2016 Performance Notes Update

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US Markets During 2016

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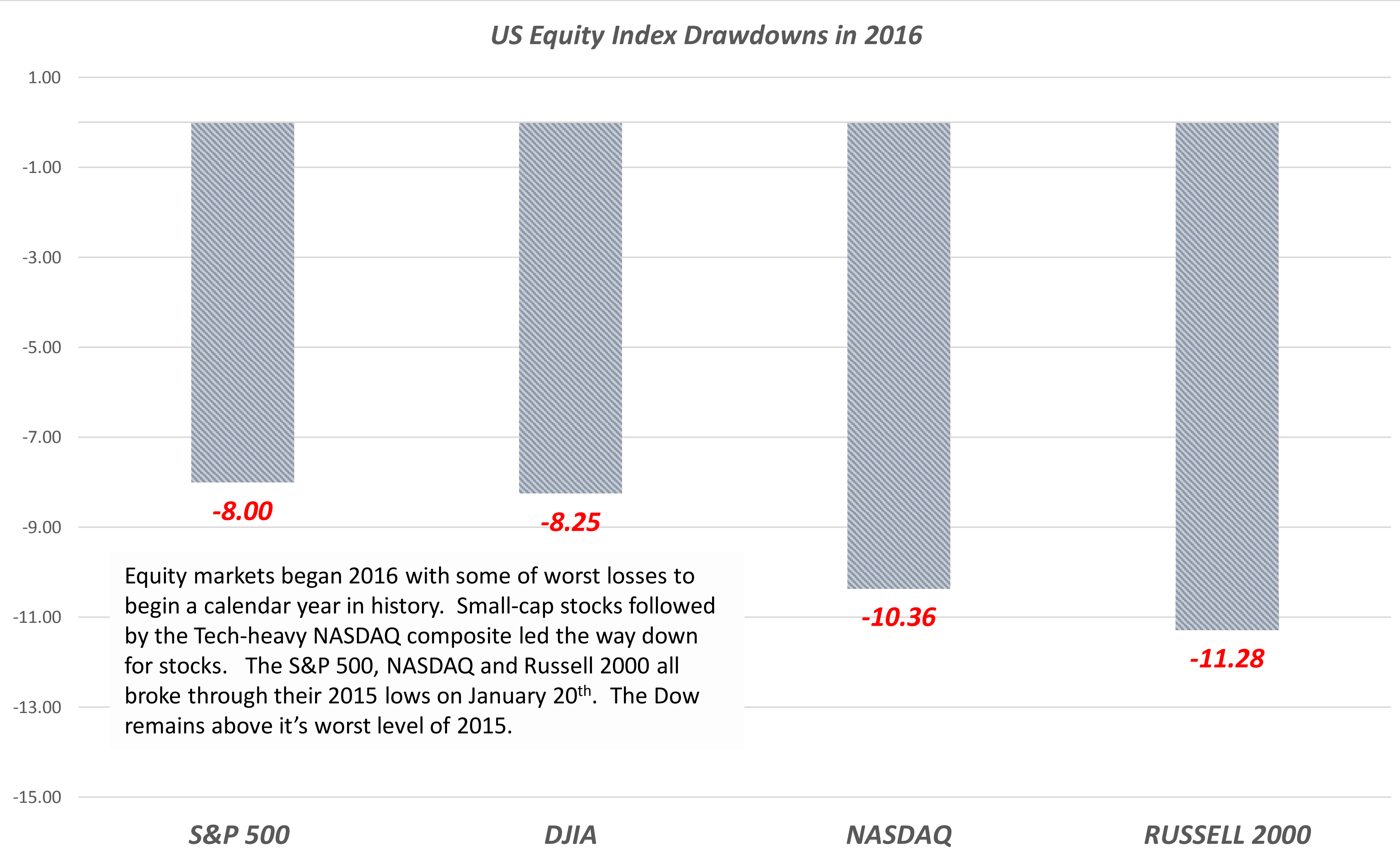

Source: Morningstar Direct as of 1/22/16.
Investors cannot invest directly into an index and advisors cannot mirror an index. Any performance quoted is past performance and is not a guarantee of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Individual results will differ based upon asset allocation, timing and fees.

