

Q4-2016

Quarterly Market Review

Fourth Quarter 2016

7 Keys to Success in 2017

1. The bull market in stocks is almost 8 years old, anticipate more volatility in 2017. Maybe much more with Trump as President.
2. With current high valuations, expected returns for both stocks and bonds may be below historical averages over the next 7+ years.
3. Focus on what you can control. Saving, spending, your job, your family, your health.
4. Target to save 20%+ of gross family income. This helps to make up for low returns
5. Track your spending with www.mint.com
6. Stay diversified, don't reach for yield or chase hot returns. Be ready to rebalance when we have a major pullback.
7. Have discipline & let markets work for you over the next 10 to 20+ years! Trying to guess the market peak is usually a fools game.

Q4 Highlights

- The 4th Quarter was rewarding for diversified investors. US Stocks were up about 4%, International stocks were down slightly and EM was down -4%. REITs were down -5% and bonds were down -2% to -3%.
- US stocks have dominated the long bull market. Eventually, as always, the pendulum will swing and asset class leadership will shift.
- US equity valuations are high compared to historical averages and bond yields are low. This combination means expectations for US assets should be moderated. – See blog [The Perfect Storm May be Brewing](#)
- We urge investors to have solid plan in advance of market turmoil. It is prudent to stay the course and rebalance to buy more stocks if the market goes down 20% or 30%+. The odds are very high that the market will be higher 7 or 10 years from now.
- The low interest rate environment creates challenges for bond investors. Expectations for bonds should be muted and there will be sporadic negative years.
- With historic low interest rates, we're seeing some investors stretch for yield in dangerous ways. It is important to have a solid plan for your goals.

Long-term Investing is about philosophy, strategy, process & discipline.

Secular bull mkt or recession?

Fuel in Tank

Fuel is slight

Low and slow growth

FED has done heavy lifting

Little policy help from DC

People with college degree
have jobs (skills gap)

Negative yields forcing
investors to take risk

Spark for Fuel

Fiscal stimulus

Investment in infrastructure

Corp Tax reform

Less Regulation burden

Repatriate foreign dollars

Personal tax reform

Cheap US energy

Manufacturing innovation

Technology revolution

Gigantic amounts of capital

Economy $\neq$ Stock Market (We will see what Trump & Republicans accomplish)

Exhibit 1: Platform Growth Drivers – Messaging, Implementation, and Emotion

Topic	Goal	Investment Effect	Financial Effect
Regulation	Pick an acronym - from the EPA, FCC, FDA, to SEC – ↑ gov't regulation = ↑ expenses = ↓ revenue where the management of risk > reward defines corporate culture. This is the easiest thing to unwind, in our view, with the most direct impact on the bottom line.	Small businesses, Health Care, Industrials, Materials and especially Financials	↓ Expenses ↑ Margins ↑ Revenue ↑ Cash for... ↑ Dividends ↑ Cap ex
ACA	Affordable health care is a noble idea, when it is actually affordable. That only occurs during open competition for goods and services, not through mandates. This will take more time to unwind and define, as the states and federal government hopefully work together with the private sector to help decrease consumer and business expenses while devising a plan to meet all objectives.	Small business and especially Health Care. Also, do not underestimate the effect of decreased benefit costs for all companies.	↓ Expenses ↑ Margins ↑ Earnings ↑ Revenue ↑ Cash for... ↑ Dividends ↑ R&D
Infrastructure	Ignite business spending – from bridges, roads, tunnels to airports. The US has not had a defined infrastructure bill since the Federal Aid Highway Act of 1956.	Industrials, Materials, Financials, and selected Technology and Energy	↑ Revenue ↑ Earnings
Corporate Taxes	US corporate tax rates are among the highest in the world, forcing companies to leave the US while employing some of the aforementioned structural changes. Lower corporate taxes would make it easier for companies to expand capacity and increase employment (which is also a revenue event as those employees would pay income tax).	Most private and public companies, especially manufacturing	↑ Margins ↑ Revenue ↑ Earnings
Repatriation	Higher corporate tax levels have forced several companies to domicile cash outside of the US. If they are enticed to bring the cash back at a set rate, that cash could be used for a number of things - from capex to dividends to M&A.	Companies with high levels of non-US operations – especially Tech, Health Care, and Consumer companies	↑ Cash ↑ Cap ex ↑ M&A

Source: BMO Capital Markets Investment Strategy Group.

Markets may go higher but both stocks and bond are expensive.

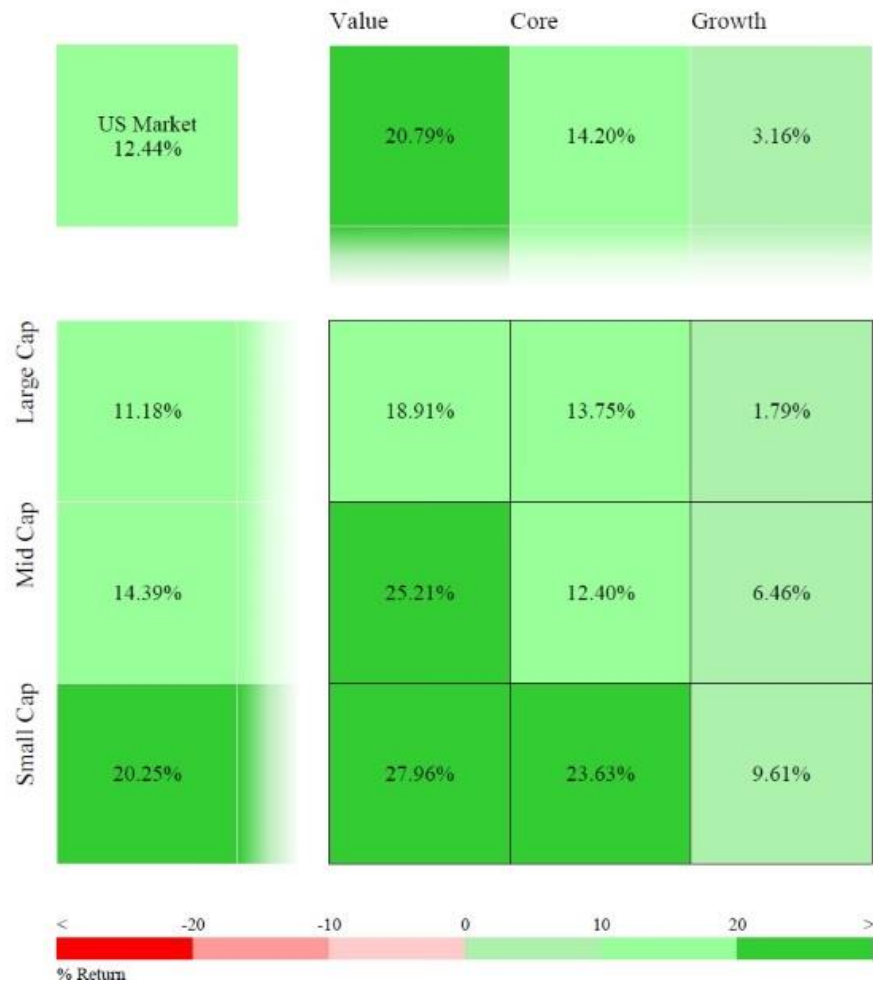
S&P 500 Bear Markets (defined by 20% Peak to Trough Decline): 1929 - Present						
Bear Market Period (Highlight = no Recession)	Bear Market Length (Months)	NBER Recessions	Length of Recession (Months)	S&P Start	S&P End	% Change
May 2011 to Oct 2011	5			1371	1075	-22%
Oct 2007 to Mar 2009	17	Dec 2007 to Jun 2009	18	1576	667	-58%
Mar 2000 to Oct 2002	31	Mar 2001 to Nov 2001	8	1553	769	-51%
Jul 1998 to Oct 1998	3			1191	923	-22%
Jul 1990 to Oct 1990	3	Jul 1990 to Mar 1991	8	370	295	-20%
Aug 1987 to Oct 1987	2			338	216	-36%
Nov 1980 to Aug 1982	22	Jul 1981 to Nov 1982	16	142	102	-28%
Sep 1976 to Mar 1978	18			109	86	-20%
Jan 1973 to Oct 1974	21	Nov 1973 to Mar 1975	16	122	61	-50%
Dec 1968 to May 1970	17	Dec 1969 to Nov 1970	11	109	69	-37%
Feb 1966 to Oct 1966	8			95	72	-24%
Dec 1961 to Jun 1962	6			73	51	-29%
Aug 1956 to Oct 1957	14	Aug 1957 to Apr 1958	8	50	39	-21%
Jun 1948 to Jun 1949	12	Nov 1948 to Oct 1949	11	17	14	-21%
May 1946 to May 1947	12			19	14	-28%
Nov 1938 to Apr 1942	36			14	7	-46%
Mar 1937 to Mar 1938	12	May 1937 to Jun 1938	13	19	9	-54%
Jul 1933 to Mar 1935	20			12	8	-34%
Sep 1932 to Feb 1933	5			9	6	-41%
Sep 1929 to Jun 1932	33	Aug 1929 to Mar 1933	43	32	4	-86%
Average Without Recession	12					-30%
Average With Recession	17					-43%
Average All	15					-36%

Source: via Pension Partners

Significant declines can happen without a recession.

