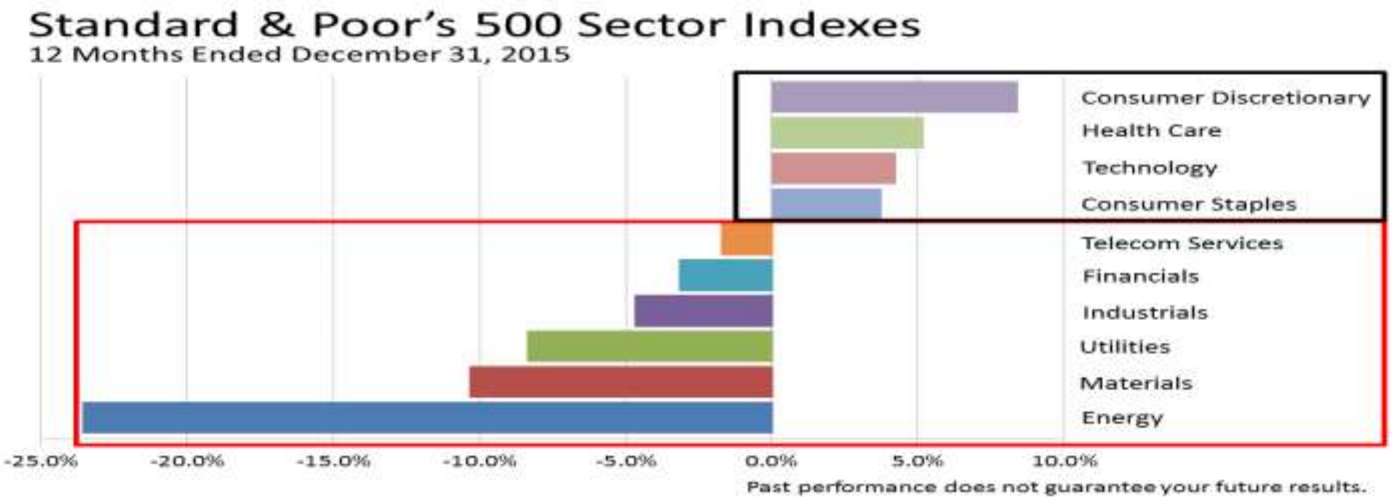
Growth stocks, meanwhile, which sell at higher valuations than value-style stocks, because they have better prospects for growing profits, returned from 3.8% to 8.4% in 2015.

These are companies in the heath-care, technology, and consumer sectors.



Every December, *Barron's*, a respected financial weekly, asks Wall Street's 10 "top" strategists to name the sectors that will perform best in the year ahead.

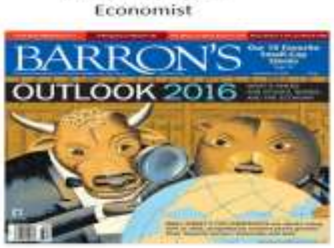
None of the 10 strategists predicted what would happen in 2015. Not even close.

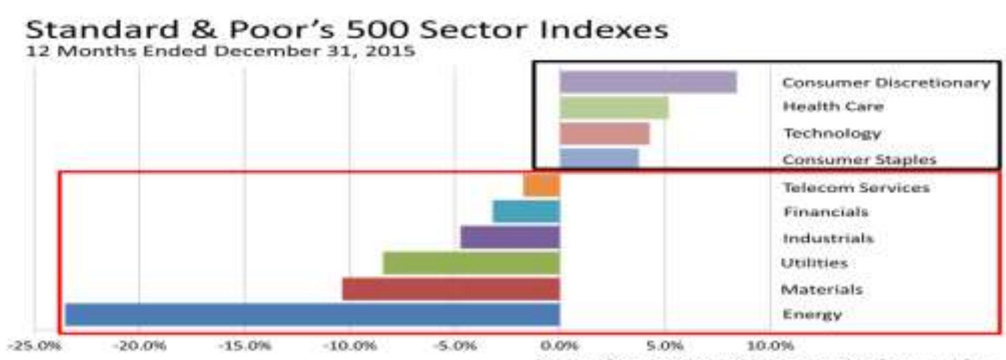


This is based on research by independent economist, Fritz Meyer.

Meyer had a brilliant career on Wall Street as a portfolio manager and senior strategist for one of the world's largest investment companies before launching an independent economic research firm in 2009.

Fritz Meyer
Economist





Meyer tracks the strategists' picks in *Barron's,* every year.

He says the 10 forecasts made by Wall Street's so-called "top" strategists in *Barron's*, in December 2014, were not even close to picking the best and worst sectors.

Wall Street's Sector Calls For 2015

Survey of 10 stock market strategists' sector picks and pans for 2015

	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Telecom Services	Utilities
Federated Investors	+			+		+	+		-	-
Blackrock		-		+			+			-
Barclays Capital		-	+	+	-	+	+			
Columbia Management			-	+		+				-
Goldman Sachs	-		+			-	+	-	+	
JPMorgan Chase	+			+	+		+	-	-	-
Citi Research	-			+	-		+			
Morgan Stanley	+	-	+			-				-
Prudential						+	+		-	-
BofA Merrill Lynch	-					+	+		-	-
Net (+/-)	0	-3	+2	+6	-1	+3	+8	-2	-2	-7
2015 Sector Returns	+8%	+4%	-24%	-4%	+5%	-5%	+4%	-10%	-2%	-8%
Sector Rank	1	4	10	6	2	7	3	9	5	8
Strategists' Net Results	Miss	Miss	Bad Call	Bad Call	Miss	Bad Call	Good Call			Good Call

Sources: *Barron's*, Cover, Dec. 15, 2014. and Dec. 14, 2015; Fritz Meyer Economic Research

This table from Meyer shows just how wrong Wall Street's top strategists were in 2015.

To be fair, the Wall Street analysts in 2015 did make two correct calls on the 10 industry sectors comprising the Standard & Poor's 500 index. They were right about tech and utilities.

However, the *Barron's* panelists missed three calls and were totally wrong on three more.

According to data from Fritz Meyer, an independent economist, who began tracking the *Barron's* panel in 2005, Wall Street's so-called "top" strategists have been wrong much more than right every year.

Energy, which the *Barron's* strategists, as a group, liked – three of the 10 Wall Street firms had been bullish on energy in the December 2014 issue of *Barron's* and one was bearish on the energy stocks – lost nearly a quarter of their value in 2015. Yet more of the Wall Street strategists had been bullish than bearish on the energy sector.

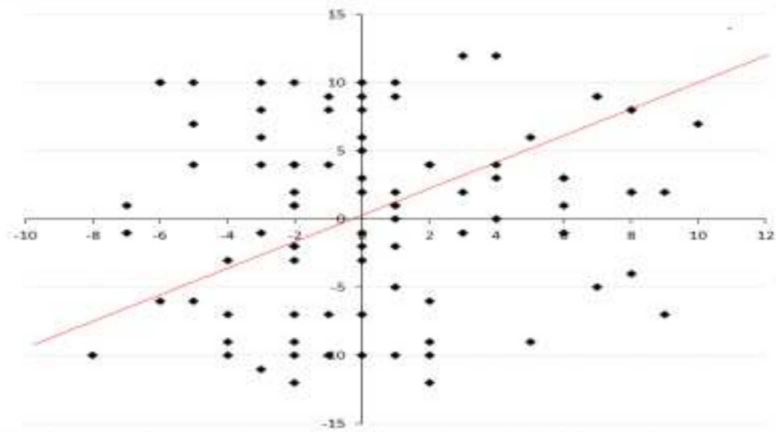
Financials and industrials were the among the industry sectors that Wall Street strategists, as a group, favored. Financials and industrials trailed the S&P 500.