S&P 500 Internals

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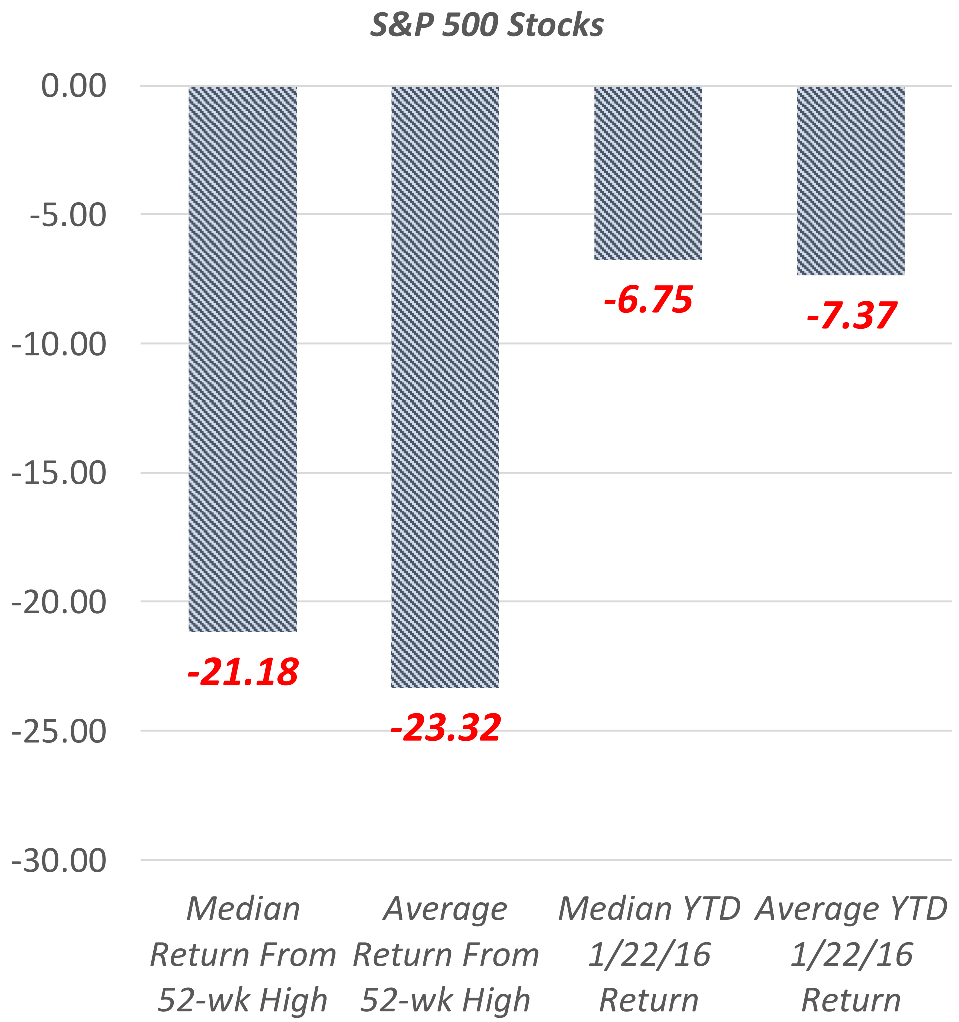