Morningstar Market Barometer Report

Time Period: 2016, full year



Morningstar Market Barometer Report

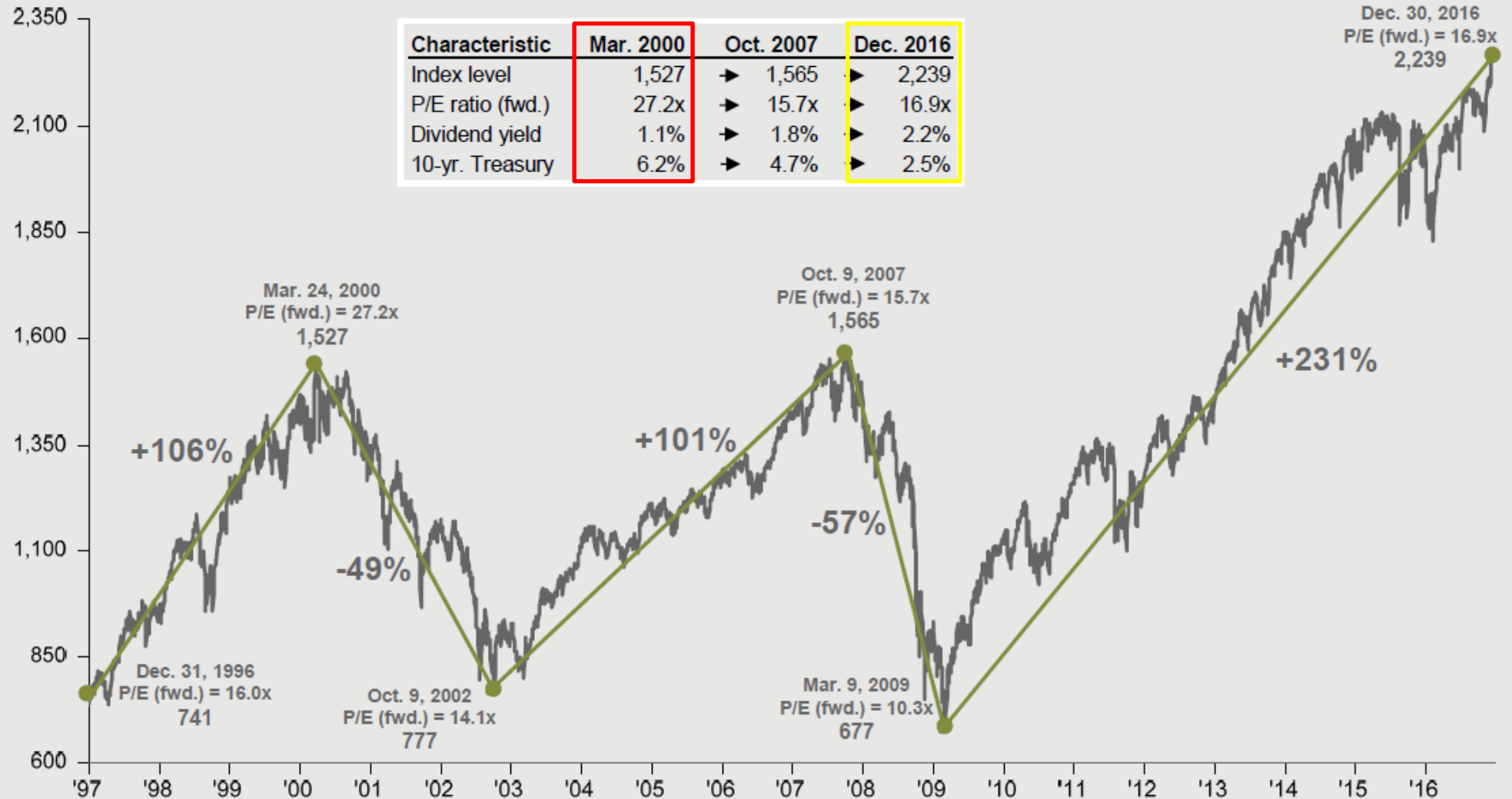
Time Period: 2015, full year



In 2016, Value crushed it, 2015 was only Lg. Growth

S&P 500 Index at inflection points

S&P 500 Price Index



Stocks are up big since 2009.

S&P 500 valuation measures

S&P 500 Index: Forward P/E ratio



Stocks are not that expensive.

Returns and valuations by style

4Q 2016

	Value	Blend	Growth
Large	6.7%	3.8%	1.0%
Mid	5.5%	3.2%	0.5%
Small	14.1%	8.8%	3.6%

2016

	Value	Blend	Growth
Large	17.3%	12.0%	7.1%
Mid	20.0%	13.8%	7.3%
Small	31.7%	21.3%	11.3%

Since market peak (October 2007)

	Value	Blend	Growth
Large	60.4%	74.8%	92.4%
Mid	92.5%	88.8%	81.6%
Small	80.5%	82.7%	83.0%

Since market low (March 2009)

	Value	Blend	Growth
Large	299.9%	290.7%	292.5%
Mid	391.5%	355.6%	319.9%
Small	346.4%	340.6%	331.8%

Current P/E vs. 15-year avg. P/E*

	Value	Blend	Growth
Large	16.2 / 13.8	16.9 / 15.3	18.1 / 17.6
Mid	17.0 / 14.7	18.1 / 16.4	19.5 / 19.1
Small	19.6 / 14.3	23.5 / 19.8	30.3 / 23.8