More of the 10 strategists had been neutral or negative on the two best-performing sectors, consumer discretionary and consumer staples. These two sectors topped the list of 10 S&P industry groups.

If the top Wall Strategists' picks seem to not be highly correlated with actual returns, it is because that is the reality.

The strategists’ picks have been no better than throwing darts.

Barron’s Wall Street Strategists’ Forecasting Record, 2007-2015



Beginning-of-Year Sector Picks Minus Pans (Net) Forecast

Sources: Standard and Poor's for actual annual sector performance data. *Barron's* surveys for beginning-of-year sector picks minus pans (net) figures.

Each dot in this chart shows how the strategists' performed as a group, every year since 2007.

If the strategists' picked the best and worst sectors every year, then the dots would all fall along the red line.

But the strategists’ picks are not correlated with the red line.

They’re randomly scattered all around the red line and the vast majority of the strategists’ picks were totally off base, not even close to the red line.

This chart shows a compilation of all beginning-of-year sector picks minus pans versus actual end-of-year sector returns for the 8 years, 2007-2015 – every year since *Barron’s* began taking this survey of strategists’ picks and pans. If the strategists surveyed, collectively, were able to systematically give valuable sector picking advice, then these data points would lie approximately along the indicated 45 degree angle: sectors with high net picks would perform relatively highly and sectors with negative net picks would perform relatively negatively. As is evident, however, the data points scatter shot looks pretty random. The strategists’ picks have been no better than throwing darts.

Is it fair to grade all Wall Street strategists using aggregate numbers from a small, 10-member subset of strategists?

First, as to the aggregate numbers question one might ask whether there were, or are, any individuals among the 10 strategists surveyed by *Barron's* who *have* consistently given valuable sector-picking advice. The answer is no, there is no evidence of that in the data. There is no single strategist who I can see made consistently winning sector calls.

Second, do these 10 strategists fairly represent all of the parade of experts making sector, style, market-cap, market and even asset class calls in the media? There is no broad data set that I can use to answer that question empirically. However, I'm not aware of any strategist or money manager who can consistently do any better than this group of 10, representing the highest profile firms, both the buy side and sell side.

And while we're at it, here is a catalogue of some other horrible tactical asset allocation advice from high profile investment professionals whom the media like to all fawn over.

In 2002, with the DJIA at 7600, Bill Gross of Pimco predicted the index was headed to 5000. Instead, the DJIA lifted off and promptly doubled to 14000.

In 2011, Bill Gross, among many others, broadcasted his very high level of conviction that bond yields would rise with the end of QE2. So, the advice was to sell bonds and buy "dividend-paying stocks." That was exactly wrong. Bond yields plummeted with QE3.

In 2012, Bill Gross wrote that stocks are a dead, they are a Ponzi scheme and their returns have no bearing on reality. From the date of that sermon, not quite a year-and-a-half ago, the DJIA has moved 3500 points and 30% higher.

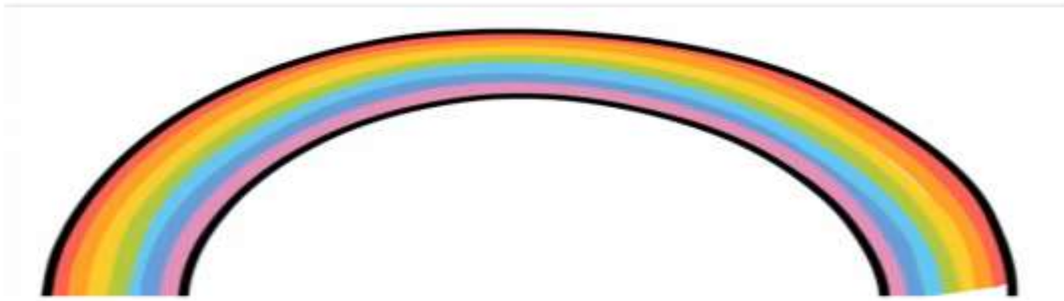
In 2013, the great Jim Rogers told us to buy commodities and sell stocks, calling for inflation and depression. Doug Kass, a regular on Larry Kudlow's CNBC show, wrote in February that "I am as bearish on stocks as I have been in some time." Ray Dalio of Bridgewater Associates said a year ago that the economy was running out of steam and stocks have little or no room to grow. Marc Faber was a big bear. The great Harry Dent predicted a collapse in both stocks and real estate.

2014 was supposed to have been "a stock picker's year." In fact, only 13% of large-cap managers managed to beat the S&P 500.

In 2015, the energy sector had more picks than pans – and was a disaster. Financials and industrials, also favored, both trailed the S&P 500 index. But, the strategists were neutral or negative on the two top performing sectors, consumer discretionary and health care.

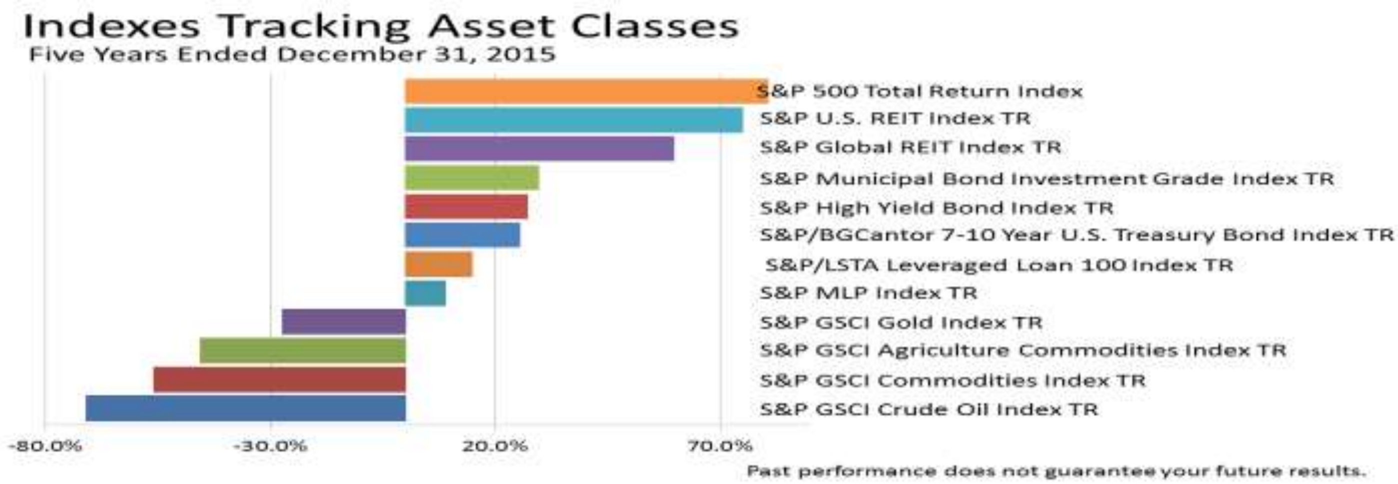
And so on.