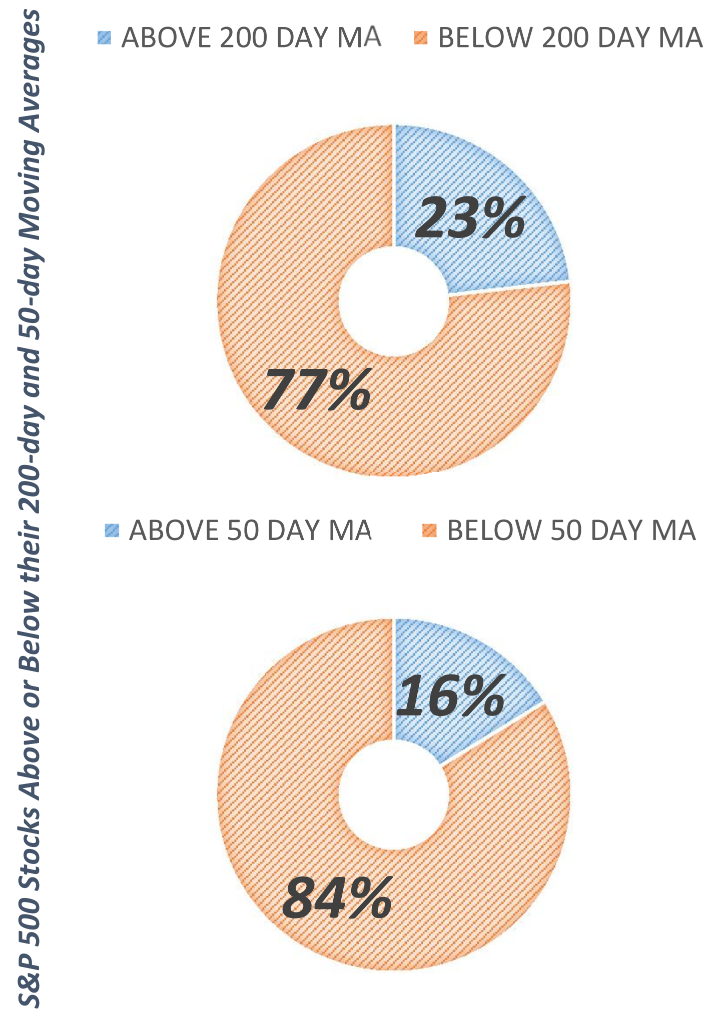

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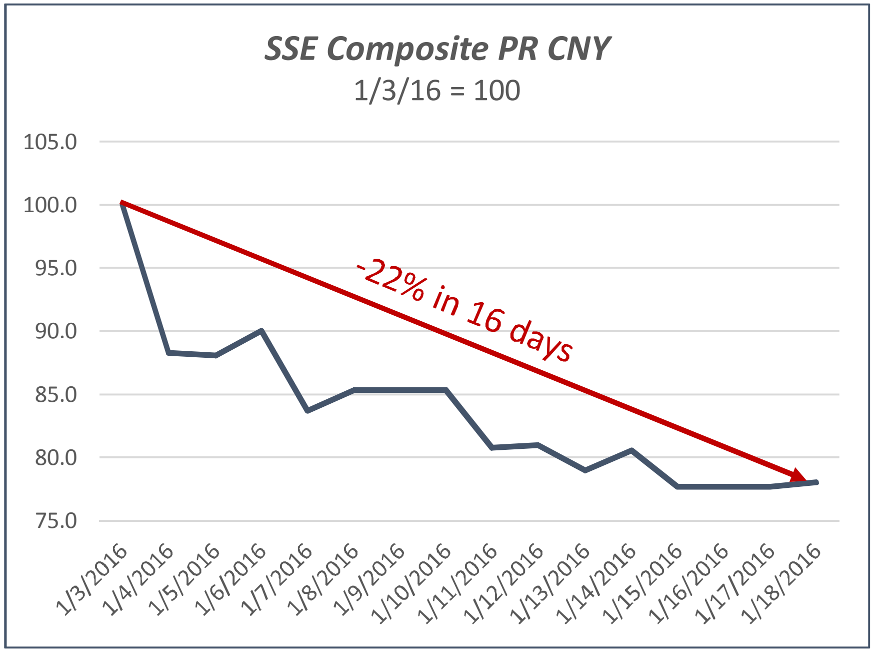
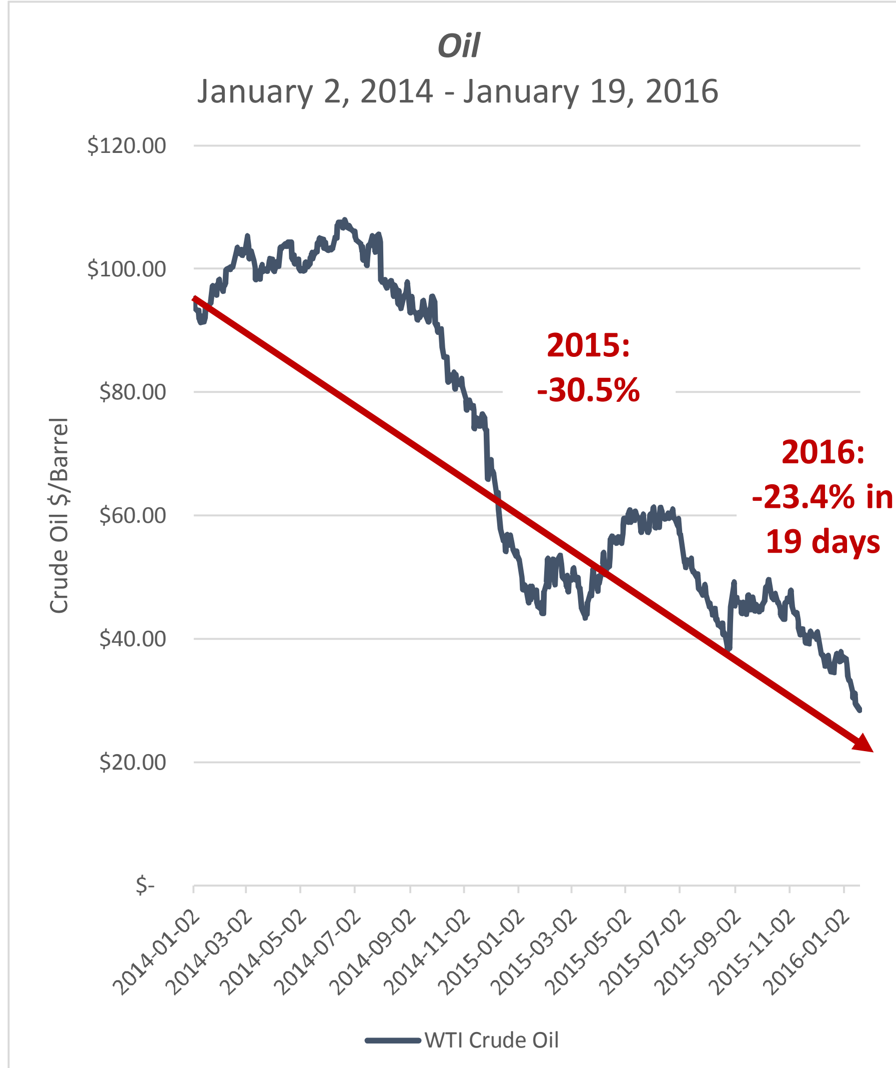
China and Oil (Again)





Familiar headliners from 2015: an unpredictable Chinese stock market and a freefalling oil market, re-emerged as the chief contributors to investor worry to start 2016. They're somewhat related, as China's economy matures (and growth slows) the demand equation for oil is affected. The reactive policy moves of the Chinese government both within their stock exchanges and currency markets added to anxiety and uncertainty around the world.