Current P/E as % of 15-year avg. P/E*

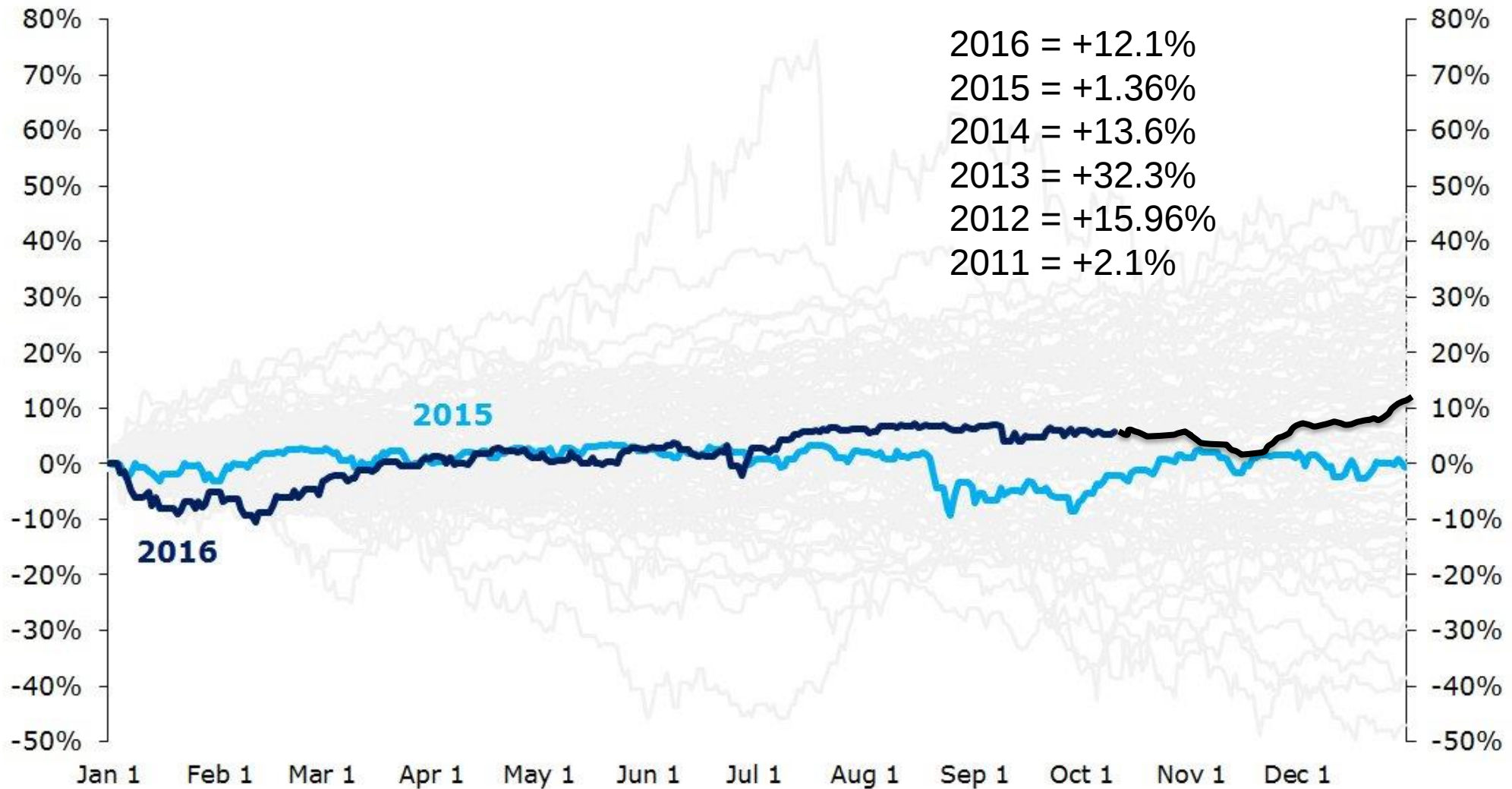
	Value	Blend	Growth
Large	117.5%	110.2%	102.9%
Mid	115.8%	110.3%	102.0%
Small	136.9%	118.9%	127.1%

Source: FactSet, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management.

All calculations are cumulative total return, including dividends reinvested for the stated period. Since Market Peak represents period 10/9/07 –

In 2016, Value has been better than Growth.

S&P 500 Price Index Annual Performance Since 1928



FLOATINGPATH

October 10, 2016

US stocks up strongly in 2016.

S&P 500: Total Returns

1929-1932	-64.8%
1933-1936	186.9%
1937-1941	-35.6%
1942-1945	140.9%
1946-1948	1.8%
1949-1955	351.9%
1956-1957	-3.8%
1958-1965	199.4%
1966-1974	1.1%
1975-1976	69.6%
1977	-7.0%
1978-1980	66.3%
1981	-4.7%
1982-1989	294.3%
1990	-3.1%
1991-1993	53.9%
1994	1.3%
1995-1999	247.5%
2000-2002	-37.4%
2003-2007	81.7%
2008	-36.6%
2009-2014	156.4%
2015-2016	4.2%

MSCI EAFE: Total Returns

1971-1972	80.5%
1973-1974	-33.2%
1975-1980	201.4%
1981-1982	-1.9%
1983-1989	537.2%
1990-1992	-23.8%
1993-1996	70.4%
1997	2.1%
1998-1999	53.2%
2000-2002	-42.8%
2003-2007	171.2%
2008	-43.1%
2009-2010	43.3%
2011	-11.7%
2012-2013	45.4%
2014-2016	-11.8%

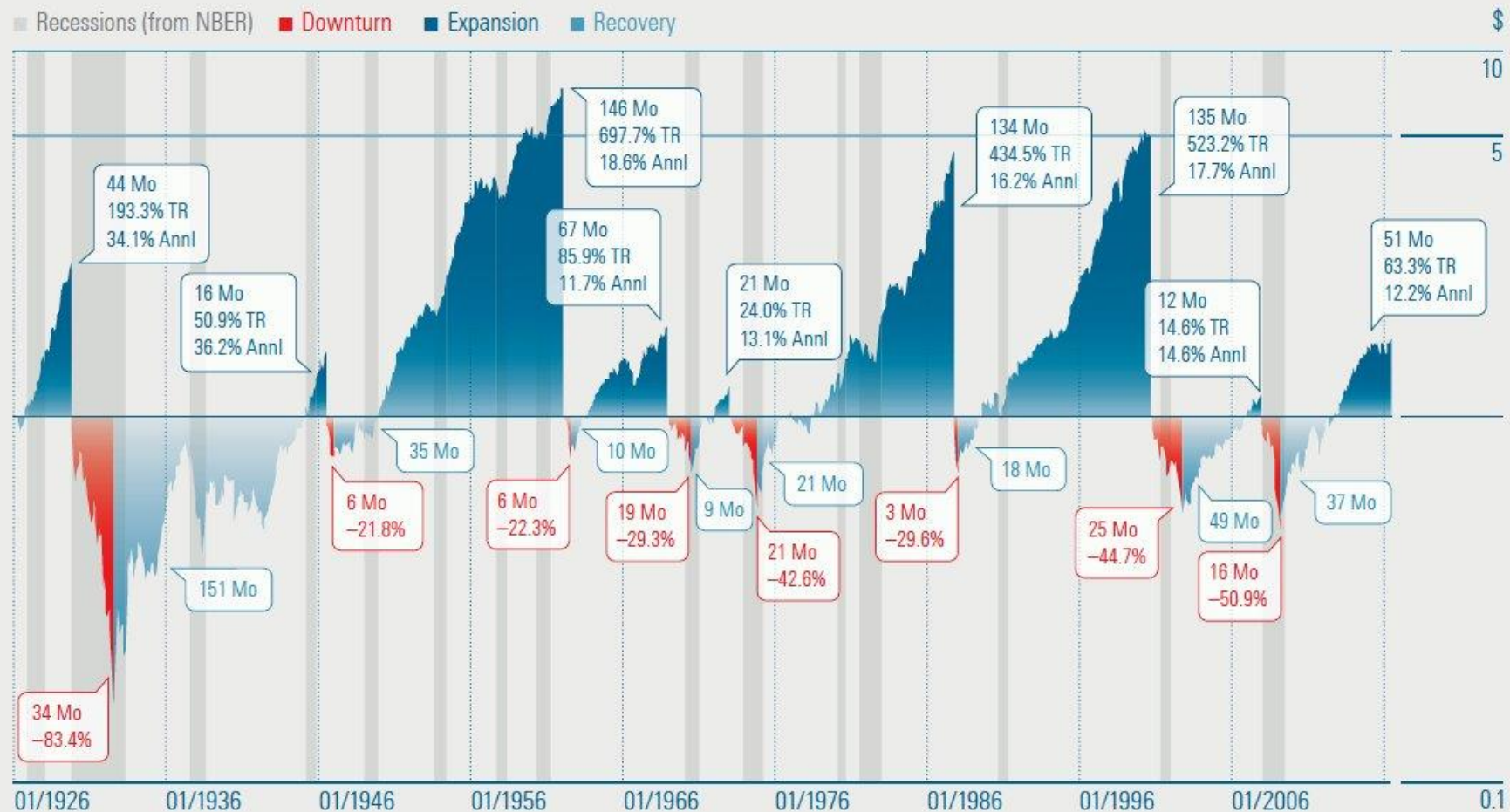
MSCI EM: Total Returns

1988-1989	131.6%
1990	-10.6%
1991-1993	211.5%
1994-1998	-38.5%
1999	66.4%
2000-2002	-36.3%
2003-2007	390.8%
2008	-53.2%
2009-2010	113.4%
2011	-18.2%
2012	18.6%
2013-2016	-14.0%

Stock returns are lumpy

Downturns, Recoveries, and Expansions

The U.S. stock market hit new highs over the summer. Will it run out of gas? A lot of things certainly seem to be giving investors jitters. But some context may be helpful. There have been eight market downturns since 1926, the most severe one being the Great Depression. More recently, two consecutive downturns with little to no expansion made for a “lost decade.” But as we’ve been saying since we first published this chart two years ago, the historical evidence shows that there is ample potential for future growth, even after recent run-ups.



