

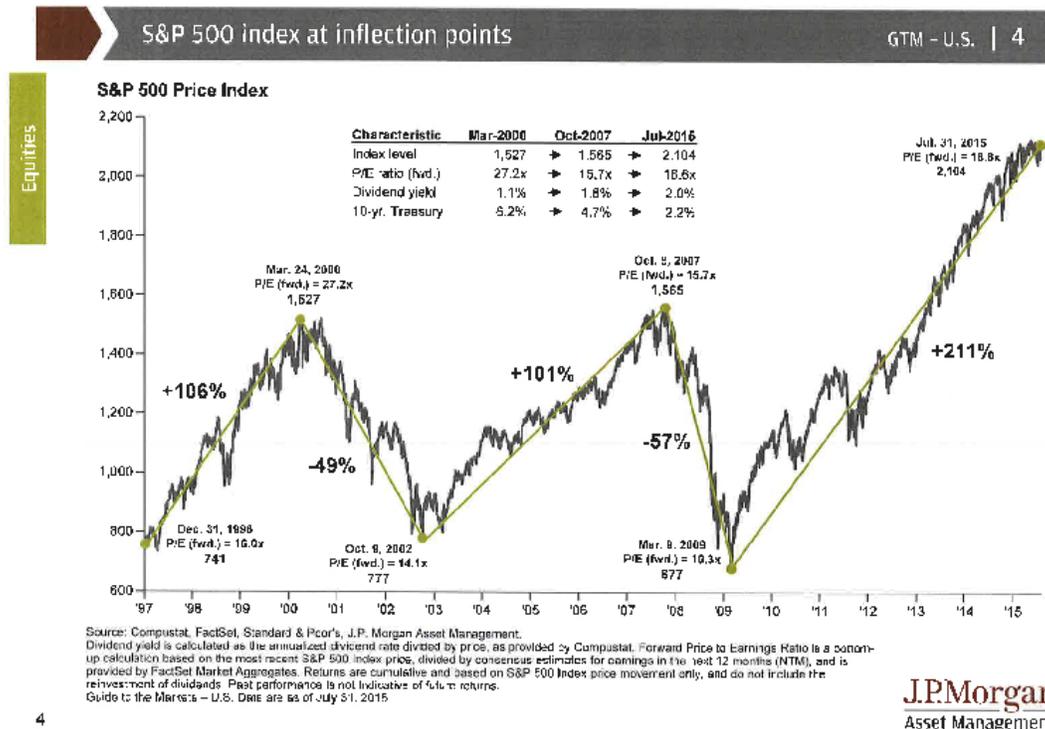


MARKET VOLATILITY

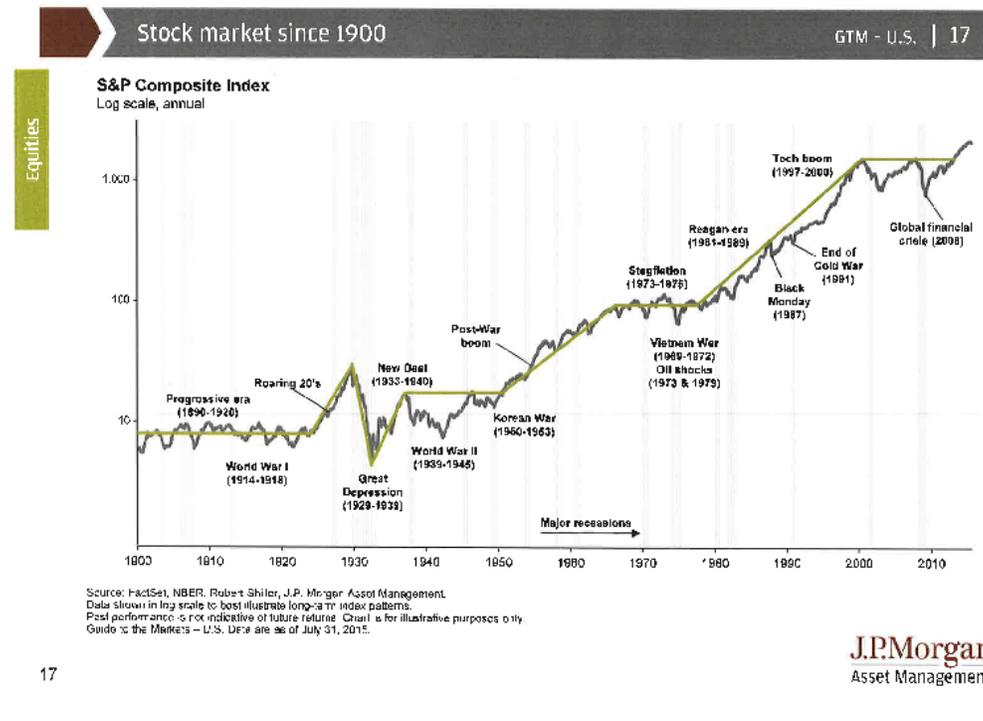
On Monday, August 24th, the Dow Jones Industrials index dropped more than 1,000 points, or more than 6%, in the first 15 minutes of trading. This Monday drop followed a 1,000+ point decline the week prior. The U.S. stock market officially entered “market correction” territory. A market correction is defined as a drop of 10% or more (market high to market low). The market had not experienced a correction since 2011.

By turning on the news or reading headlines, you would hear of a number of reasons for the selloff. While there are numerous so-called “headwinds” facing both the economy and the investment markets, we believe the main reason the market sold off was...that’s what the market does. The market constantly moves up and down in the short run, sometimes significantly so. In our view, the market had been looking for a reason to sell off given the length of time since the last market correction.