Source: Left: Morningstar Direct as of 1/22/16, Right: Federal Reserve Bank of St. Louis (FRED) as of 1/22/16

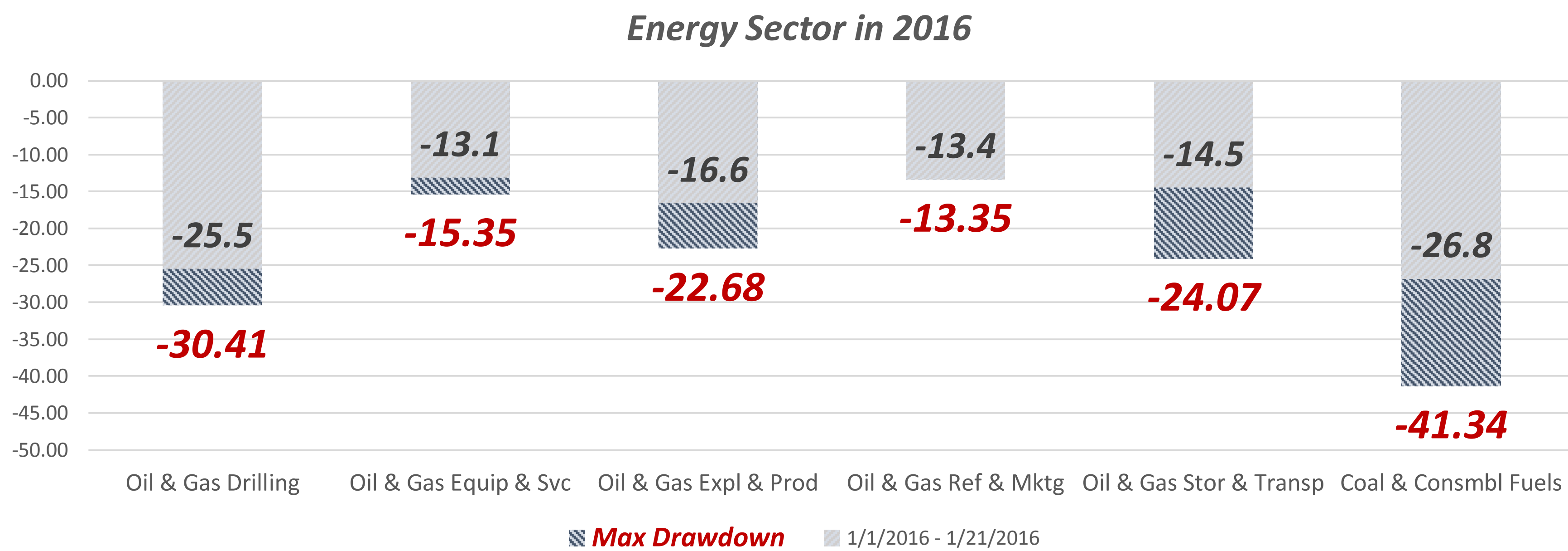
Energy Sector - Stocks

As oil prices continued to break through new lows to begin 2016, there has been an amplified decline in Energy stocks.

Crude Oil fell through the $30 level for the first time since 2003 as unrelenting supply continued to be pumped into a market with less than anticipated demand. Sanctions on Iran's oil production were lifted last week introducing more supply and another leg down in prices.

Natural gas has also seen price deflation. Together with oil and other commodities, the producing companies have seen a large drop in revenues and earnings, and stock prices have followed. After a very poor 2015 where the sector lost nearly 22%, the S&P 500 Energy Sector is down over 10% already for 2016.

The drawdowns were widespread for the industry groups within the Energy sector, however, the Coal companies were decimated. Drillers saw the next worst drawdowns.