Be prepared for recessions

Market Summary

Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
4Q 2016	STOCKS					BONDS	
	4.21%	-0.36%	-4.16%	-5.11%		-2.98%	-2.21%
							
Since Jan. 2001							
Avg. Quarterly Return	1.8%	1.3%	2.9%	2.7%		1.2%	1.1%
Best Quarter	16.8% Q2 2009	25.9% Q2 2009	34.7% Q2 2009	32.3% Q3 2009		4.6% Q3 2001	5.5% Q4 2008
Worst Quarter	-22.8% Q4 2008	-21.2% Q4 2008	-27.6% Q4 2008	-36.1% Q4 2008		-3.0% Q4 2016	-3.2% Q2 2015

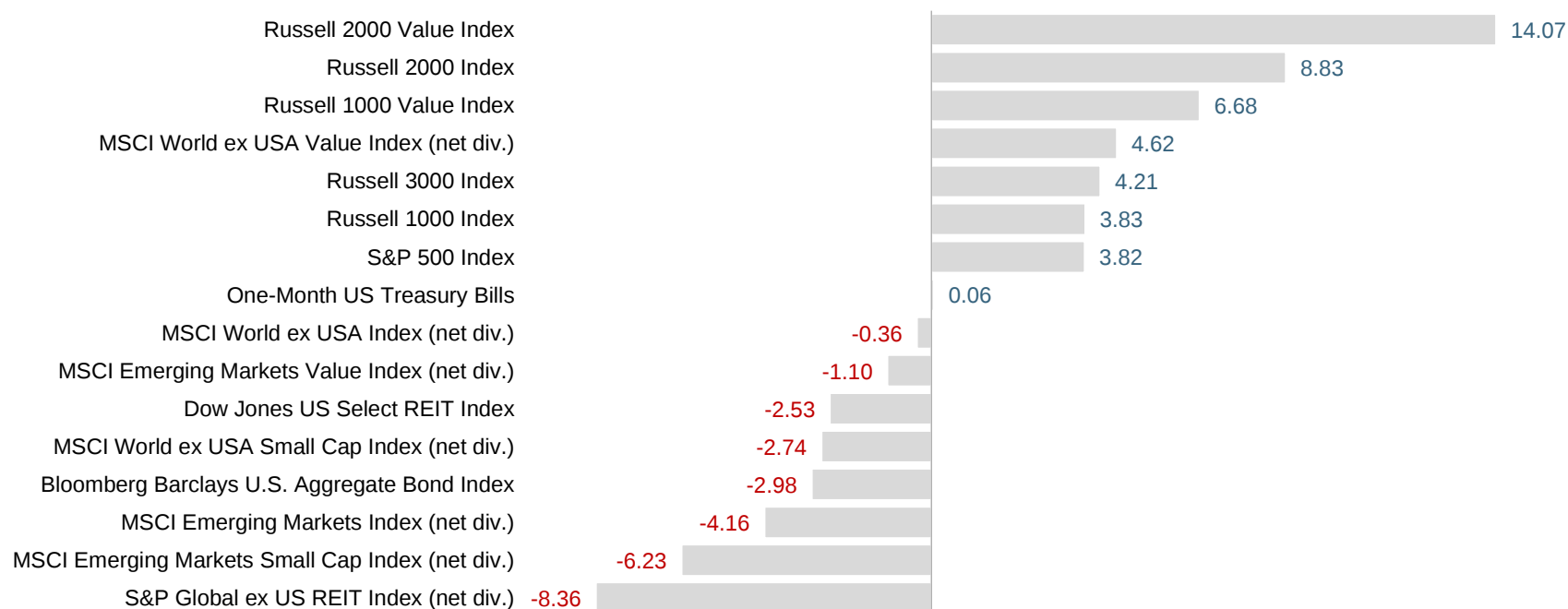
US stocks rallied in Q4

World Asset Classes

Fourth Quarter 2016 Index Returns (%)

Looking at broad market indices, the US outperformed both non-US developed and emerging markets during the quarter. US and non-US real estate investment trusts (REITs) recorded negative returns and lagged the US and non-US equity markets.

The value effect was positive in the US, non-US, and emerging markets. Small caps outperformed large caps in the US and developed markets outside the US but underperformed in emerging markets.



Small cap and Value led the way in Q4

The Power of Markets

November 2016

In 1958, economist Leonard Read published an essay entitled “I, Pencil: My Family Tree as Told to Leonard E. Read.”

The essay, narrated from the point of view of a pencil, describes the “complex combination of miracles” necessary to create and bring to market the common writing tool that has been used for generations. The narrator argues that no one individual possesses enough ability or know-how to create a pencil on their own. Rather, the mundane pencil—and the ability to buy it for a “trifling” sum—is the result of an extraordinary process driven by the knowledge of market participants and the power of market prices.

The Importance of Price

Upon observing a pencil, it is tempting to think a single individual could easily make one. After all, it is made up of common items such as wood, paint, graphite, metal, and a rubber eraser. By delving deeper into how these seemingly ordinary components are produced, however, we begin to understand the extraordinary backstory of their synthesis. Take the wood as an example: To produce wood requires a saw, to make the

saw requires steel, to make steel requires iron. That iron must be mined, smelted, and shaped. A truck, train, or boat is needed to transport the wood from the forest to a factory where numerous machines convert it into lumber. The lumber is then transported to another factory where more machines assemble the pencil. Each of the components mentioned above and each step in the process have similarly complex backstories. All require materials that are sourced from far-flung locations, and countless processes are involved in refining them. While the multitude of inputs and processes necessary to create a pencil is impressive, even more impressive are the coordinated actions required by millions of people around the world to bring everything together. There is the direct involvement of farmers, loggers, miners, factory workers, and the providers of capital. There is also the indirect involvement of millions of others—the makers of rails, railroad cars, ships, and so on. Market prices are the unifying force that enables these millions of people to coordinate their actions efficiently.

Workers with specific knowledge about their costs, constraints, and efforts use market prices to leverage the knowledge of others to decide how to direct their own resources and make a

living. Consider the farmer, the logger, and the price of a tree. The farmer will have a deep understanding of the costs, constraints, and efforts required to grow trees. To increase profit, the farmer will seek out the highest price when selling trees to a logger. After purchasing the trees, the logger will convert them to wood and sell that wood to a factory. The logger understands the costs, constraints, and efforts required to do this, so to increase profit, the logger seeks to pay the lowest price possible when buying trees from the farmer. When the farmer and the logger agree to transact, the agreed upon price reflects their combined knowledge of the costs and constraints of both growing and harvesting trees. That knowledge allows them to decide how to efficiently allocate their resources in seeking a profit. Ultimately, it is price that enables this coordination. On a much larger scale, price formation is facilitated by competition between the many farmers that sell trees to loggers and between the many loggers that buy trees from farmers. This market price of trees is observable and can be used by others in the production chain (e.g., the lumber factory mentioned above) to inform how much they can expect to pay for wood and to plan how to allocate their resources accordingly.

(continues on page 18)

The Power of Markets

(continued from page 17)

The Power of Financial Markets

There is a corollary that can be drawn between this narrative about the market for goods and the financial markets. Generally, markets do a remarkable job of allocating resources, and financial markets allocate a specific resource: financial capital. Financial markets are also made up of millions of participants, and these participants voluntarily agree to buy and sell securities all over the world based upon their own needs and desires. Each day, millions of trades take place, and the vast collective knowledge of all of these participants is pooled together to set security prices.

Exhibit 1 shows the staggering magnitude of participation in the world equity markets on an average day in 2015.

