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2016 1st Quarter Market Commentary

First Quarter Summary

- Most growth and real assets finished the quarter in positive territory after suffering one of the worst starts to a year on record (Positive)
- U.S. auto sales and job growth remained strong, helping to alleviate concerns over an immediate U.S. recession (Positive)
- Both OPEC and non-OPEC oil producing nations appeared to be working towards a plan to freeze oil production at January levels in efforts to stabilize the price of oil (Neutral)
- The significant dispersion between growth and value equities reversed course as value stocks finished the quarter with strong performance (Neutral)
- U.S. stock market valuations remain elevated as 1st quarter earnings were expected to decline for the fourth consecutive quarter (Negative)

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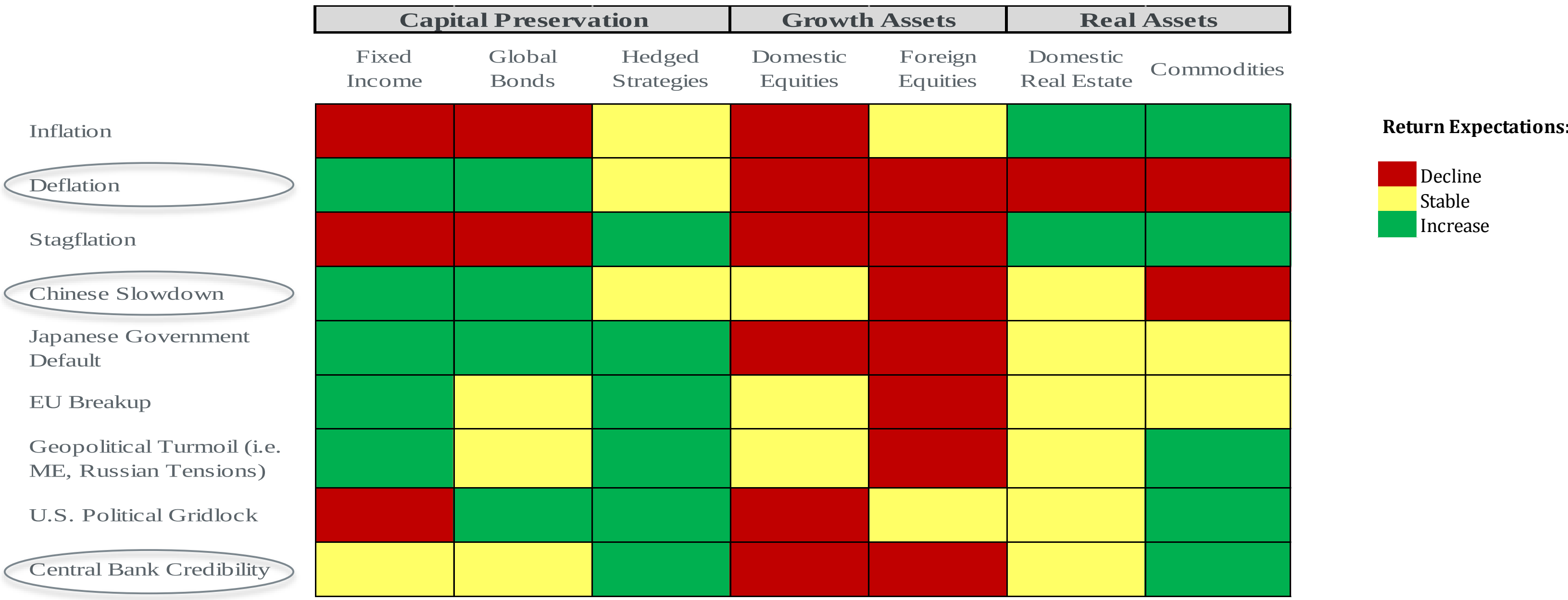
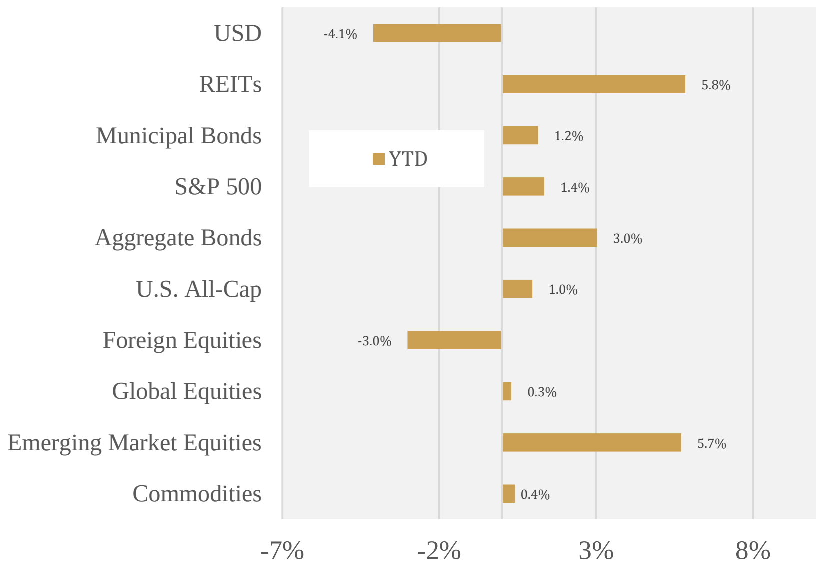
Market and Portfolio Risks