What we do, at this firm – our style of investment management – is totally different from the old Wall Street model.



Our advice is based largely on Modern Portfolio Theory.

MPT is a way to diversify and rebalance systematically.



To understand Modern Portfolio Theory, look at the performance of 13 assets over the five years ended on December 31, 2015.

They cover many different types of assets – U.S. stocks, bonds, real estate, foreign stocks, commodities, oil and gold.

They each reacted somewhat differently to changes in the economy in the U.S. and abroad.

In this five year period, U.S. stocks were No. 1.

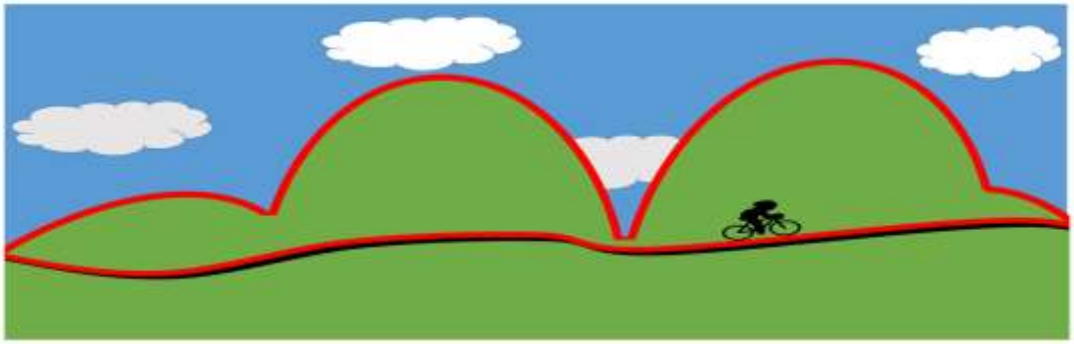
Over the next five years, will the same thing happen?

No one knows.

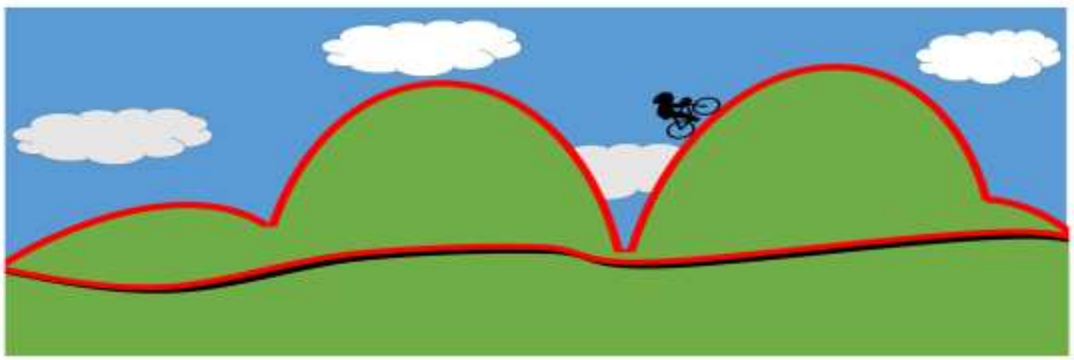
Modern Portfolio Theory provides a mathematical framework driving systematic diversification of a portfolio.

Diversifying broadly means you won't ever perform as well as the No. 1 asset class.

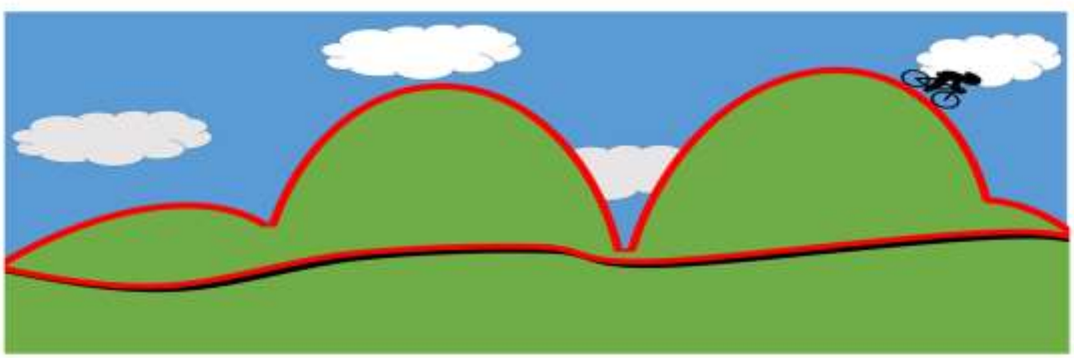
But it also means your portfolio won't ever perform as poorly as the worst asset class.



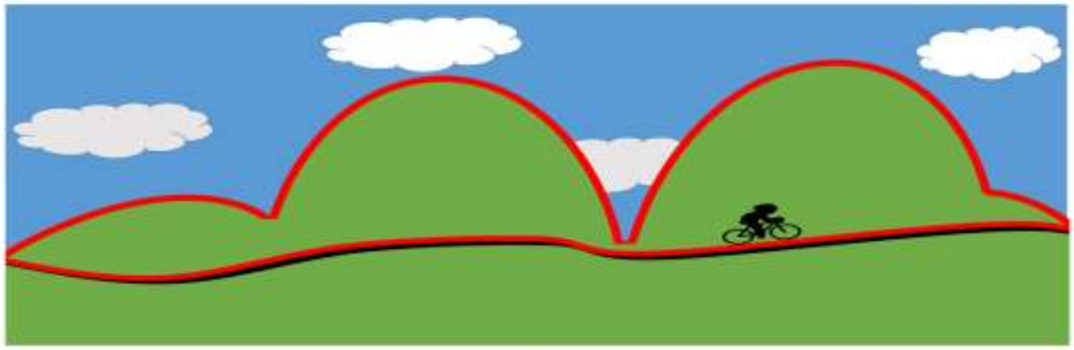
Modern Portfolio Theory is a way to try to moderate the ups and downs of investing for the long run.