Any individual trying to outguess the market is competing against the extraordinary collective wisdom of all of these buyers and sellers. Viewed through the lens of Read's allegory, attempting to outguess the market is like trying to create a pencil from scratch rather than going to the store and reaping the fruits of others' willingly supplied labor. In the end, trying to outguess the market is incredibly difficult and expensive, and over the long run, the result will almost assuredly be inferior when compared to a market-based approach. Professor Kenneth French has been quoted as saying, "The market is smarter than we are and no matter how smart we get, the market will always be smarter than we are." One doesn't have to look far for data that supports this. **Exhibit 2** shows that only 17% of US equity mutual funds have survived and outperformed their benchmarks over the past 15 years. *(continues on page 19)*

Exhibit 1. Embrace Market Pricing

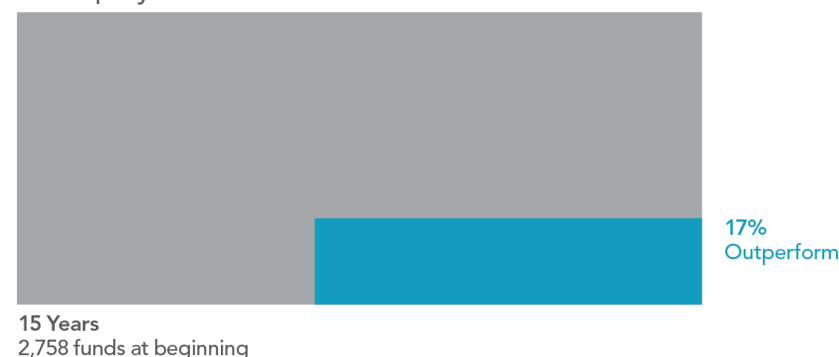
World Equity Trading in 2015

	Number of Trades	Dollar Volume
Daily Average	98.6 million	\$447.3 billion

In US dollars. Global electronic order book (largest 60 exchanges). Source: World Federation of Exchanges.

Exhibit 2. Don't Try to Outguess the Market

US Equity Mutual Fund Performance



Beginning sample includes funds as of the beginning of the 15-year period ending December 31, 2015. Past performance is no guarantee of future results. Source: Dimensional Fund Advisors, "The US Mutual Fund Landscape." See disclosures for more information.

The Power of Markets

(continued from page 17)

Conclusion

The beauty of Leonard Read's story is that it provides a glimpse of the incredibly complex tapestry of markets and how prices are formed, what types of information they contain, and how they are used. The story makes it clear that no single individual possesses enough ability or know-how to create a pencil on their own but rather that the pencil's miraculous production is the result of the collective input and effort of countless motivated human beings. In the end, the power of markets benefits all of us. The market allows us to exchange the time we require to earn money for a few milliseconds of each person's time involved in making a pencil. For an investor, we believe the lesson here is that instead of fighting the market, one should pursue an investment strategy that efficiently and effectively harnesses the extraordinary collective power of market prices. That is, an investment strategy that uses market prices and the information they contain in its design and day-to-day management. In doing so, an investor has access to the rewards that financial markets make available to providers of capital.

Leonard Read's essay can be found here: <http://econlib.org/library/Essays/rdPnc1.html>.

Source: Dimensional Fund Advisors LP.

There is no guarantee investment strategies will be successful.

US-domiciled mutual fund data is from the CRSP Survivor-Bias-Free US Mutual Fund Database, provided by the Center for Research in Security Prices, University of Chicago. Certain types of equity funds were excluded from the performance study. Index funds, sector funds, and funds with a narrow investment focus, such as real estate and gold, were excluded.

Funds are identified using Lipper fund classification codes. Correlation coefficients are computed for each fund with respect to diversified benchmark indices using all return data available between January 1, 2001, and December 31, 2015. The index most highly correlated with a fund is assigned as its benchmark. Winner funds are those whose cumulative return over the period exceeded that of their respective benchmark. Loser funds are funds that did not survive the period or whose cumulative return did not exceed their respective benchmark.

All expressions of opinion are subject to change. This article is distributed for informational purposes, and it is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, products, or services.

Ken French is a member of the Board of Directors for and provides consulting services to Dimensional Fund Advisors LP.

Appendix

2016 Annual Market Review

Market Summary

Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
2016	STOCKS					BONDS	
	12.74%	2.75%	11.19%	5.77%		2.65%	5.13%
							
Since Jan. 2001							
Avg. Annual Return	7.6%	5.9%	13.3%	11.2%		4.9%	4.6%
Best Year	33.6% 2013	39.4% 2003	78.5% 2009	37.4% 2006		10.3% 2002	9.8% 2014
Worst Year	-37.3% 2008	-43.6% 2008	-53.3% 2008	-45.7% 2008		-2.0% 2013	1.4% 2013

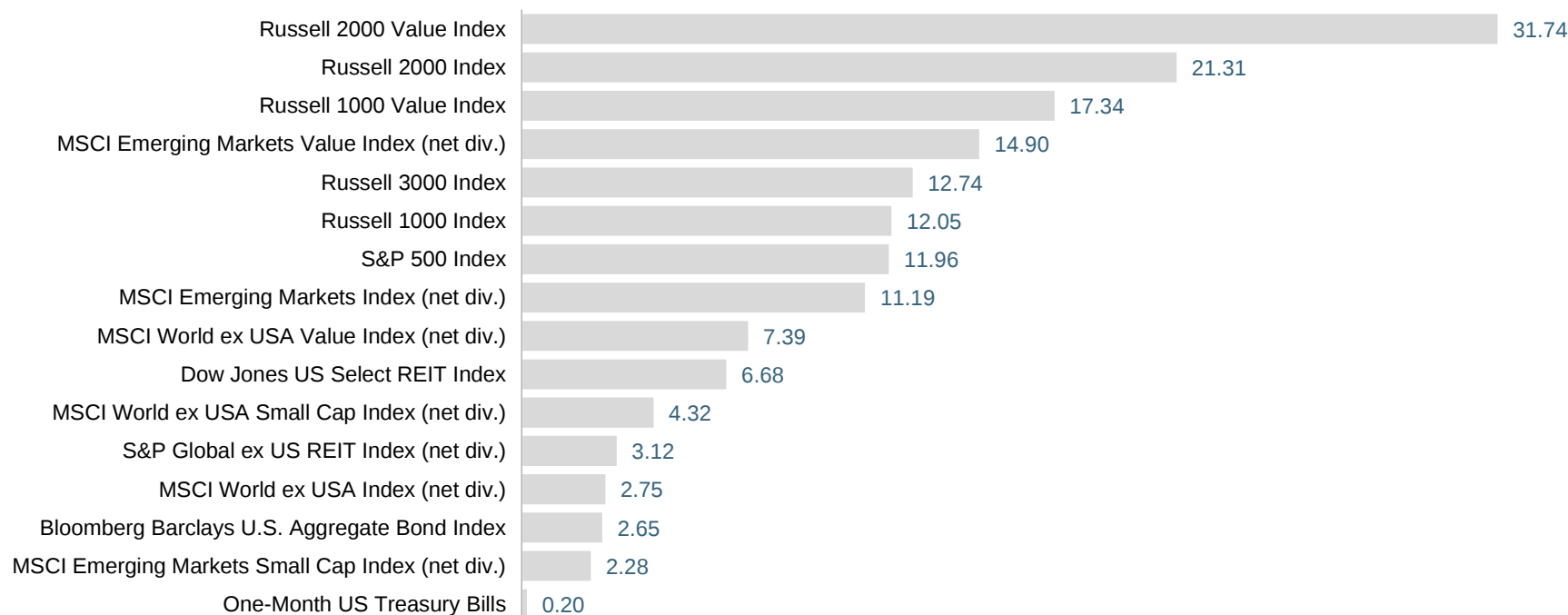
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citi WGBI ex USA 1-30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2017, all rights reserved. Bloomberg Barclays data provided by Bloomberg. Citi fixed income indices copyright 2017 by Citigroup.

World Asset Classes

2016 Index Returns (%)

Looking at broad market indices, the US outperformed both non-US developed and emerging markets for the year. US and non-US real estate investment trusts (REITs) recorded positive returns but lagged the US and non-US equity markets.