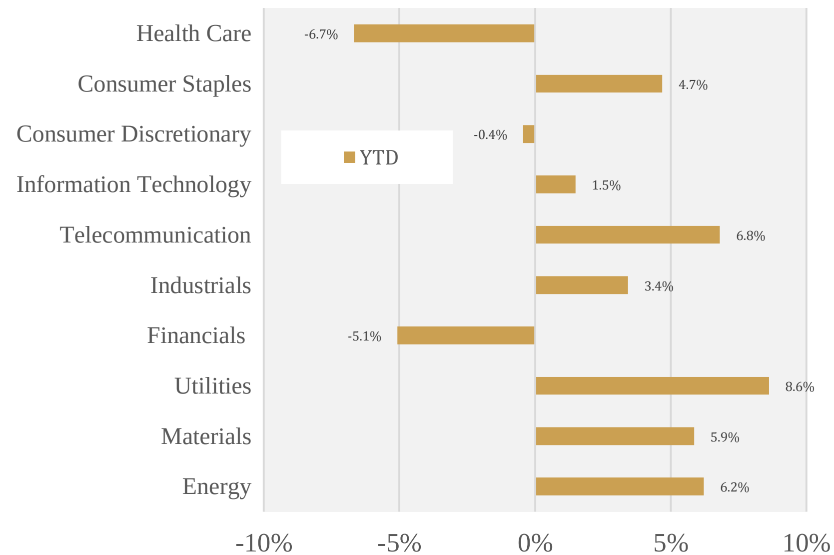
- Deflationary threats continue as economic growth remains sluggish or even non-existent around the globe
- Concerns have mounted over the Chinese Central Bank’s potential to devalue their currency, the Yuan, to combat slowing economic growth, which would make other nations’ exports more expensive for the Chinese consumer
- Market participants continue to question the decision-making ability of global central banks, leading to greater uncertainty and volatility

Global Market Returns

Global Asset Classes



Global Equity Sectors



- Both growth and real assets were the beneficiaries of a strong rally to finish the 2nd half of the quarter, thanks to a rapid shift in investor sentiment in mid-February
- The theme of dispersion across asset classes and sectors continued in the first quarter of 2016 with wide return discrepancies, particularly in global equity markets
- Dividend-paying sectors such as Utilities and Telecommunications enjoyed strong performance as investors searched for higher-yielding assets to combat low and sometimes negative interest rates across the globe

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Indices used include the following: MSCI EAFE (Foreign Equities), Barclays Muni 5-yr (Municipal Bonds), ICE USD Spot (USD), Barclays US Agg (Aggregate Bonds), MSCI EM (Emerging Market Equities), MSCI ACWI IMI (Global Equities), Russell 3000 (U.S. All-cap), Bloomberg Commodity Index (Commodities), S&P 500 TR (S&P 500), FTSE NAREIT All Equity TR (REITs)
Sector returns are from the MSCI All Country World Investable Market Index