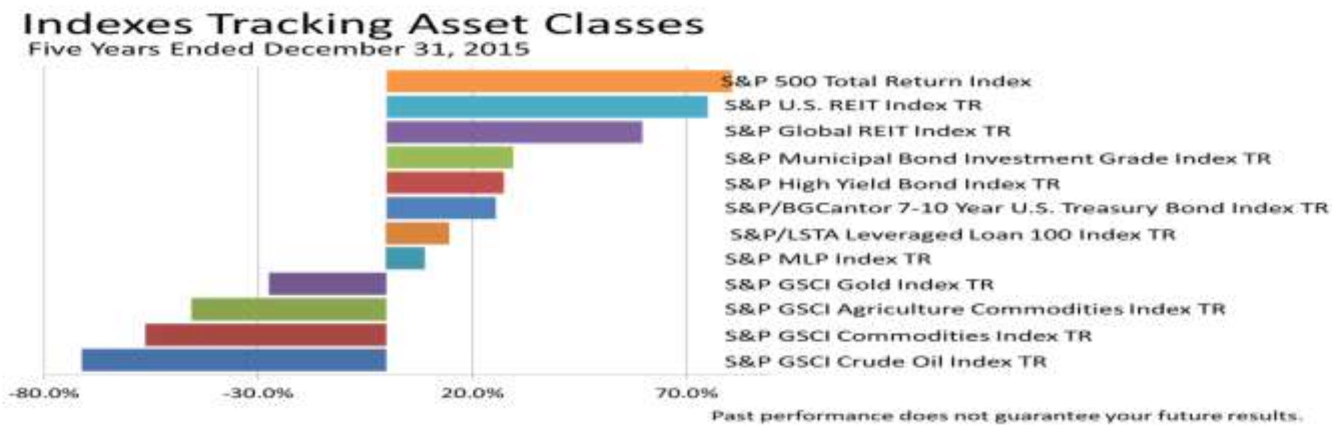
If you're on a path with steep ups and downs, you are more likely never to get where you're trying to go.



A frightful descent is more likely to make you abandon course.

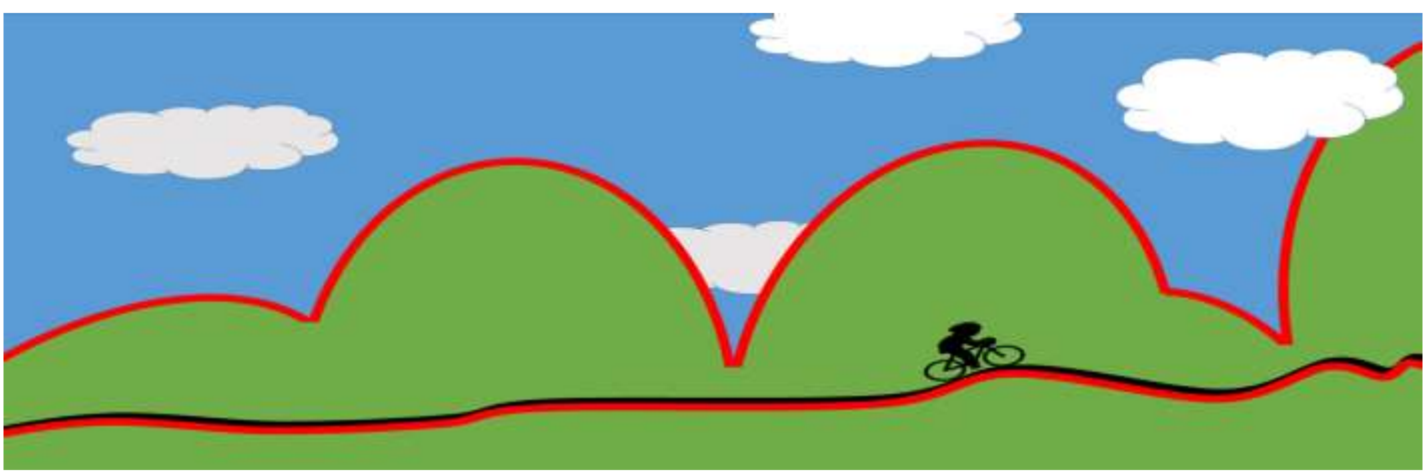


The moderate path is not as exciting but easier to complete.



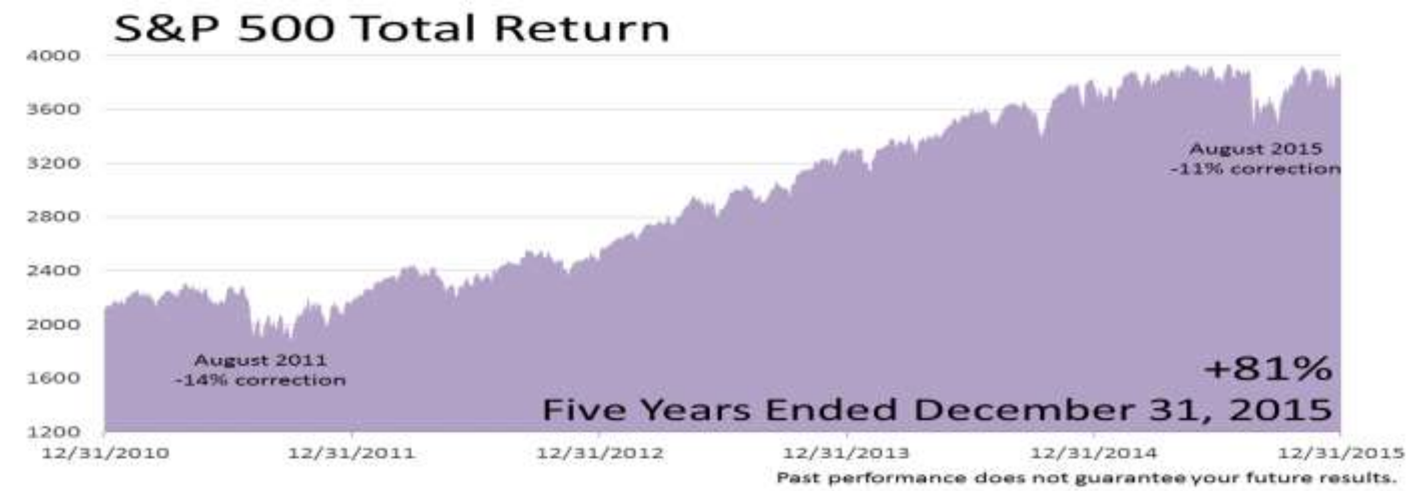
So don't lament not owning more U.S. stocks or missing out on the latest hot sector.

If you are investing for the long-run, this boring course is prudent and preferred.



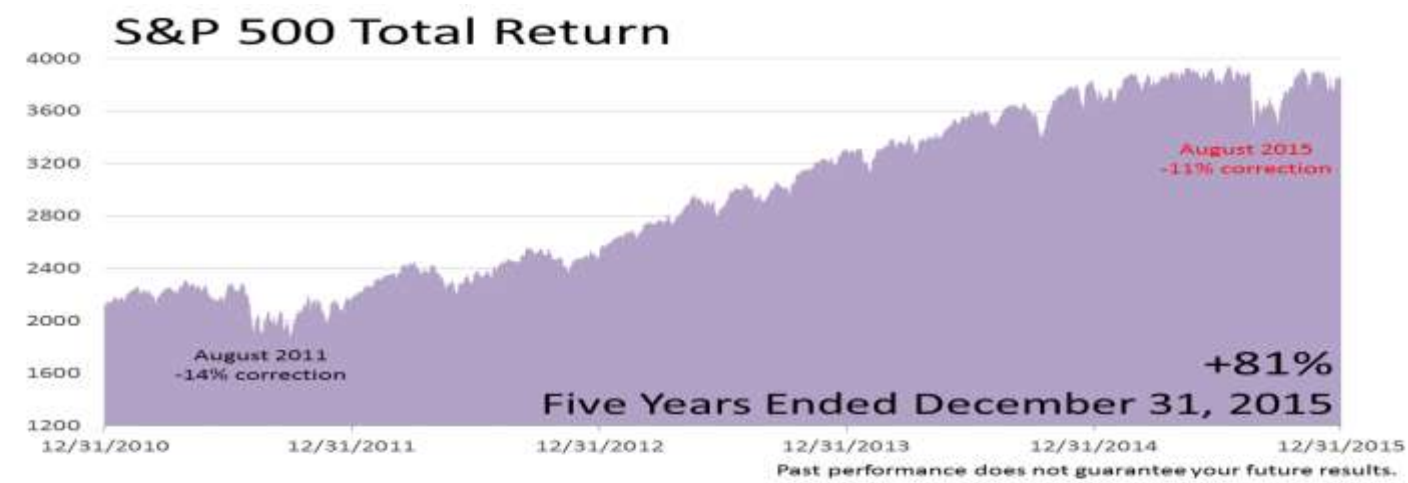
We are here to help you stay invested for the long run.

