INVESTMENT ASSESSMENT
JANUARY 2016

The stock market struggled in 2015. Stocks declined in January, rallied in February and March, and then treaded water until late summer when market volatility really kicked in. The DJIA fell 2100 points from mid-July to August 25th, and then rallied again in the last four months of the year to end 2015 with a 2.2% loss*. The S&P500 also closed with a .7% loss for the year.** The reasons for lackluster market performance in 2015 are not hard to find: commodity prices, both energy and basic materials, collapsed; the prospect of increased interest rates weighed on investors; both the developed and emerging markets outside the United States were under pressure due to a slowdown in China, weak European economies, and rising tensions in the Middle East.

There were, of course, both stocks and sectors that recorded gains for the year, but the number of stocks that advanced was not impressive. There was a sharp disparity between a handful of growth stocks, namely the FANGs*** - Facebook, Amazon, Netflix and Google - and the relatively weak performance of the broader market. This concentrated performance by stocks with high price earnings ratios, which may be characterized as "frothy", is not considered the sign of a healthy equity market.

Investors have reason to be disappointed after the experience of 2015. Our managed portfolios have been positioned defensively due to the possibility of a normal 10-15% market correction. Global investments haven't done well, whether in the developed countries or emerging markets, high yield or junk bonds have been pummeled, and there is concern that both technical and fundamental issues indicate that we are in the late stages of the bull market.

Are we experiencing a market correction now? *Yes*. While some cult growth stocks have registered substantial gains, much of the rest of the market has been sold off and ignored. The Dow Jones Utility Index is down 7%*. The Dow Jones Transports have lost 21%. Commodity stocks, particularly energy, have been crushed.

We believe the opportunity in 2016 will be in value over growth and in taking advantage of market weakness. We prefer domestic investments over global, and we believe that dividends, or cash distributions, should be utilized to produce total return.

The equity markets face headwinds in 2016. But low expectations sow the seeds for solid investment returns. Continued economic growth, improvement in commodity prices, or any positive surprise would produce investment opportunity. The stock market continues to benefit from historically low interest rates and lack of competition for investor capital.

We believe that the current market weakness is a "correction" and not a bear market. In the short term, we continue to hold an over weighted position in money market and bonds in the anticipation of a lower risk investment opportunity.

Craig F. Cooper

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**Source: Wall Street Journal - January 11, 2016*
*** The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. You cannot invest directly in an index. No investment strategy can guarantee a profit or protect against loss in periods of declining values.*
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