Corrections Do Not Always Equal Recessions…

United States: S&P 500 Corrections & Bear Markets

Peak Date	Decline (%)	Recession
Jan-53	-15	Yes
Aug-56	-15	No
Jul-57	-21	Yes
Aug-59	-14	Yes
Dec-61	-28	No
Aug-62	-11	No
Feb-66	-22	No
Sep-67	-10	No
Nov-68	-36	Yes
Apr-71	-14	No
Jan-73	-48	Yes
Nov-74	-14	Yes
Jul-75	-14	No
Sep-76	-19	No
Sep-78	-14	No

Peak Date	Decline (%)	Recession
Oct-79	-10	No
Feb-80	-17	Yes
Nov-80	-27	Yes
Oct-83	-14	No
Aug-87	-34	No
Jul-90	-20	Yes
Jul-98	-19	No
Mar-00	-49	Yes
Nov-02	-15	No
Oct-07	-57	Yes
Apr-10	-16	No
Jul-11	-19	No
May-15	-12	No
Nov-15	-13	No

Four corrections in a row without a recession

Notes:
Source: Haver Analytics, Gluskin Sheff

- Since 1953, U.S. stock markets have experienced 29 corrections (declines >10%), but only 11 of these periods have corresponded with recessions in the U.S. economy
- A recession has not materialized over the last four correction periods in U.S. markets, as the economy has shown resilience despite generally low growth throughout the recovery
- Market movements, while often volatile, are not a strong predictor of broader economic growth and activity

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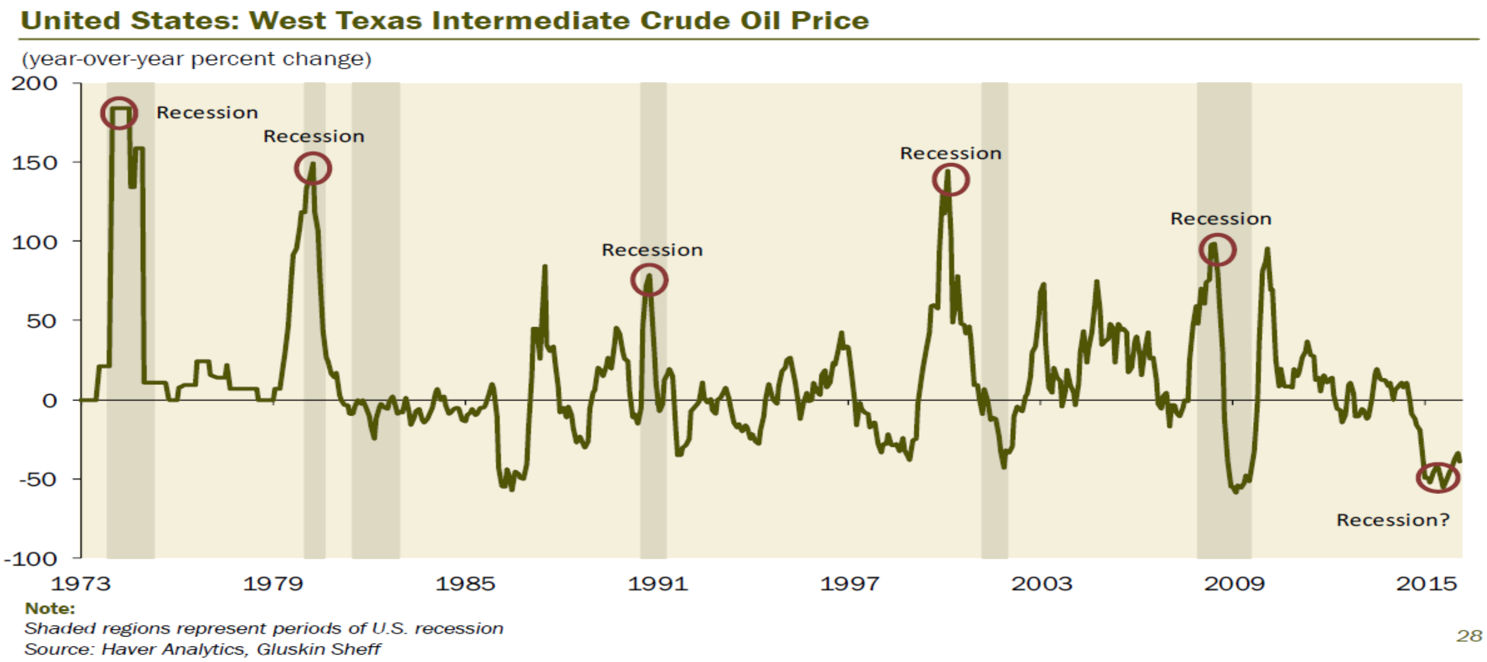
…Neither Do Low Oil Prices