We are here to help you find a sensible path.

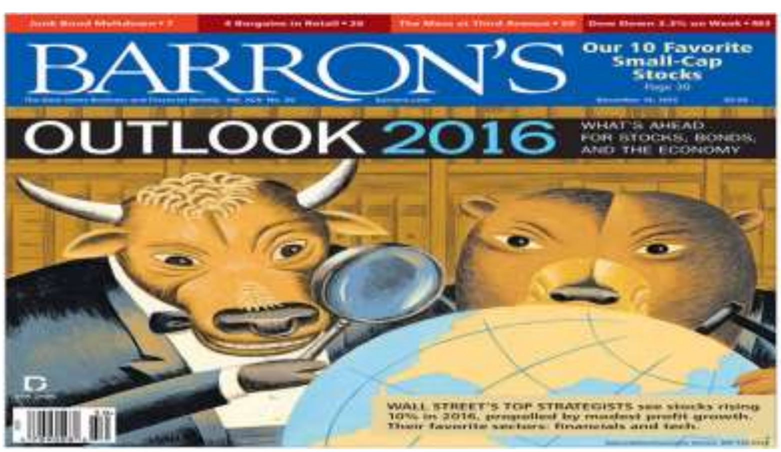


2015 marked a leveling out in the stock market.

It was a breather in an extraordinary six-and-a-quarter-year bull run on Wall Street, a financial romp in which the Standard & Poor's 500 stock index steadily marched from its March 2009 bear-market bottom to triple in value.

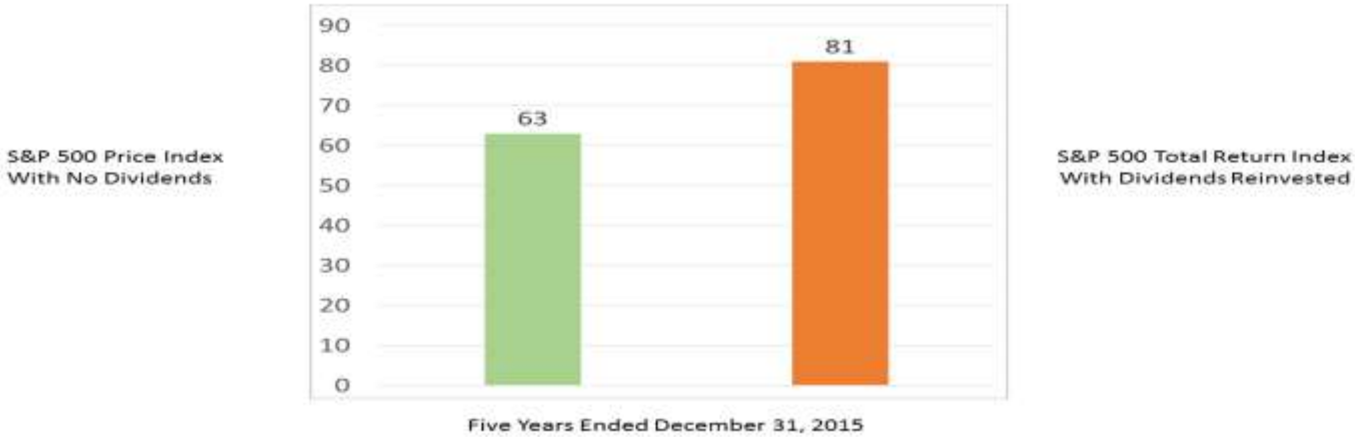


2015 brought a long-anticipated "10% correction" in the stock market, the first in four years, which was a very atypical 4-year period of unusually low downside market volatility.



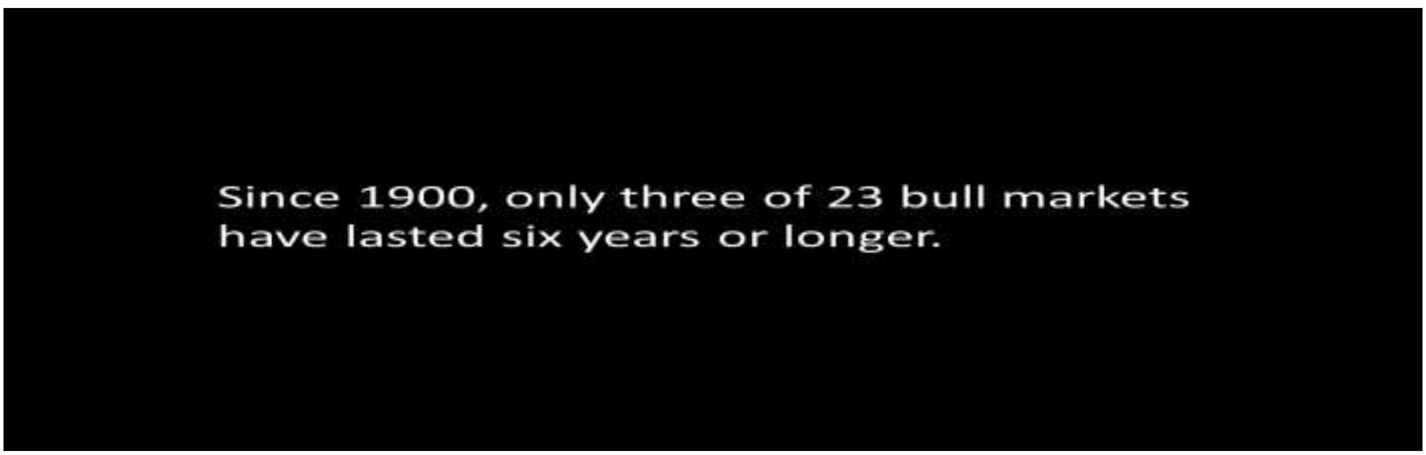
Every December, *Barron's*, a respected financial weekly, asks Wall Street's 10 "top" strategists to name the sectors that will perform best in the year ahead.

None of the 10 strategists predicted what would happen in 2015. Not even close.



For the five years ended December 31, 2015, the S&P 500 showed a total return of 81%, including dividends.

The commonly-quoted S&P 500 price index, which does <u>not</u> include reinvested dividends, gained 63%.