Shown below is a graph of the S&P 500 index for the 20 year period ended July 31, 2015. Note that there have been significant movements, both up and down. If we were to extend the graph through August 24th, we would certainly notice the movement down. While significant, this drop would not stand out as extraordinary...no larger than the prior correction in 2011, and others during the period.



Now let's look at the S&P 500 index since 1900. While there are significant ups and downs, there is a clear, upward long-term trend. When this graph is updated to include the decline this August, the drop will be barely perceptible. Note that this graph is shown in a logarithmic (non-linear) scale. On a linear scale, these points of emphasis would be more dramatic.



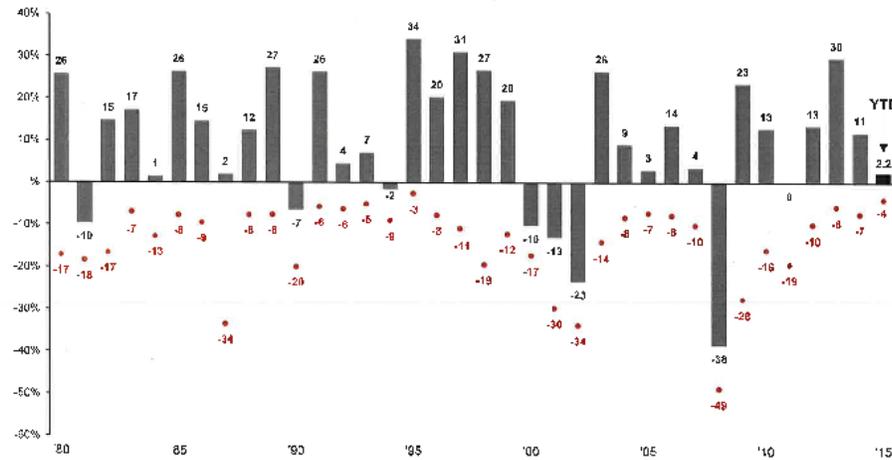
The following graph depicts calendar year returns (solid gray bars) along with the largest periodic decline (red dots) within the year. Over the past 35 calendar years, the market has posted positive returns in 27 of them. But within many of those 27 calendar years, there were significant market declines. In 1998, for example, the market was up 27% despite a drop 19% within the year.