The value effect was positive in the US, non-US, and emerging markets across all size ranges. Small caps outperformed large caps in the US and developed markets outside the US but underperformed in emerging markets.



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US Stocks

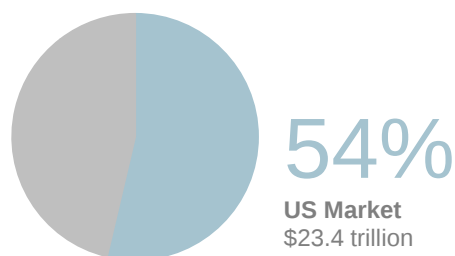
2016 Index Returns

The broad US equity market recorded positive performance for the year.

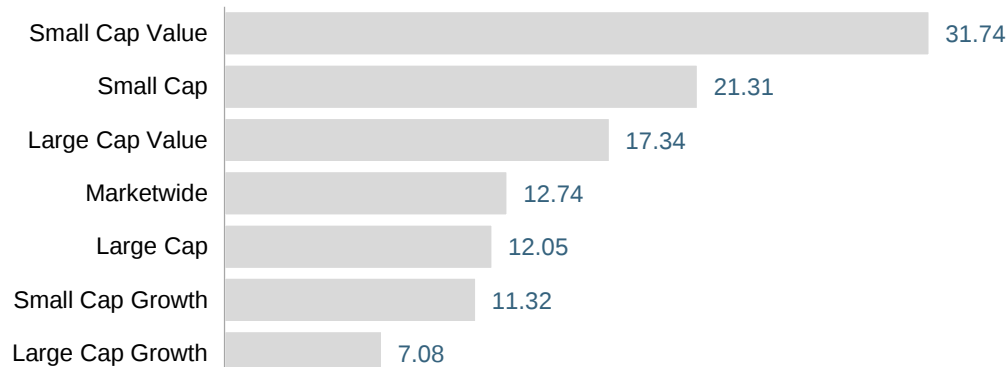
Value indices significantly outperformed growth indices in the US across all size ranges.

Small caps in the US outperformed large caps.

World Market Capitalization—US



Ranked Returns (%)



Period Returns (%)

* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	12.74	8.43	14.67	7.07
Large Cap	12.05	8.59	14.69	7.08
Large Cap Value	17.34	8.59	14.80	5.72
Large Cap Growth	7.08	8.55	14.50	8.33
Small Cap	21.31	6.74	14.46	7.07
Small Cap Value	31.74	8.31	15.07	6.26
Small Cap Growth	11.32	5.05	13.74	7.76

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2017, all rights reserved.

International Developed Stocks

2016 Index Returns

In US dollar terms, developed markets outside the US lagged both the US equity market and emerging markets indices for the year.

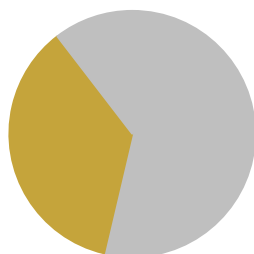
Small caps outperformed large caps in non-US developed markets.

Looking at broad market indices, the value effect was positive across all size ranges.

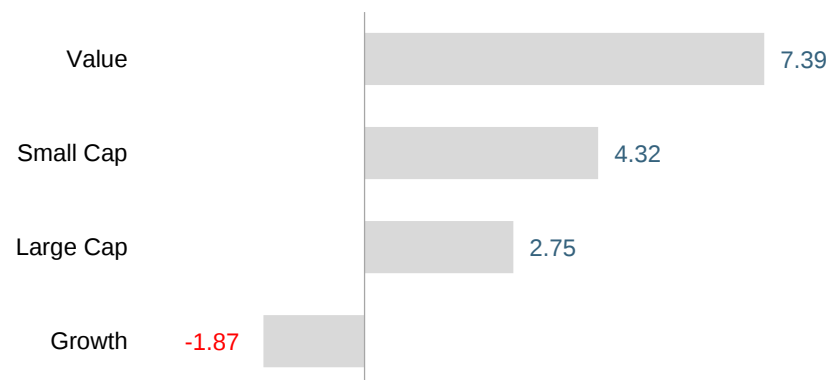
World Market Capitalization—International Developed

36%

International
Developed
Market
\$15.6 trillion



Ranked Returns (%)



Period Returns (%)

* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	2.75	-1.59	6.07	0.86
Small Cap	4.32	1.36	8.96	2.69
Value	7.39	-2.12	5.96	0.08
Growth	-1.87	-1.18	6.08	1.56

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index is used as the proxy for the International Developed market. MSCI data © MSCI 2017, all rights reserved.

Emerging Markets Stocks

2016 Index Returns

In US dollar terms, emerging markets indices underperformed the US but outperformed developed markets outside the US for the year.

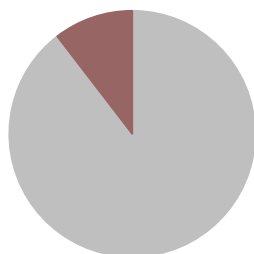
Looking at broad market indices, the value effect was positive across all size ranges.

Small caps underperformed large caps in emerging markets.

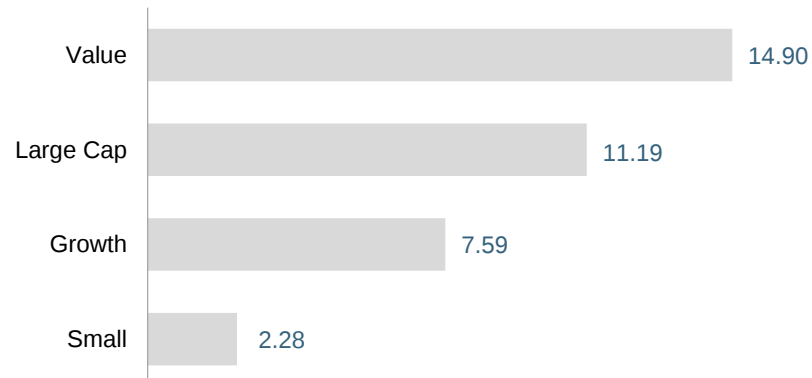
World Market Capitalization—Emerging Markets

10%

Emerging
Markets
\$4.5 trillion



Ranked Returns for 2016 (%)



Period Returns (%)

* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	11.19	-2.55	1.28	1.84
Small Cap	2.28	-1.27	3.51	3.41
Value	14.90	-3.54	-0.27	1.97
Growth	7.59	-1.67	2.73	1.63

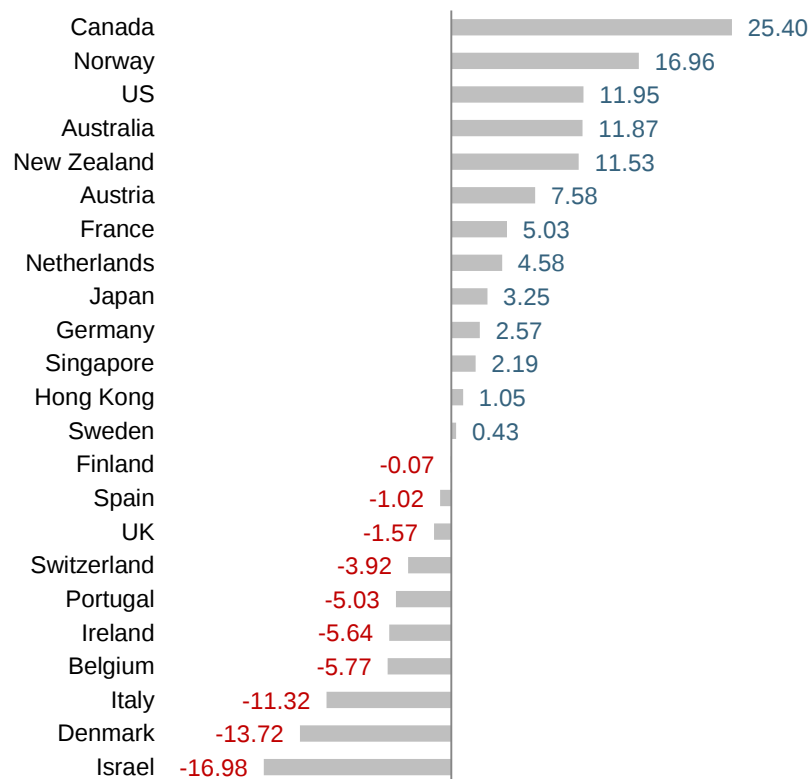
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market. MSCI data © MSCI 2017, all rights reserved.

