October 6th, 2015

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Market Commentary – 3rd Quarter Review 2015

*Market Summary**	12/31/2014	7/31/2015	8/31/2015	9/30/2015	Performance for Q3	YTD Performance
S&P 500 Index	**$2,058.90**	**$2,103.84**	**$1,972.18**	**$1,920.03**	**S&P 500 Index**	**S&P 500 Index**
		1.97%	*-6.26%*	*-2.64%*	*-6.94%*	*-6.74%*
Dow Jones DJIA	**$17,823.07**	**$17,689.86**	**$16,528.03**	**$16,284.70**	**Dow Jones DJIA**	**Dow Jones DJIA**
		0.40%	*-6.57%*	*-1.47%*	*-7.58%*	*-8.63%*
MSCI EAFE Index	**$1,774.88**	**$1,879.75**	**$1,736.81**	**$1,644.40**	**MSCI EAFE Index**	**MSCI EAFE Index**
		2.02%	*-7.60%*	*-5.32%*	*-10.75%*	*-7.35%*
MSCI Emerg Mkts	**$956.31**	**$901.68**	**$818.73**	**$792.05**	**MSCI Emerg Mkts**	**MSCI Emerg Mkts**
		-7.26%	*-9.20%*	*-3.26%*	*-18.53%*	*-17.18%*
FTSE Global All Stock	**$627.65**	**$653.17**	**$609.71**	**$587.54**	**FTSE Global All Stock**	**FTSE Global All Stock**
		0.62%	*-6.65%*	*-3.64%*	*-9.49%*	*-6.39%*
Barclays US Agg Bnd	**$1,914.87**	**$1,926.19**	**$1,923.42**	**$1,936.43**	**Barclays US Agg Bnd**	**Barclays US Agg Bnd**
		0.70%	*-0.14%*	*0.68%*	*1.23%*	*1.13%*
Barclays Global Agg Bnd	**$456.53**	**$443.48**	**$443.99**	**$446.26**	**Barclays Global Agg Bnd**	**Barclays Global Agg Bnd**
		-6.88%	*0.11%*	*0.51%*	*-6.30%*	*-2.25%*

An index is a portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Indexes are unmanaged portfolios and investors cannot invest directly in an index. Past performance is no guarantee of future results. *Source: Standard and Poors Dow Jones, Barclays, and MSCI. Data as of 9/30/2015. Returns are in U.S. Dollars. All returns are calculated on a closing price basis with the exception of the Barclays Bond Indexes.*

EQUITY MARKETS

The 3rd Quarter of 2015 was a painful one across the board. Global growth fears – mainly China - created volatility not seen in a few years. In addition, the always in question Fed rate hike also contributed to market movements. The VIX (S&P 500 Volatility Index) spiked in late August above 30 which we have not witnessed since 2011. What's interesting is that in 2011, the occurrence of said volatility was similar in timeframe. On that note, the market has clearly indicated that there are uncertainties all over the globe. All global stock market indexes had a rough time keeping gains that were generated in early July. Late August and into September lived up to its historical stereotype, statistically the worst performing period of time for the year (see chart).

With all the growth concerns overseas, in the U.S. we are still seeing positive GDP growth in the 2-3% range. General consensus was that a correction was long overdue and the combination of bad headlines from China and general lack of certainty provided that backdrop. The decline from peak to (potential) trough was roughly -12.3% which falls into the category of a market correction – defined as a decline of at least 10%.