Annual returns and intra-year declines

GTM - U.S. | 13

Equities

S&P 500 intra-year declines vs. calendar year returns
 Despite average intra-year drops of 14.2%, annual returns positive in 27 of 35 years*



Source: FirstSet, Standard & Poor's, J.P. Morgan Asset Management.
 Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. *Returns shown are calendar year returns from 1980 to 2014 excluding 2015 which is year-to-date. Guide to the Markets - U.S. Data as of July 31, 2015.

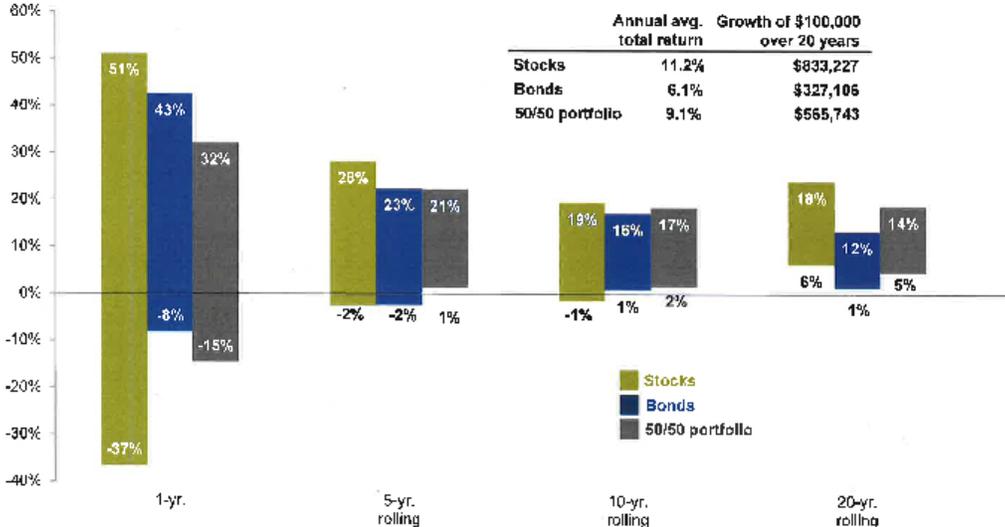
J.P.Morgan
 Asset Management

Market risk is real. Stock values can and do move up and down, sometimes significantly within short periods of time. But the following exhibit shows that since 1950, market risk has declined when measured over longer periods. In the best and worst performing one-year periods, the market has increased by 51% and declined by 37%, respectively. In these same years, a 50%/50% stock and bond portfolio increased by 43% and decreased by 8%. But take that holding period out for longer terms, and the range of returns reduces dramatically. Over 10 year rolling periods, the best and worst measures for stocks were 19% and -1%. There is no 20 year rolling period in which the market made less than 6% per year.

Historical returns by holding period GTM - U.S. | 64

Range of stock, bond and blended total returns

Annual total returns, 1950 – 2014



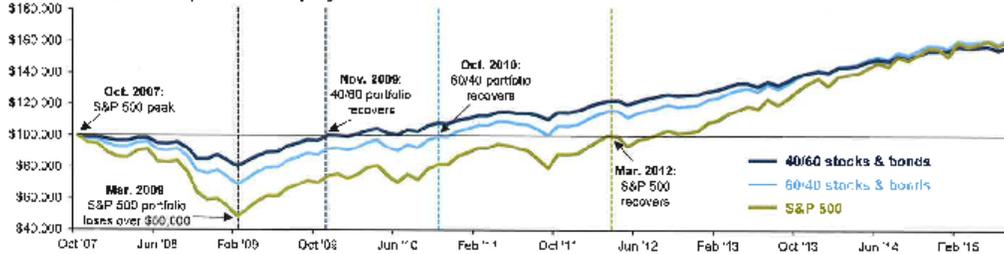
	Annual avg. total return	Growth of \$100,000 over 20 years
Stocks	11.2%	\$833,227
Bonds	6.1%	\$327,106
50/50 portfolio	9.1%	\$565,743

