

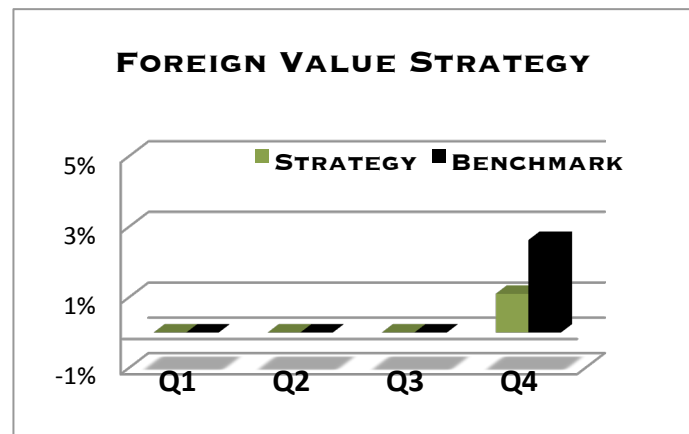
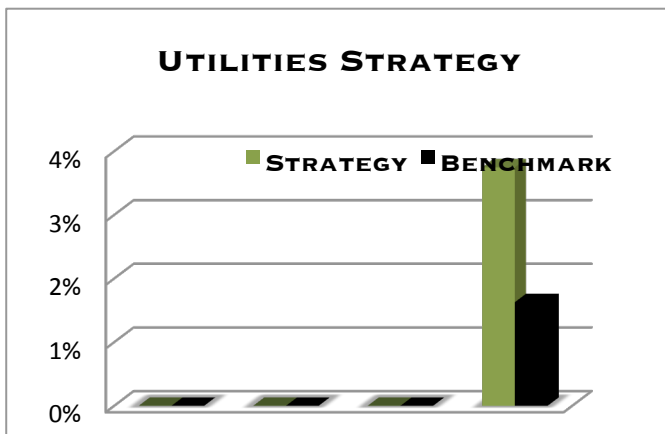
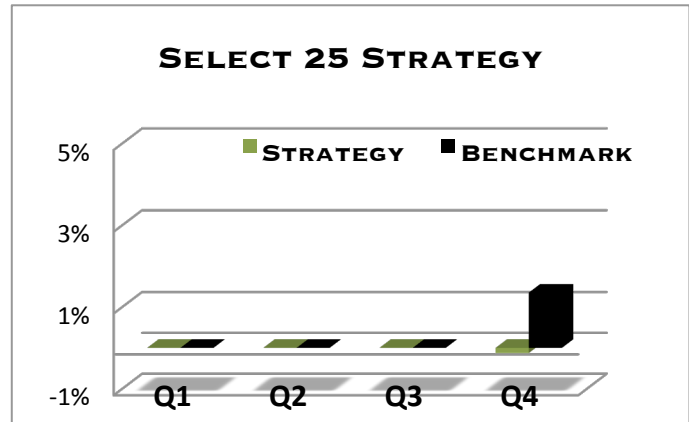
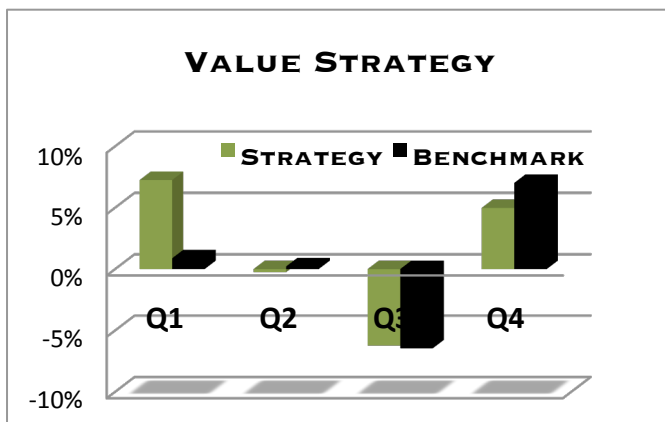
FOURTH QUARTER 2015 PERFORMANCE REVIEW

Although most markets were nervous during the quarter they managed to produce a reasonable return. U.S. markets returned about 7% while foreign markets managed almost 3%. The Value Strategy underperformed during the quarter by about 2%, similar to the Select 25 Strategy and Foreign Value Strategy. The Utilities Strategy has a strong quarter, beating it's benchmark by about 2%. Bonds struggled during the quarter and generally lost between 0.5% and 1%.

	Q4 2015	Benchmark	Out-performance	Prior 12 months	Benchmark	Out-performance
Foreign Value Strategy	1.1%	2.6%	-1.5%			
Select 25 Strategy	-0.1%	1.4%	-1.5%			
Value Strategy	5.0%	7.0%	-2.0%	5.3%	1.2%	4.1%
Utilities Strategy	3.7%	1.6%	2.1%			

Strategy returns are before fees

QUARTERLY RETURNS JANUARY 1, 2015 THROUGH DECEMBER 31, 2015



THE YEAR IN REVIEW

Thank You

I'd like to start this review by thanking my clients. I've written many times about the importance of creating an asset allocation plan and having the resolve to stick with it through thick and thin. This resolve was tested in August when the market fell about 10% in less than 10 days. It continued to be a rough ride for the next month. However, each and every one of my clients stuck with their plan and rode the recovery back up.

I measure my performance as an investment manager primarily by investment returns. Beating the benchmarks is not easy and most individual investors fail to do so mainly because they sell when the market drops and buy when it rises. The fact that my clients don't do this makes my job of producing good returns possible, thank you!

At The End Of The Year, Little Change

Markets ended the year about where they started. The S&P 500 was down about 1% before dividends, and up about 1% after dividends. Bonds had returns in a similar range with the exception of high yield bonds which lost about 5%. Foreign market indexes were up in 2015 but the strengthening dollar caused U.S. based mutual funds to lose about 5%.

Strategies Improved Returns

The Value Strategy was the standout again in 2015, beating an index fund by about 4%. All of this performance came in the first quarter with the strategy losing slightly over the next 3 quarters. Although the poor performance over the last 3 quarters is disappointing, it doesn't concern me. This is because I compare the performance of the strategy against several other benchmarks, and by these measures the strategy is still performing consistently. For example, when compared to a mid cap value fund the strategy actually performed better in the last half of the year than the first. In addition, the strategy held up well during the market turmoil in August. From the 17th through the 25th the S&P 500 lost 11% and the strategy lost 10%.

The Algorithmic strategies, which were discontinued after the third quarter, were mixed. The US Equity Strategy trailed the index by a few percent (depending on the date each individual client moved out of the strategy) while the Foreign Equity Strategy beat by a few percent.

It is too soon to pass judgment on the new strategies but I have seen nothing to discourage me. The Value Strategy is a "tough act to follow". I would expect the new strategies to be less consistent but to provide important diversification over the long term.

Looking Ahead

I am cautious going into 2016. Stock valuations are above historical norms as are corporate profit margins. Although I seek to select stocks that are at reasonable valuations, it's impossible to invest in stocks and not lose money when the market falls. Bonds, particularly longer term and high yield, may struggle this year if interest rates rise more than expected. I continue to recommend short term bonds and inflation protected securities (TIPS).

My advice remains unchanged. Make sure you have an asset allocation that you can live with and stay invested through turmoil.