Source: Morningstar Direct as of 1/22/16.
Sectors are represented by MSCI USA IMI Sector Indices as of 1/22/16.
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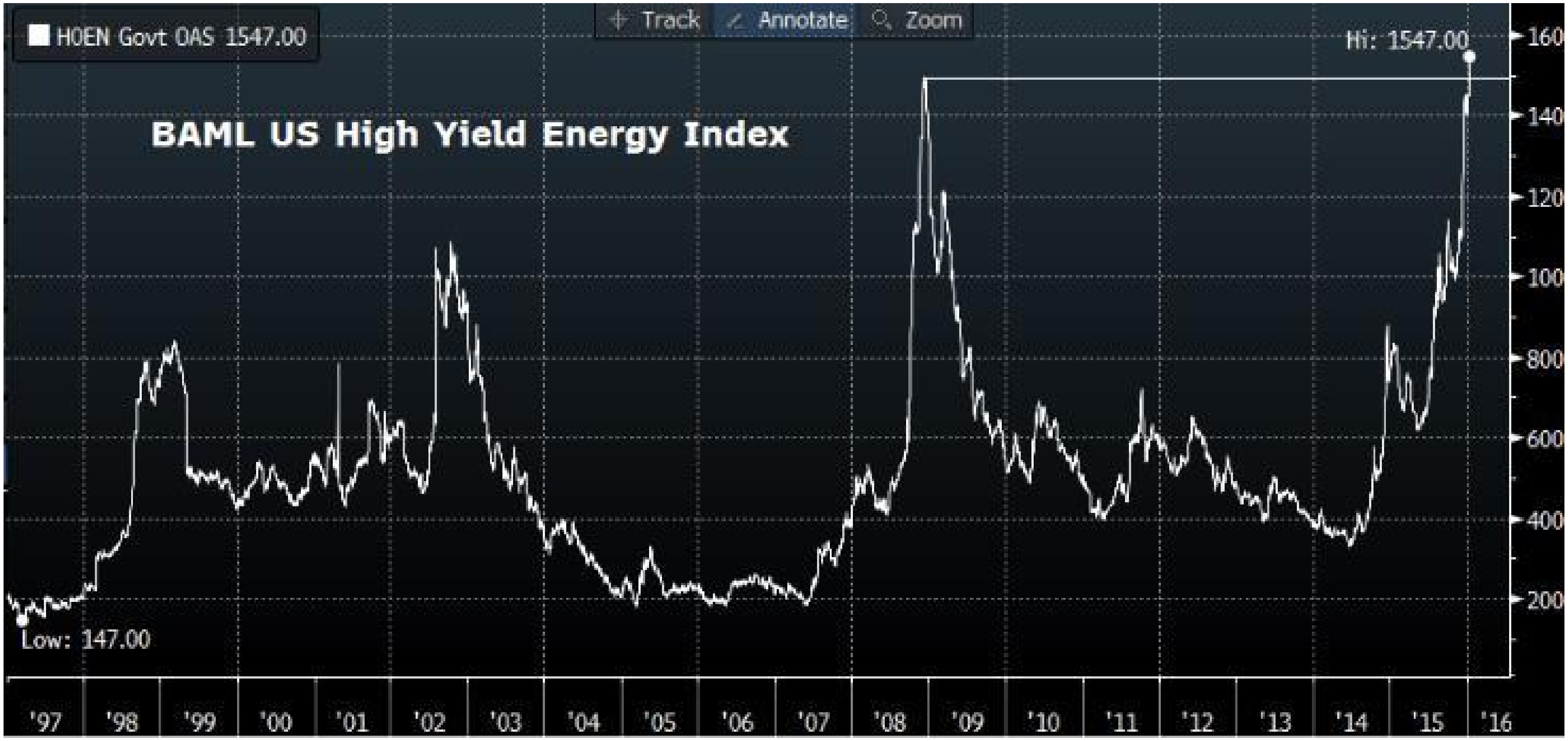
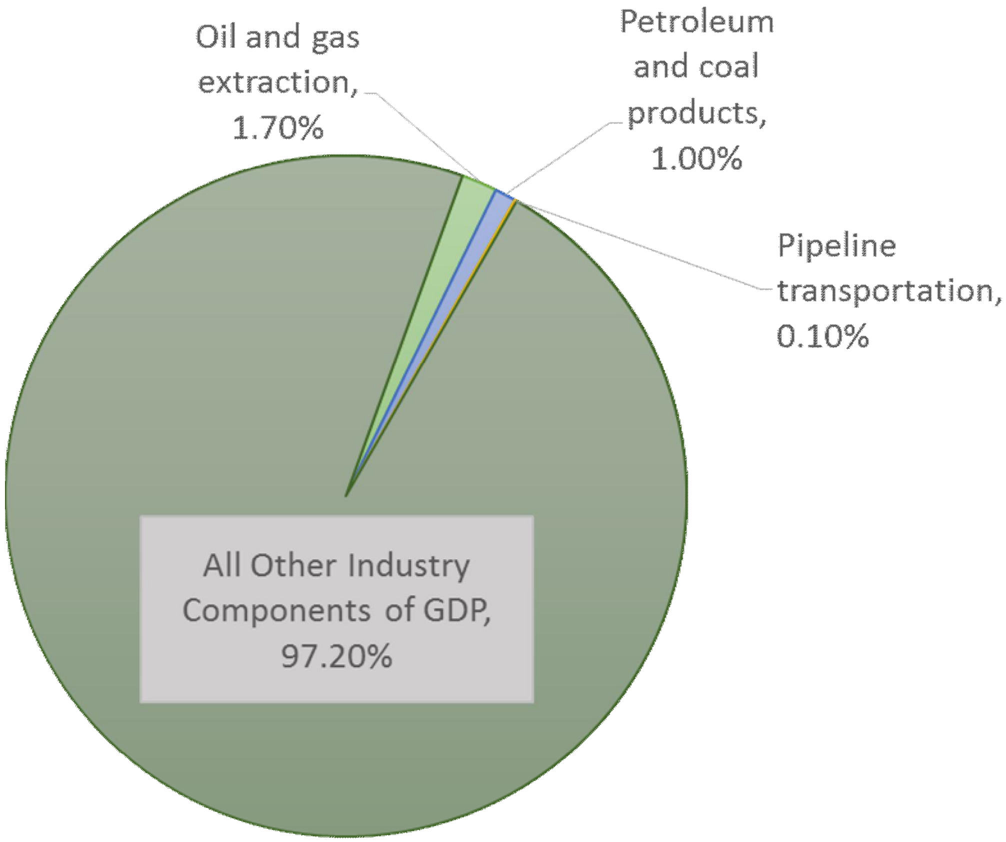
Energy Sector – High Yield Bonds