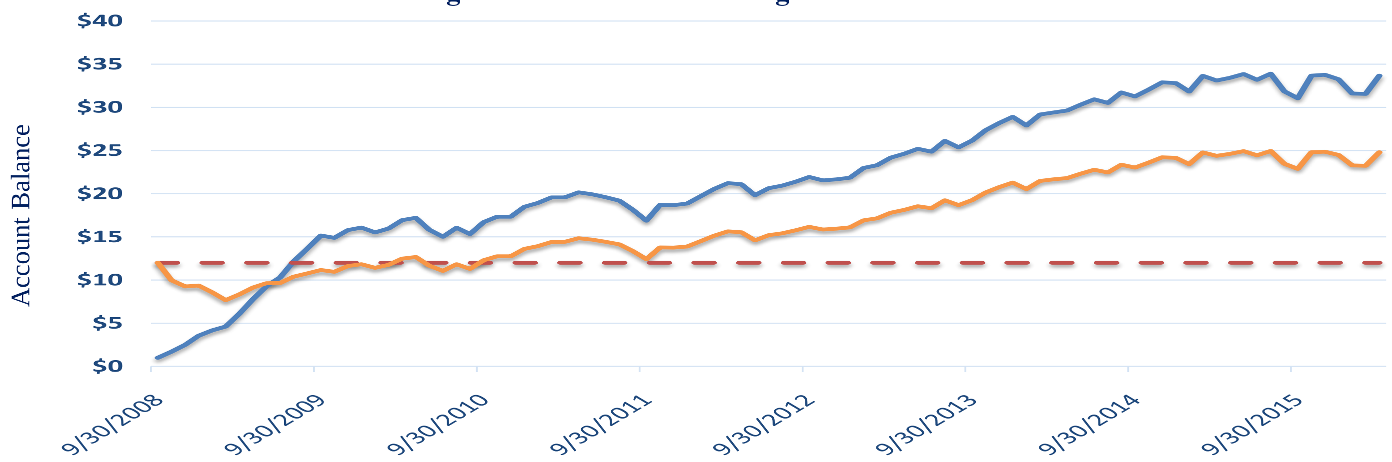


- Recessionary periods more often coincide with higher oil prices, as low energy prices can ultimately reduce costs for consumers and businesses
- While domestic economic growth has been slow to recover, several economic barometers including strengthening job growth and low energy prices imply a low risk of recession in the near term

