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INVESTMENT SUMMARY

1st Quarter 2016

On the heels of a choppy year in the markets, investors were confronted with more volatility at the start of 2016. In the first week of trading, U.S. stocks fell 6%, followed by an additional 5% decline by mid-February, only to stage a strong rally through the close of the quarter. In many ways, the mixed investment returns for the first three months of the year resemble the uneven performance we witnessed in 2015. As this enduring bull market nears its eighth year, best case scenarios are for more modest investment returns in the future, as the Fed contemplates a move to higher interest rates, consistent with a global economic expansion that is in its mature phase.

As in years past, our collective conviction in the markets was tested during the first quarter by alarming terrorist events in Brussels, the media circus surrounding U.S. political primaries, and concerns about the health of our major trading partners (Europe, Japan and China). Once again, the stock market proved resilient and climbed the proverbial "wall of worry." At the end of the quarter, most equity benchmarks had sustained their gains and remained near record highs.

A key driver propelling this global economic expansion is easy monetary policy around the world. Specifically, central banks in Europe, Japan, China, and the U.S. have kept interest rates low, while printing (borrowing) money to further bolster the financial markets. In the opinion of some economists, this era of economic stimulus has gone on far too long, and needs to be reversed. Some investors point to negative interest rates in Europe as evidence that central bankers have gone too far, and are urging policy makers to begin the process of normalizing interest rates around the world.

We see the odds of a recession in 2016 being low, with U.S. GDP capable of expanding at a 2.5% rate for the balance of the year. Importantly, job creation continues to register above 200,000 jobs per month, while increases in wages are finally being realized by employees. Low oil prices will also help the U.S. consumer, who has shown more fiscal discipline in recent years, culminating in higher saving rates and lower debt levels for American households.