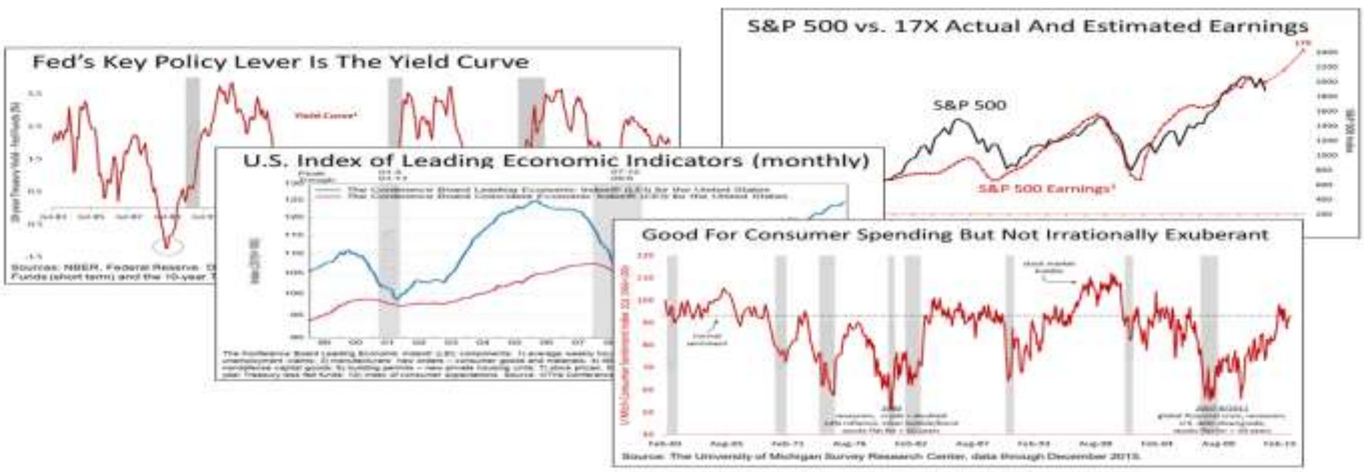


The longer the bull market goes on, the more likely it is to end.

As 2016 began, pessimism about the economy fueled Wall Street's worst start to a year in history.

Two weeks after the new year had begun, the Standard & Poor's 500 stock index had fallen almost 10% from a December 29 –high, and the financial press was filled with dire predictions.

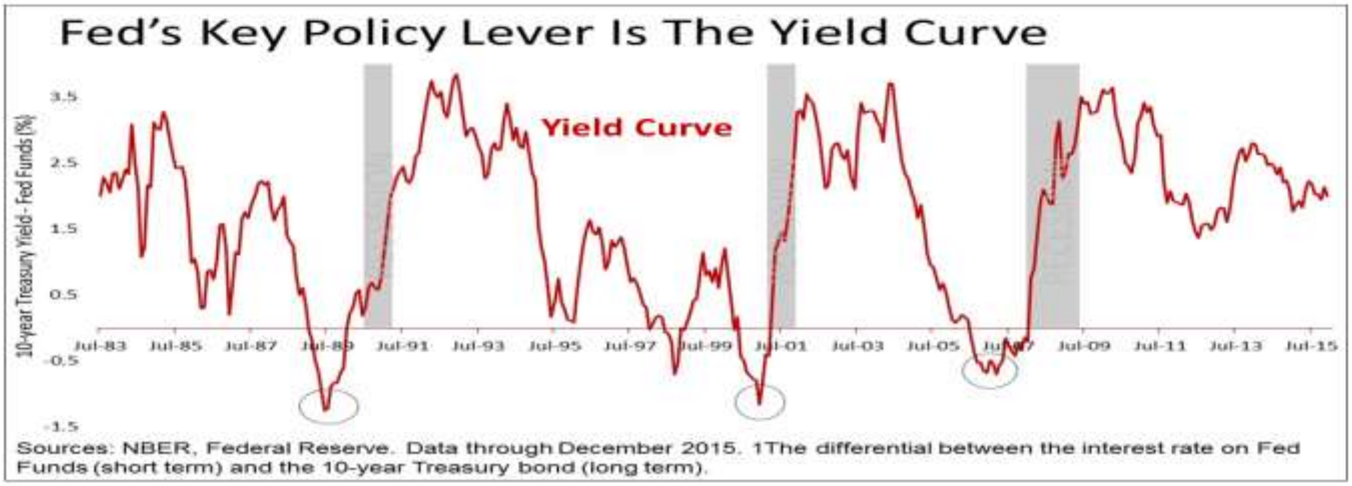
While you could almost see the bears moving in to end the bull run on Wall Street, something about this picture did not make sense.



The economy was showing signs of strength.

Four key metrics that classically herald a bear market and slumping economy were looking quite strong.

Let's go over them quickly.

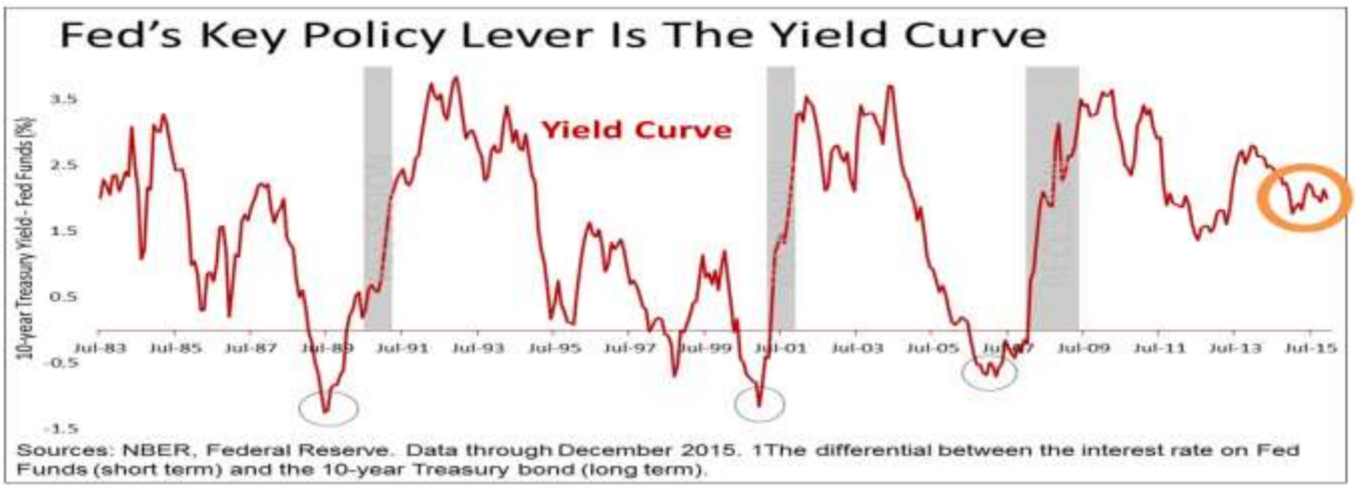


Sources: NBER, Federal Reserve. Data through December 2015. 1The differential between the interest rate on Fed Funds (short term) and the 10-year Treasury bond (long term).

The red line charts the value of the Federal Reserve's key policy instrument, the yield curve.

The yield curve is difference between a long-term bond's yield versus a short-term bond's yield.