Investing During Market Volatility

Historically, it has proven beneficial to invest during periods of volatility

Investing in S&P 500 Index Through the 2008/09 Financial Crisis…



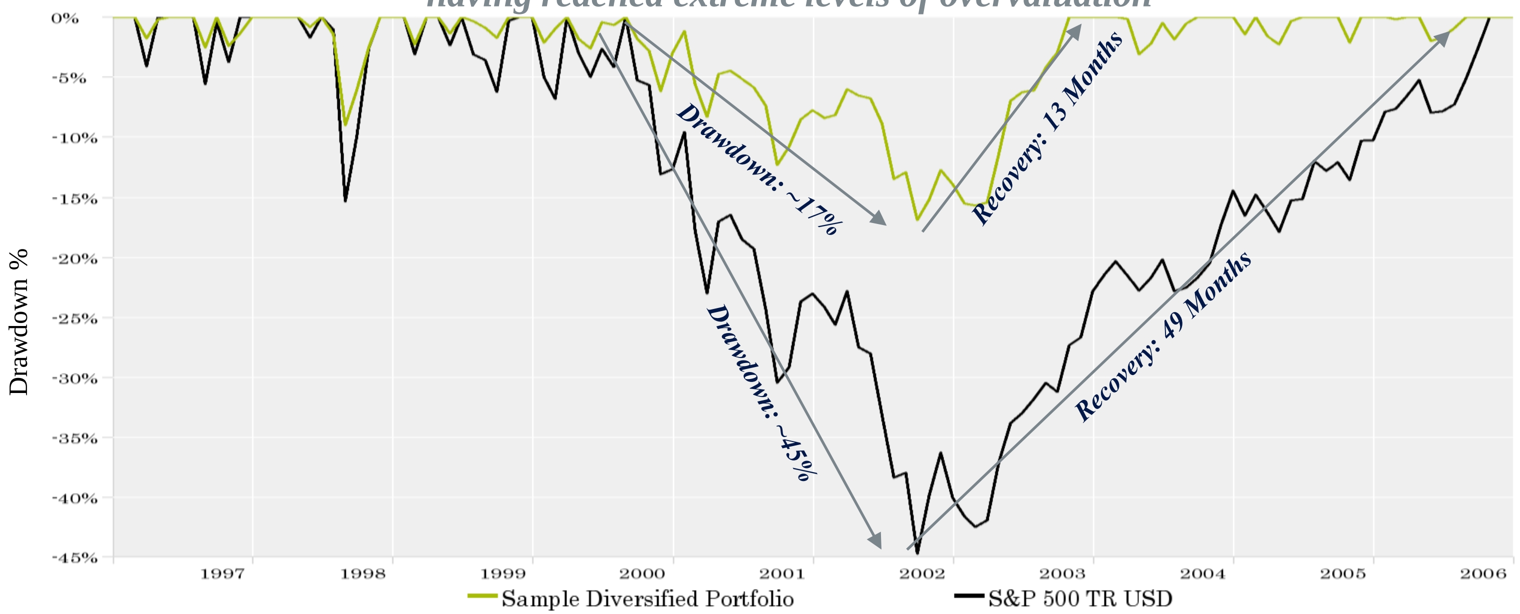
	Beginning Investment Date	Total Amount Invested	Value after 12 Months	Value at 3/31/16
Investing $1/month for 12 Months	9/30/2008	$12	$13.63	$33.70
Investing Lump Sum of $12	9/30/2008	$12	$10.77	$24.80

- In this example, consistent investing through the crisis added significant value, leaving a portfolio with approximately 36% more than a lump sum investment at the start
- Investing in a disciplined manner through market downturns helps to cushion returns and naturally deploys capital into stocks at more attractive valuations

Source: Morningstar Direct
Note: S&P 500 Index returns represent returns for the SPDR S&P 500 ETF (ticker: SPY) ; Averaging is done at month end for 12 months in the example

Diversified Portfolios: Tech Bubble

The "Tech Bubble" burst during the early 2000's, with stocks, primarily in the tech and telecom sectors, having reached extreme levels of overvaluation



- A sample diversified portfolio fared much better than U.S. stocks during this period, declining about 17% and recovering to its prior high about 75% quicker
- Diversified portfolios with exposure to capital preservation assets and valuation-sensitive, active managers avoided some of the excess in these sectors, protecting capital during a volatile period
- Active portfolio management, including disciplined rebalancing and tax-loss harvesting, helped set portfolios up for full recoveries and mitigated capital gains taxes for years to follow