Spreads for High Yield Energy debt reached past the highs set during the financial crisis of 2008/2009. A wave of defaults and downgrades intensified as commodity prices remained low. Bond defaults are expected to increase in the Energy space.

Source: Bloomberg

Oil and the US Economy



According to the U.S. Bureau of Economic Analysis, Energy related industries are not a significant portion of GDP for the country.

The graph on the left shows select industries that make up the extraction, transportation and end sale of oil and gas related products. These industries make up less than 3% of the contributions to U.S. GDP.

This is includes all private and government industry contributions.

Source: US Bureau of Economic Analysis, http://www.bea.gov/iTable/index_industry_gdpIndy.cfm

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China and the US Economy

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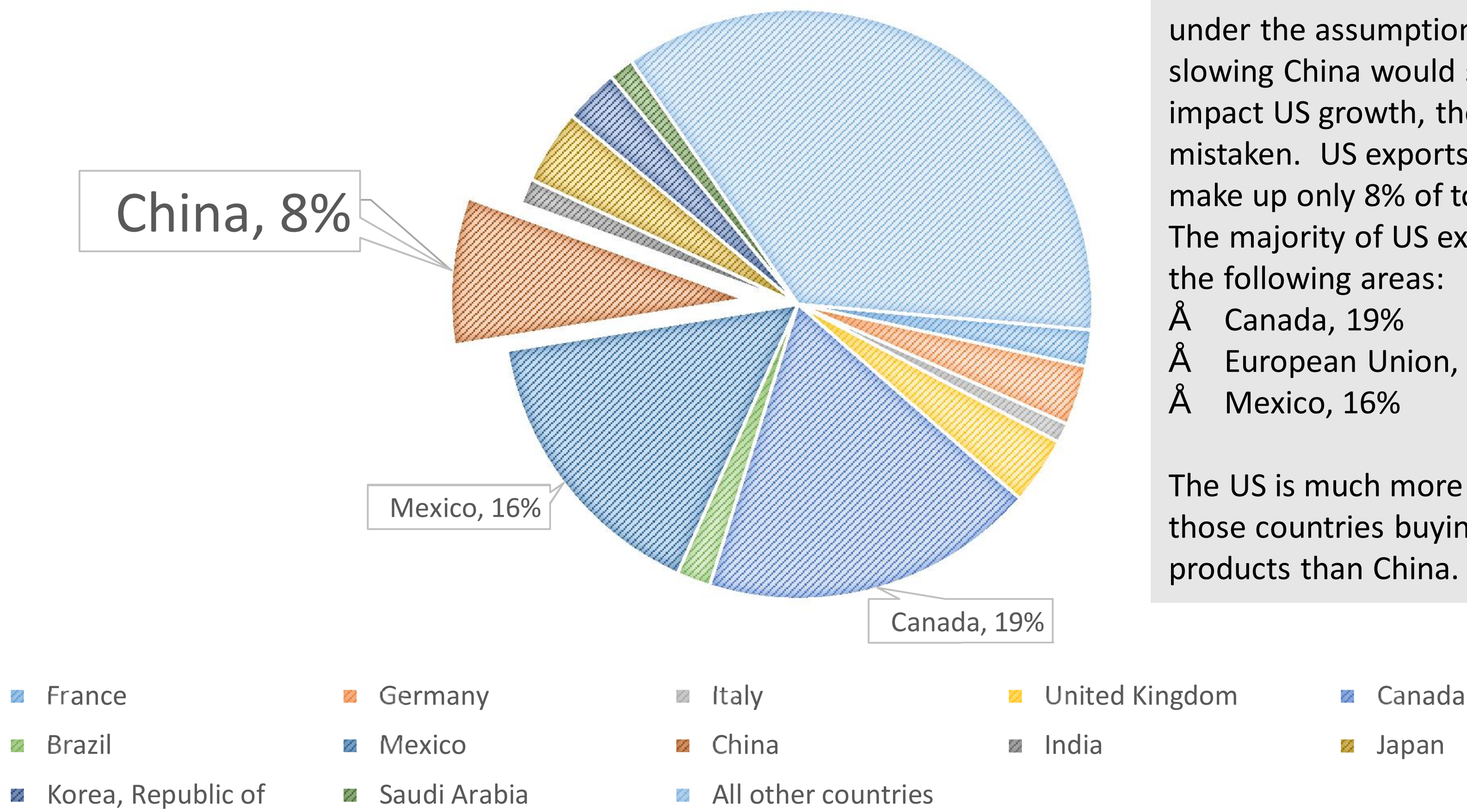
U.S. 2015 EXPORT OF GOODS BY COUNTRY