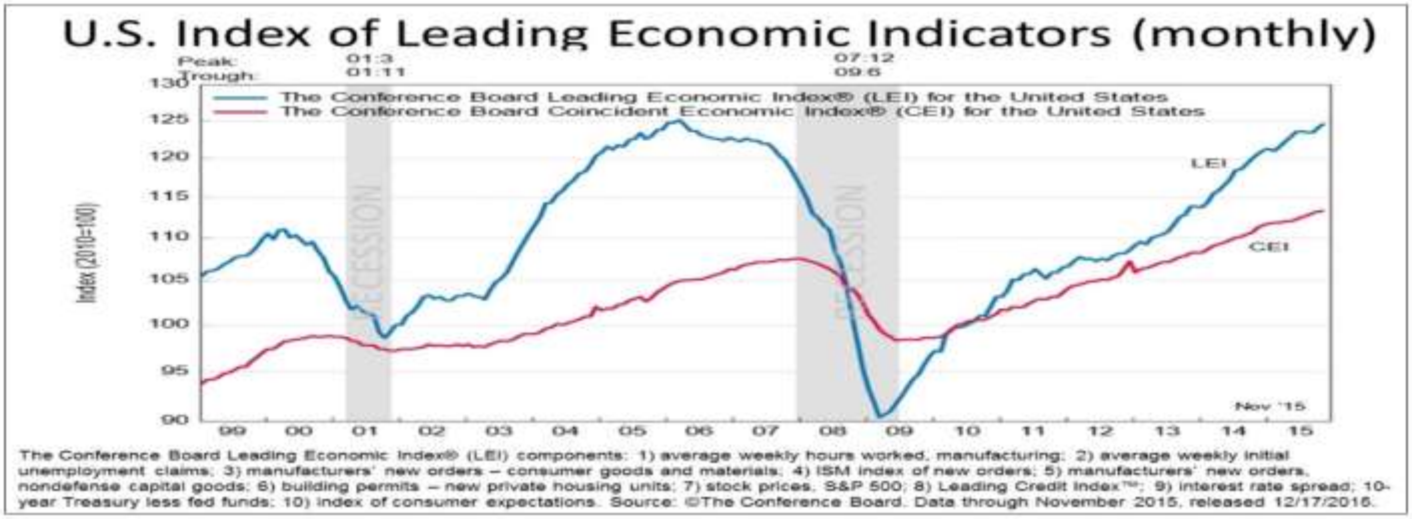
The three circles highlight times when the yield curve was inverted — when long-term yields were lower than short-term yields — and recession followed.



Sources: NBER, Federal Reserve. Data through December 2015. 1The differential between the interest rate on Fed Funds (short term) and the 10-year Treasury bond (long term).

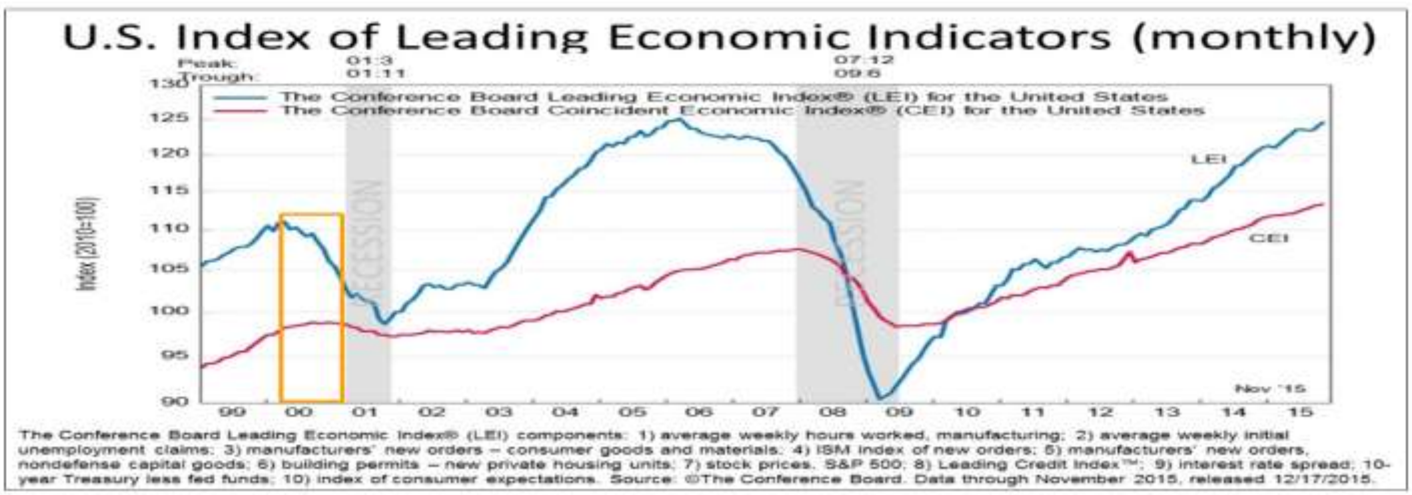
The yield curve's value in mid-January 2016 is nowhere near inversion.

While past performance is not a guarantee of future results, it's reasonable to believe that we are years away from the yield curve becoming inverted.



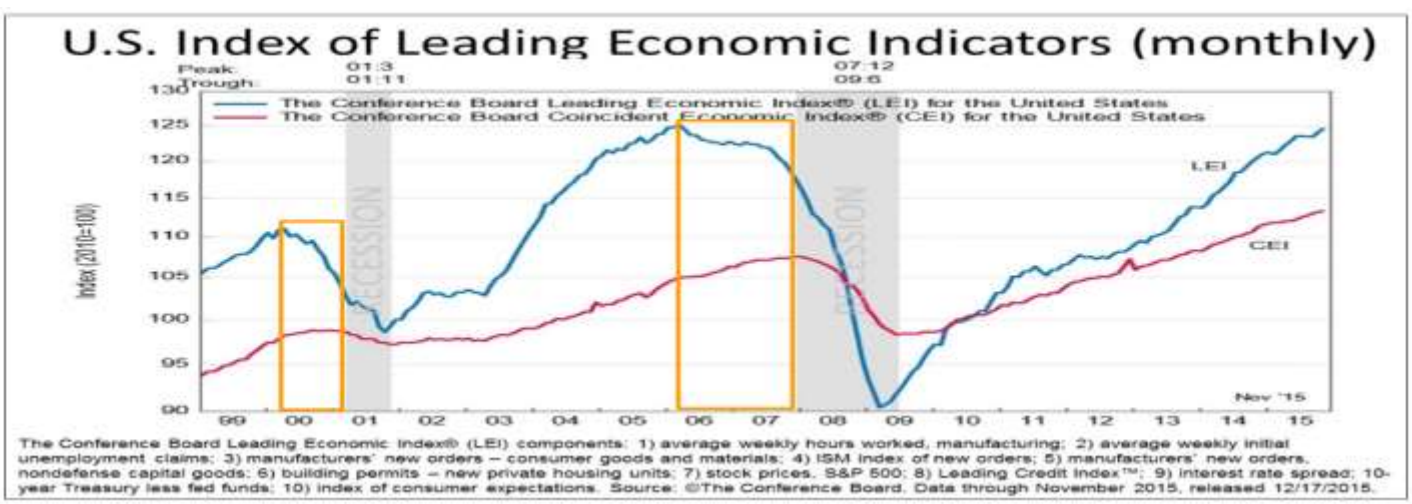
Another key metric is shown in the blue line in this chart.