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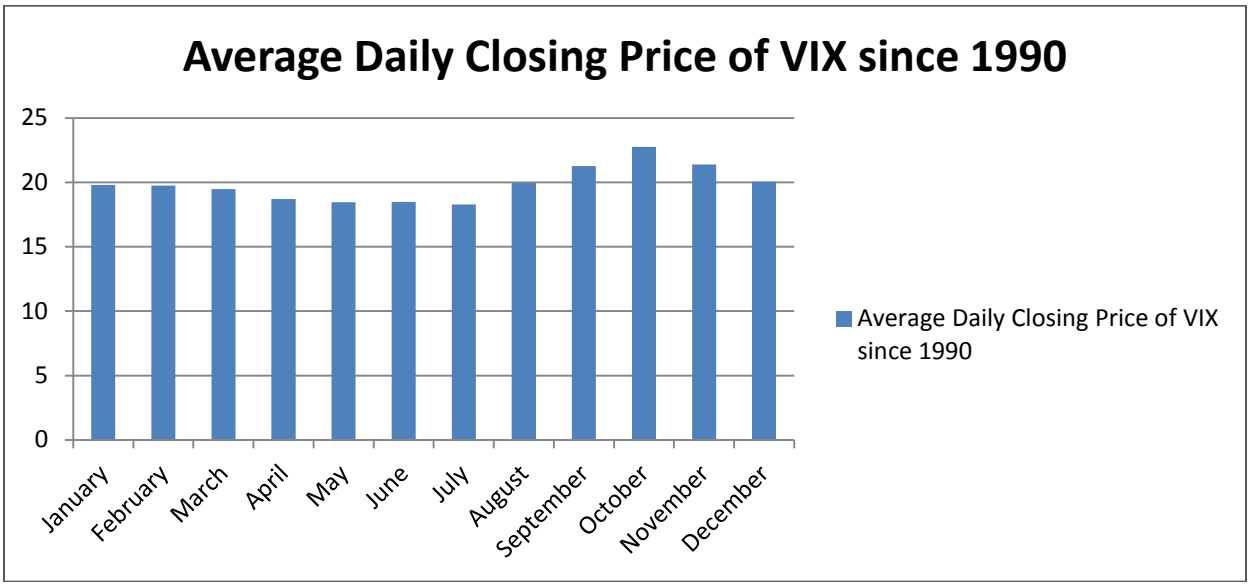
Moving Forward

While near term volatility has certainly got our attention our expectation is that 3rd quarter earnings will likely provide the market direction for the remainder of the year. We are hopeful that consensus earnings expectations moving forward will provide a positive long term outlook and the correction in late August and September will hold as the bottom for 2015.

Analysts have continued to mark down S&P 500 2015 earnings estimates to $110.98. Much of the mark down (from $131 at the start of the year) to current has been a continued decline in energy sector earnings. However the YoY comparisons start to lighten going into year-end which should help moving forward. In addition, we are heading into holiday season which is generally the best time of the year (see chart). Consumer spending will be an important data point for investors. On the very short term, the market seems to be due for a pause over the next few weeks and we look for downside pressure in mid-October to produce additional buying opportunities followed by the seasonal Santa Claus rally if earnings come in with even a slight positive bias (see Chart).



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*Earnings Data provided by http://www.standardandpoors.com under indices “S&P 500”. Specific current data can be found under ”Download Index Data” and by selecting the Index earnings link.

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Index definitions:

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones DJIA or Dow Jones Industrial Average is an index that shows how 30 large publicly owned companies based in the United States. The DJIA was first calculated on May 26th 1896 and is the second oldest U.S. market index currently followed.

The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends.

The MSCI Emerging Markets Index is a float-adjusted market capitalization index. As of May 2005, it consisted of indices in 26 global emerging economies.

The FTSE All-World Index is a market-capitalization weighted index representing the performance of the large and mid cap stocks from the FTSE Global Equity Index Series and covers 90-95% of the investable market capitalization. The index covers Developed and Emerging markets and is suitable as the basis for investment products, such as funds, derivatives and exchange-traded funds.

Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment grade, fixed rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and ten years.

The Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four different local currency markets. This multi-currency benchmark includes fixed-rate treasury, government-related, corporate and securitized bonds from both developed and emerging markets issuers. The Global Aggregate Index is largely comprised of three major regional aggregate components: the US Aggregate (USD300mn), the Pan-European Aggregate, and the Asian-Pacific Aggregate Index.

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