Select Country Performance

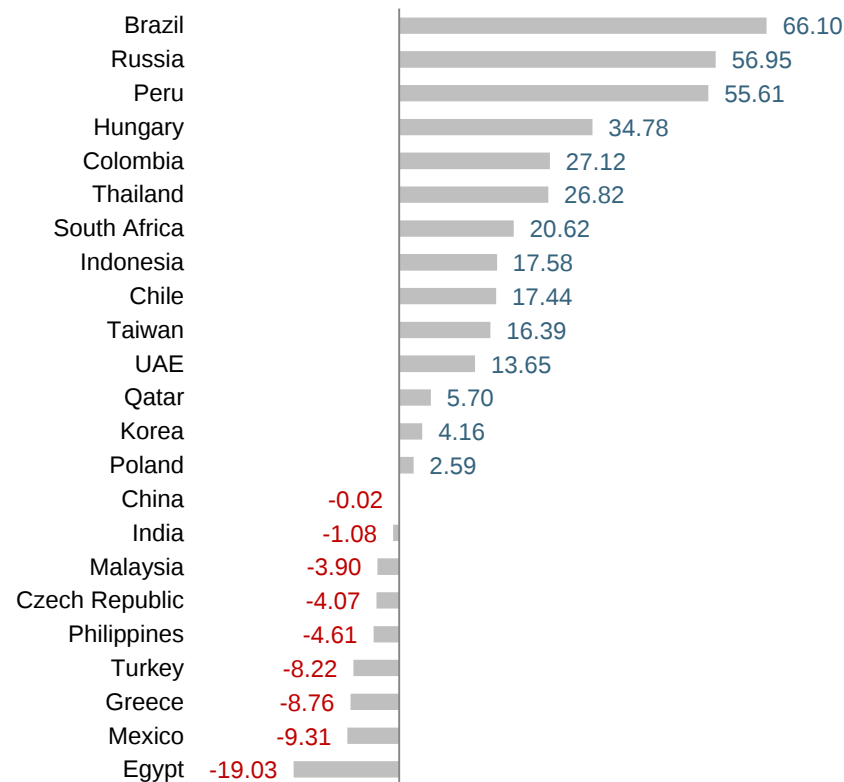
2016 Index Returns

Canada and Norway recorded the highest country performance in developed markets, while Israel and Denmark posted the lowest returns for the year. In emerging markets, Brazil and Russia posted the highest country returns, while Egypt and Mexico recorded the lowest performance.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)

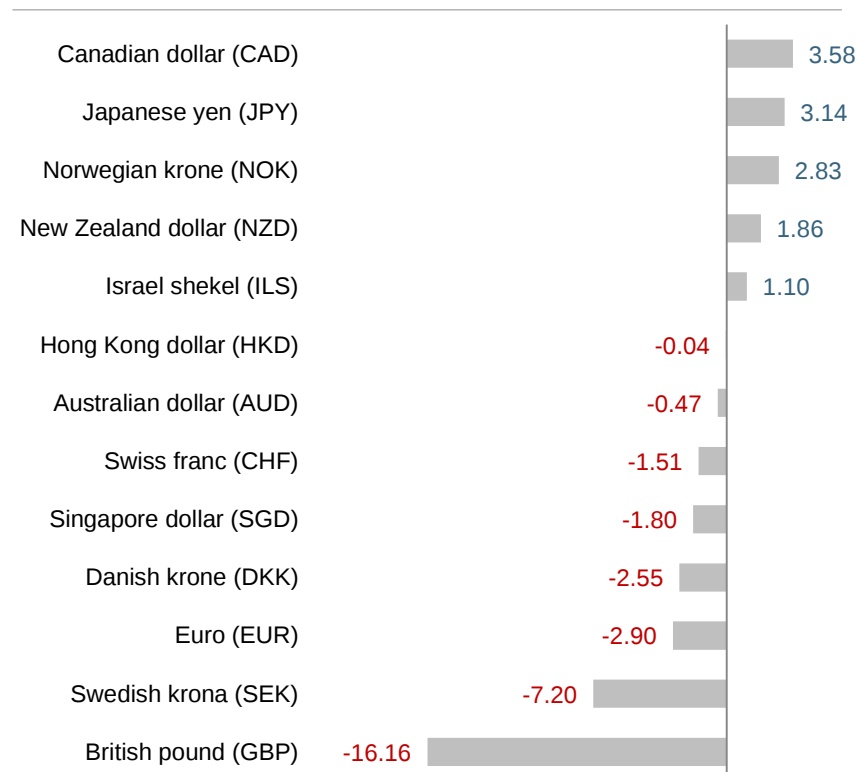


Select Currency Performance vs. US Dollar

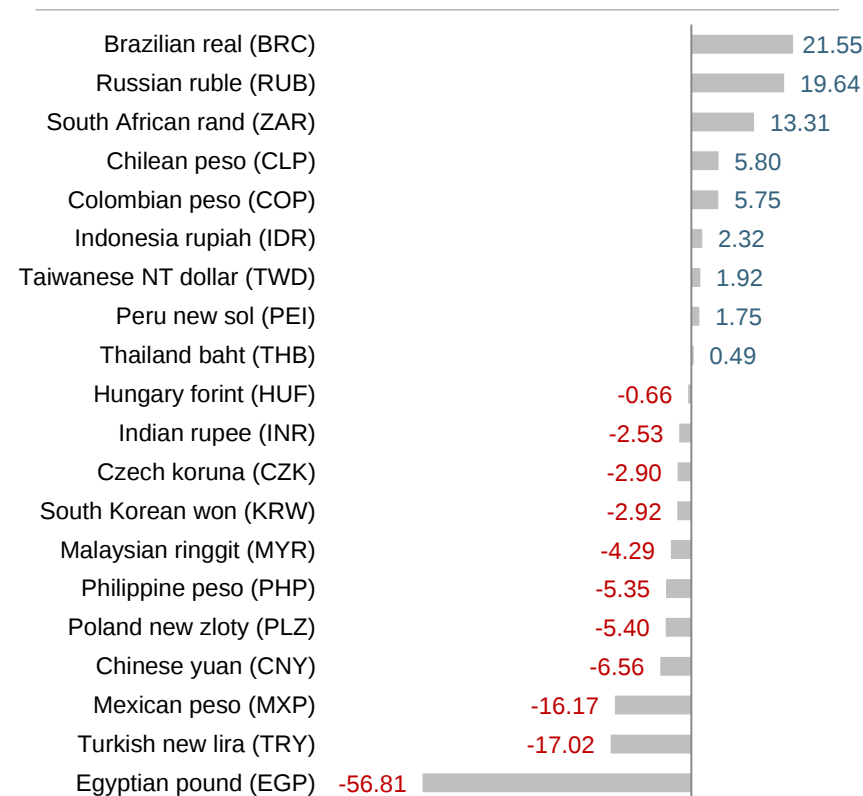
2016

Relative to the US dollar, currency returns were mixed for both the non-US developed and emerging markets. The best-performing currency in non-US developed markets was the Canadian dollar, while the British pound recorded the lowest performance. In emerging markets, the Brazilian real and the Russian ruble appreciated the most vs. the US dollar. The Egyptian pound lost more than half its value vs. the US dollar.