If investors sold off US stocks under the assumption that a slowing China would severely impact US growth, they would be mistaken. US exports to China make up only 8% of total exports. The majority of US exports go to the following areas:

Å Canada, 19%
Å European Union, 18%
Å Mexico, 16%

The US is much more reliant on those countries buying US products than China.

Source: US Bureau of Economic Analysis, http://www.bea.gov/iTable/index_ita.cfm

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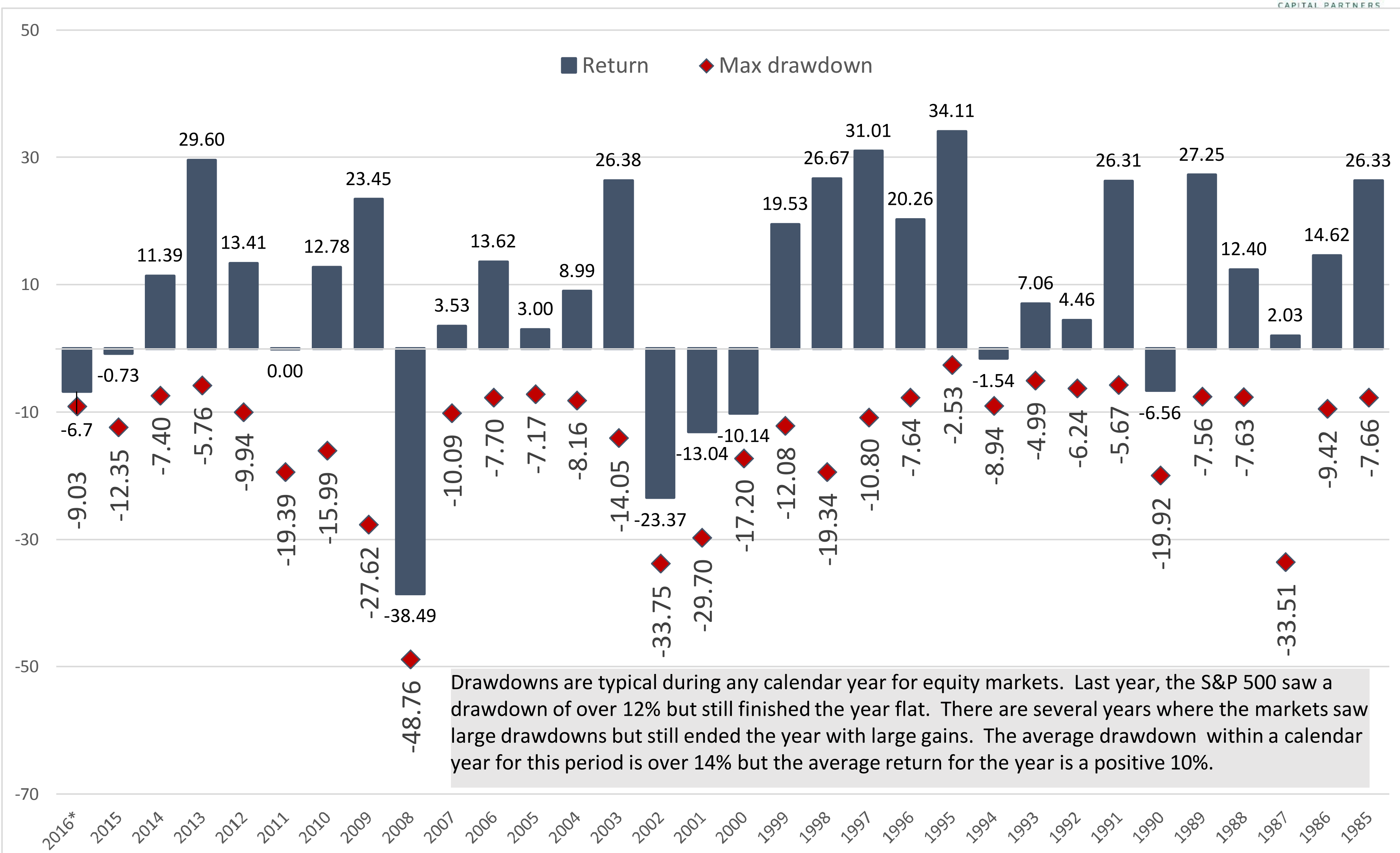
Intra-year Declines and Calendar Year Returns: S&P 500