Sources: Barclays Capital, FitchI, Federal Reserve, Robert Shiller, Strategas/Robtson, J.P. Morgan Asset Management. Returns shown are based on calendar year returns from 1950 to 2014. Stocks represent the S&P 500 and Bonds represent Strategas/Robtson for periods from 1950-1980 and Barclays Aggregate after index inception in 1980. Growth of \$100,000 is based on annual average total returns from 1950-2014. Guide to the Markets – U.S. Data as of July 31, 2015.

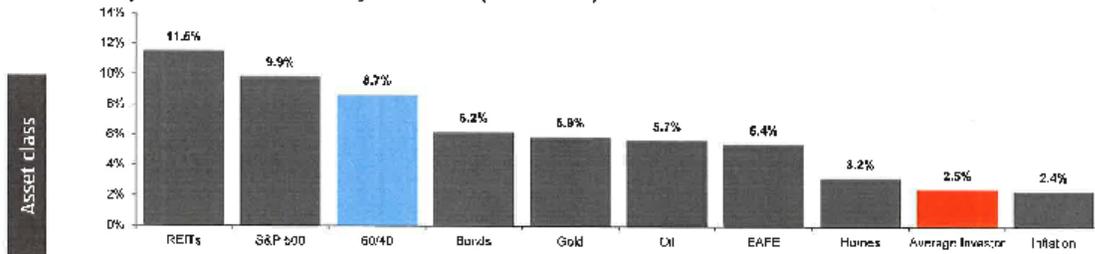
With such significant short term movements in the market, and with the very real pain investors feel during market downturns, the desire to try to “time the market” is understandable. It looks so easy in hindsight. It doesn’t work. As William J. Bernstein, esteemed financial author and theorist, once said “There are two kinds of investors, be they large or small: those who don’t know where the market is headed, and those who don’t know that they don’t know.” In the bottom half of the following exhibit, 20-year investment returns are presented. During the period, the S&P 500 average annual return was 9.9%. Interestingly, a 60%/40% diversified portfolio returned an average of 8.7%. Investors only gave up an annual return of 1.2% for a much smoother ride. Even more interesting, the average retail investor had a return of only 2.5% per year. Why? Because retail investors often make emotional attempts at market timing, which often turn out to be unproductive.

Diversification and the average investor GTM - U.S. | 65

Portfolio returns: Equities vs. equity and fixed income blend



20-year annualized returns by asset class (1995 – 2014)



Source: Morningstar Direct, Dalbar Inc., J.P. Morgan Asset Management
 Indexes used are as follows: REITs: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Barclays Capital U.S. Aggregate Index, Homes: median sale price of existing single-family houses, Gold: USD/oz or, Inflation: CPI, 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested high quality U.S. fixed income, represented by the Barclays U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/14 to match Dalbar's most recent analysis. Returns to the Markets - U.S. Data as of July 31, 2015.



Anyone that is looking to save and invest towards a financial goal must make a fundamental decision - whether or not to take on risk in their investments. Risk-free investments are available to all. As I write, the 5-year (guaranteed) U.S. Treasury bill rate is 1.51%. The 10-year rate is 2.18%. At this latter rate, it will take approximately 32 years for an investment to double. For many of us, a risk-free rate of return is insufficient to achieve our financial goals. In our view, the best alternative is a diversified portfolio of stocks, bonds and perhaps alternative investments. While there is certainly no guarantee, we hope and believe that over an extended period of time, this additional risk will be rewarded with a greater return. There will be gains and losses along the way. Volatility is the price that we as investors pay, for what we believe will be better, long-term investment returns.

Steven Criscuolo, CPA
 Financial Advisor

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