Ranked Developed Markets (%)



Ranked Emerging Markets (%)

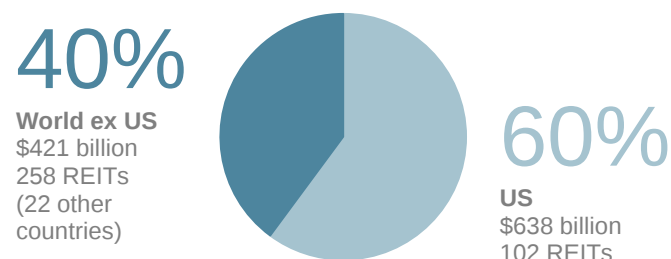


Real Estate Investment Trusts (REITs)

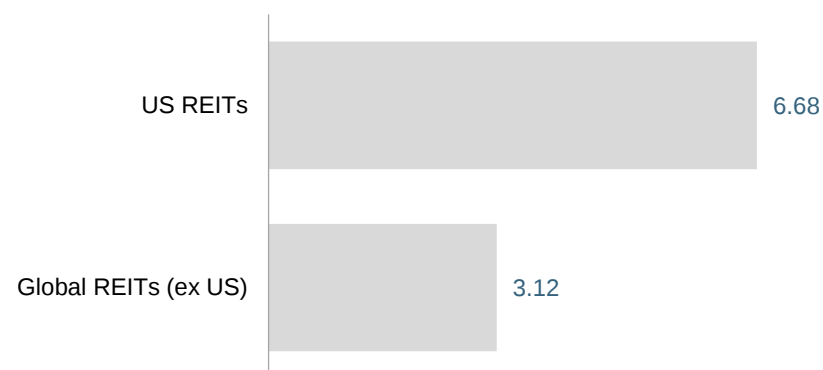
2016 Index Returns

US and non-US REITs had positive performance for the year but lagged the broad equity market in both regions.

Total Value of REIT Stocks



Ranked Returns (%)



Period Returns (%)

* Annualized

Asset Class	1 Year	3 Years*	5 Years*	10 Years*
US REITs	6.68	13.73	11.77	4.63
Global REITs (ex US)	3.12	3.34	8.30	0.00

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones US Select REIT Index data provided by Dow Jones ©. S&P Global ex US REIT Index data provided by Standard and Poor's Index Services Group © 2017.

Commodities

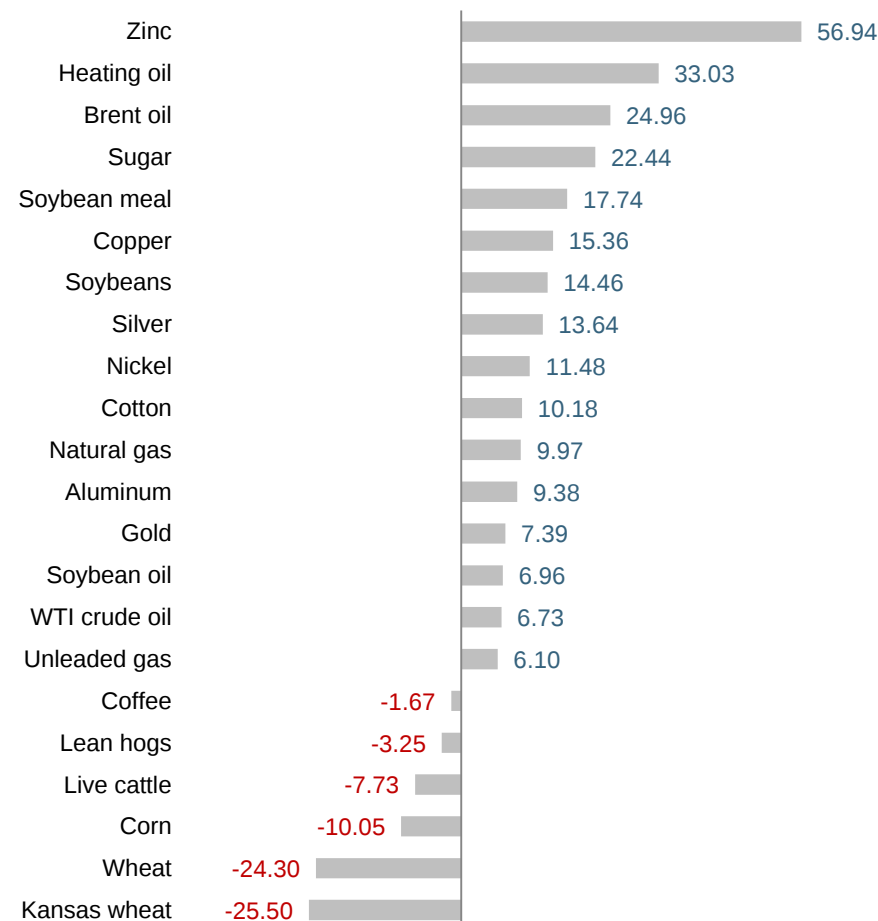
2016 Returns

The Bloomberg Commodity Index Total Return gained 11.77% in 2016.

Zinc was the strongest performer, posting a return of 56.94%. Heating oil and Brent oil followed with respective returns of 33.03% and 24.96%. Kansas wheat was the weakest performer for the year, falling 25.50%.

Period Returns (%)				* Annualized
Asset Class	1 Year	3 Years*	5 Years*	10 Years*
Commodities	11.77	-11.26	-8.95	-5.58

Ranked Returns for Individual Commodities (%)



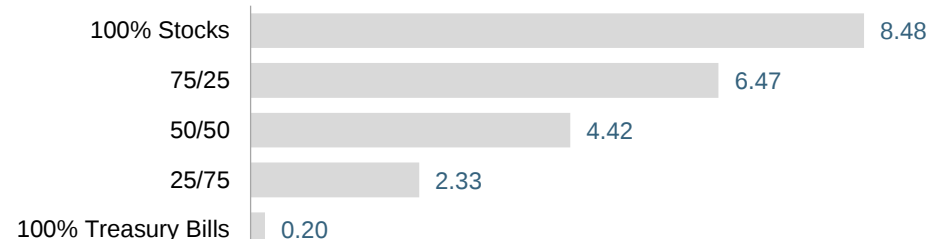
Impact of Diversification

2016 Index Returns

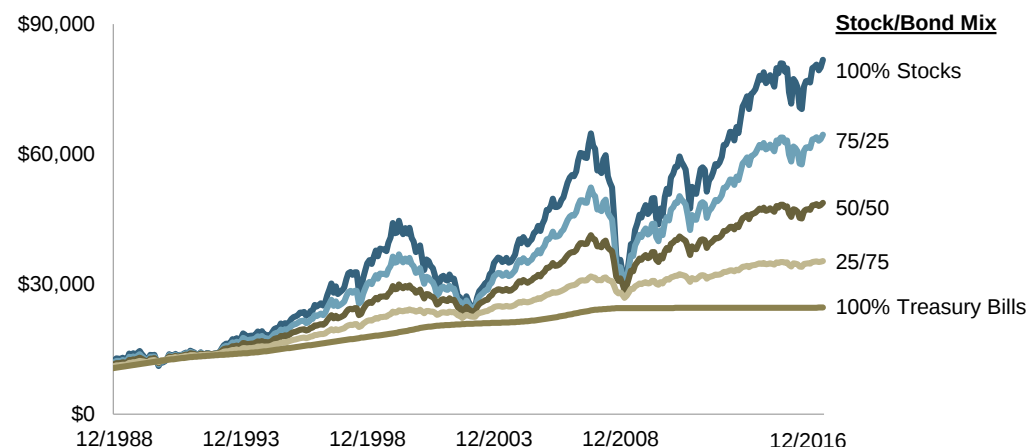
These portfolios illustrate the performance of different global stock/bond mixes. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Period Returns (%)					* Annualized
Asset Class	1 Year	3 Years*	5 Years*	10 Years*	10-Year STDEV ¹
100% Stocks	8.48	3.69	9.96	4.12	16.99
75/25	6.47	2.90	7.53	3.54	12.74
50/50	4.42	2.03	5.07	2.77	8.49
25/75	2.33	1.09	2.58	1.81	4.24
100% Treasury Bills	0.20	0.08	0.06	0.67	0.41

Ranked Returns for 2016 (%)



Growth of Wealth: The Relationship between Risk and Return



1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio.

Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio.** Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2017, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).

For more information or to discuss your portfolio needs, please contact Todd Moerman @ 303-549-4720 or 970-818-5266 or toll free 855-863-3332.

Thank you for your business.

If you have any friends or family who need a 2nd opinion, please contact us.

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