Source: Morningstar Direct as of 1/22/16
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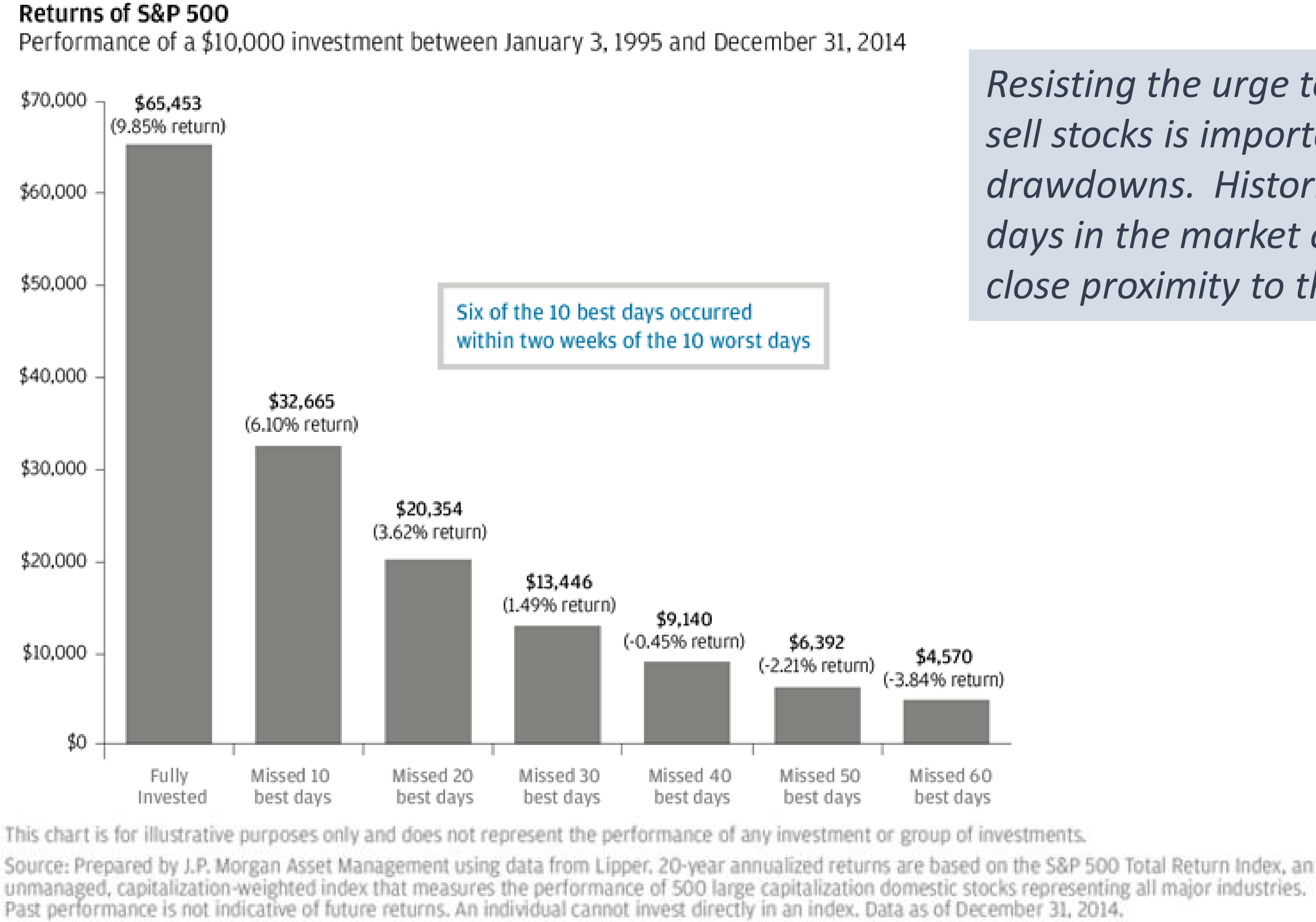
Benefits of Remaining Invested



Resisting the urge to bail out and sell stocks is important during drawdowns. Historically, the best days in the market occur within close proximity to the worst days.

Source: JP Morgan Asset Management, https://www.jpmorganfunds.com/blobcontent/172/102/1327727233483_GTR_2015-33.png
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