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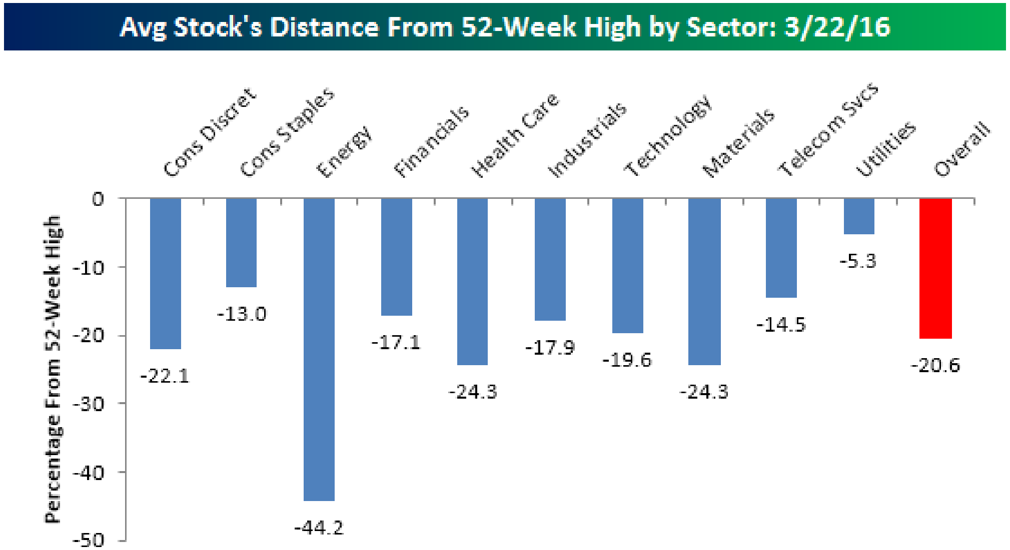
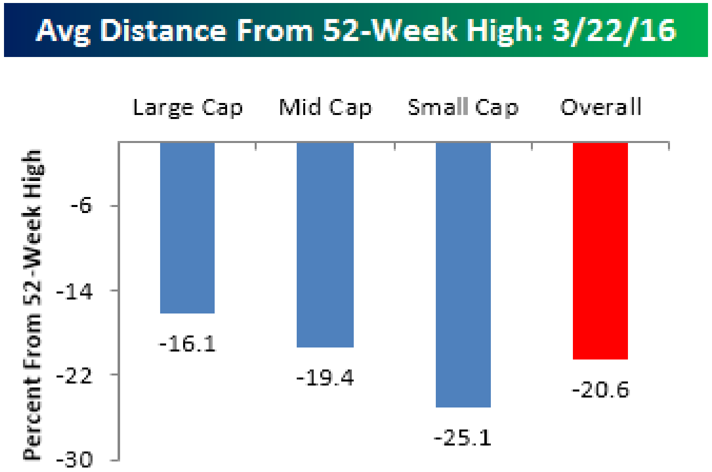
Source: Morningstar Direct
Graph above depicts drawdown periods, or any time periods showing performance from a peak to a trough.
Sample Diversified Portfolio target allocation weights are represented by the following: Russell 1000 Growth TR USD (13.8%), Russell 1000 Value TR USD (11.4%), Russell 2000 Growth TR USD (3.6%), Russell 2000 Value TR USD (3.6%), Russell 2500 Value TR USD (2.4%), MSCI EAFE NR USD (15.2%), Wilshire US REIT TR USD (5%), Russell 1000 Energy TR USD (5%), Barclays Municipal Interm 5-10 Yr TR (40%). Sample portfolio is rebalanced to targets on a semi-annual basis.

Ripe Opportunity for Active Managers

- While the S&P 500 was down only 0.6% over the last year, the average stock in the U.S. equity market has declined significantly from its 52-week high





- Nimble, active portfolio managers are beginning to find opportunities as many attractive companies are trading at discounted prices
- Market volatility benefits active managers and positions a client's Growth allocation to outperform over the next market cycle

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Source: Bespoke Investment Group; Average stock represents companies listed in S&P 1500 Index

Investment Themes

- Markets continue to be sensitive to any real or perceived policy changes, with the resulting market volatility providing opportunities for rebalancing and tax-loss selling
- Investing consistently through periods of turmoil helps avoid “market timing” and benefits performance by adding capital into risk assets at more attractive valuations
- Diversified portfolios experienced shallower drawdowns during crisis periods, as active portfolio management and allocations to capital preservation assets cushioned returns and led to quicker recoveries than market averages
- The average stock in the broad U.S. market has declined significantly from its 52-week high, leading to a larger opportunity set for active managers looking to buy companies at a large discount to their intrinsic value
- A goals-based approach to investing combined with a thoughtful and strategic financial plan continues to perform well and ensure a high probability of success