It measures the performance of the 10 best forward-looking economic indicators of the U.S. economy.



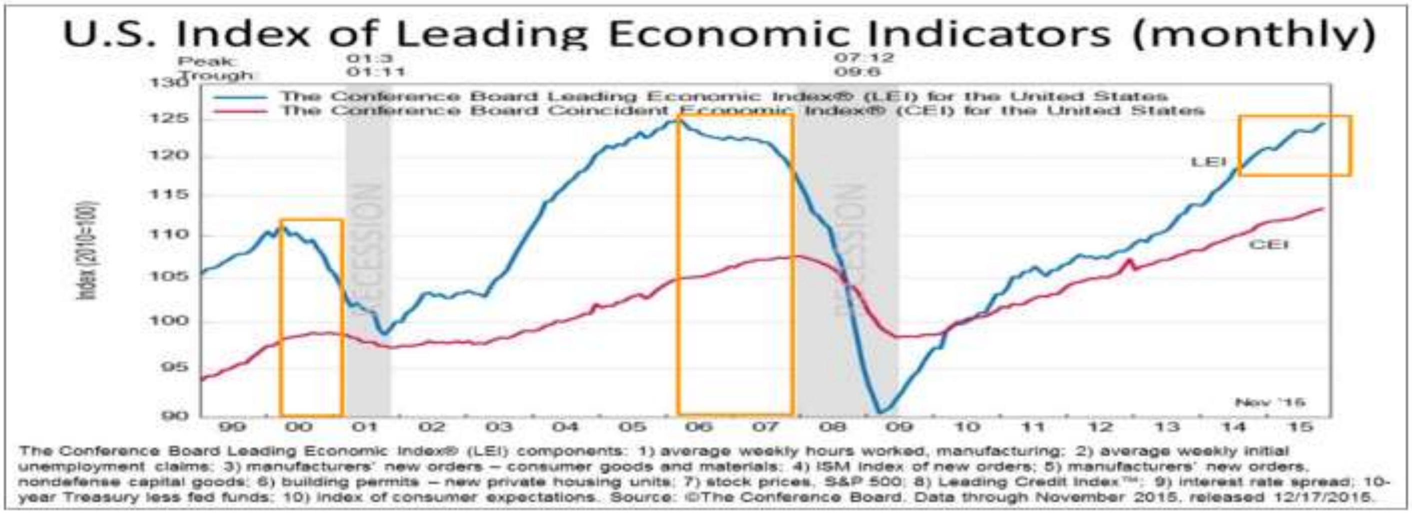
Look at how the blue line of leading economic indicators starts plunging before a recession begins.

In 2000, the blue line plunged month-after-month before a recession began in 2001.



And in 2007, it's the same thing: The blue, representing the LEIs, dropped for months in 2006 and 2007, before the onset of The Great Recession in 2008.

Historically, when the LEI turns over like that, it portends a drop in stocks as well as a recession.



We've had a drop in stocks recently, but the LEI data released on December 17 did not turn down?

To the contrary, stocks sold off after 2016 began, despite the leading economic indicators rising fairly steadily for months.

This forward-looking metric is not indicating a recession is on the way.

Past performance does not guarantee your future results.

And, finally, there's this metric, which is perhaps the most important of all.

The red line is the price-earnings ratio of the Standard & Poor's 500 index, dating back to the end of 1988.

The black line shows the price of the S&P 500 in the same time period.

Earnings, the red line, drives stock prices and when stocks are fairly priced, the black line and red line are close together.

In the tech stock crash and bear market of the turning of the millennium, a gap opened between earnings and the price of the S&P 500 in 2000.

There was no such valuation gap in January 2016.

In fact, if earnings come as expected, the red line will pull the black line higher.

No one can predict what will happen.
Terrorism, natural disaster, political strife, and so-called black swan events that no one ever expect can become reality and change financial markets dramatically, at any given moment.
That’s always been true, although it seems harder than ever to believe.
Over long periods of time, however, we know humans make progress. We learn and make things better.

Past performance does not guarantee your future results.

In a volatile world, betting on the progress of humanity is never easy.
Barring some unforeseen calamity, however, progress will slowly come to humanity in the years ahead, and the red line – earnings – will pull the black line higher.
When we act as an Investment Advisor Representative, we advise you as a fiduciary, responsible for giving you advice based on your very best interest – with no regard for what’s in it ourselves.
Sizing up the red line and black line is what we do for you.

Disclosures

Indices are unmanaged and not available for direct investment. Past performance is not indicative of future results. This information is from sources we believe to be reliable, but we cannot guarantee or represent that it is either accurate or complete.
Investments with higher return potential carry greater risk for loss.
Investing in small companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.
Foreign securities have additional risks, including exchange rate changes, political and economic upheaval, the relative lack of information about these companies, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.
Investing in emerging markets involves greater risk than investing in more established markets, such as risks relating to the relatively smaller size and lesser liquidity of these markets, high inflation rates, adverse political developments and lack of timely information.
Fluctuations in the price of gold and precious metals often dramatically affect the profitability of the companies in the gold and precious metals sector. Changes in political or economic climate for the two largest gold producers, South Africa and the former Soviet Union, may have a direct effect on the price of gold worldwide.
Data for the CPI, Unemployment Rate, and Non-farm Payrolls are from the Bureau of Labor Statistics. Data for the GDP are from the Bureau of Economic Analysis. The Purchasing Managers Diffusion Index is a release of the Institute of Supply Management. Retail spending data are from the Bureau of the Census. Data for Consumer Confidence are from the Conference Board. Historic Treasury yields are from the U.S. Treasury; global and U.S. equity index performance numbers are from the respective index vendors, as are commodity benchmarks. Currency numbers are from OANDA.com. Sector and dividend statistics are from Standard & Poor’s.
The Conference Board Leading Economic Index® (LEI) components: 1) average weekly hours worked, manufacturing; 2) average weekly initial unemployment claims; 3) manufacturers’ new orders – consumer goods and materials; 4) ISM index of new orders; 5) manufacturers’ new orders, nondefense capital goods; 6) building permits – new private housing units; 7) stock prices, S&P 500; 8) Leading Credit Index™; 9) interest rate spread; 10-year Treasury less fed funds; 10) index of consumer expectations. Source: The Conference Board runs through August 2015 and released September 18, 2015.
Average hourly earnings compound annual growth rate for March 2006 through December 2008 was 3.4% versus CAGR December 2008 through August 2015 rate of 2.0%. March 2006 average hourly earnings of $20.05 inflated by the personal consumption expenditures deflator (PCED). AHE exclude benefits and employers’ share of payroll taxes.
Estimated 2015, 2016 and 2017 bottom-up S&P 500 earnings per share as of January 4, 2016: for 2015, $117.26; for 2016, $126.91; for 2017, $142.80. Sources: Yardeni Research, Inc. and Thomson Reuters I/B/E/S survey of consensus estimates. Standard and Poor’s for index price data through January 15, 2016; and actual earnings data through 2015.