

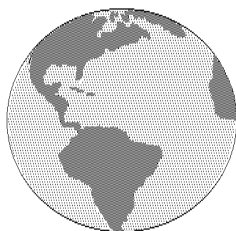


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Summary

- Most global equity markets saw declines in 2015 as the dollar continued to strengthen and commodity prices declined in a number of export dependent economies.
- U.S. equity markets were largely flat or somewhat negative.
- The U.S. economy posted moderate growth of 2.0% .
- Oil prices declined 30% in 2015.
- Inflation remains low at 0.5%.
- The Fed raised the interest rates from 0% to 0.25%.
- 10-year Treasury yield ended the year at 2.27%.
- U.S. unemployment dropped to 5% in November.



The Lubitz Financial Group

9350 S. Dixie Hwy., Suite 1500

Miami, FL 33156

www.LubitzFinancial.com

305.670.4440

LindaL@LubitzFinancial.com

Overview

In 2014, as a result of a 50% drop in oil prices and a huge increase in the relative value of the U.S. dollar, few sectors, except large U.S. stocks performed well. As in 2014, in 2015, despite a strong 4th quarter in most equity categories, investments again disappointed. The 30% additional decline in oil prices and a continuing strong dollar affected both domestic and international markets. Added to this mix was the new challenge arising from China's slowing economy.

As a result, in 2015 large U.S. stocks were only slightly better than breakeven while small U.S. stocks were down more than 4%. Overseas, developed international large stocks fell. This was offset in part by modest gains in international small stocks. The returns in the emerging markets reflected the strains of falling commodity prices, weakened local currencies and concerns over China's slowdown. Global real estate fell, largely reflecting the exchange rate headwinds faced by non-U.S. real estate investments. Bond returns were mixed while the alternatives group suffered another difficult year (although things brightened a bit in the last quarter). In sum: it was another challenging year.

Looking Ahead

No one can be sure about what's in the future. This said, there are some things that seem generally agreed upon (with acknowledgement that there are always dissenters on every issue):

- The U.S. economy is strong and is likely to continue to grow. To do so, it will have to fight the negative forces of rising interest rates, a continuing strong dollar and a weakening Chinese economy. While lower oil prices have boosted consumer spending, oil industry weakness could hinder what generally seems to be a positive employment trend in most other parts of the U.S. economy. Inflation is likely to remain low. Given concerns about China, world trade and their impact on the U.S. economy, the U.S. Federal Reserve Bank may choose to slow down its intended interest rate increases.

- The European economy showed signs of life in 2015 and with the European Central Bank's increased efforts to boost that region's economy, we expect growth there to continue to improve.

- China's economy is likely to struggle for some time to come. China has excess capacity in industry and housing and a significant level of debt (used in large part in its development efforts). China's internal struggle between government controls and free market influences will be the source of continuing tensions in the years ahead. China's problems are likely to slow economic growth around much of the world.

- In Europe, Japan, and many other countries, central banks are pushing interest rates lower in an effort to stimulate economic growth. In this circumstance, should the Fed push rates even higher as expected, it will likely make the dollar even stronger on a relative basis. This will impact our international returns while also creating pressures on U.S. bonds (as interest rates rise, the prices of existing bonds typically decline).

U.S. Markets Finish Flat

Despite a year of big economic and financial news, prices of most major asset classes ended the year at or below where they started. While these results were disappointing for those wanting to see a steady global economic expansion, this “breather” in the global rally in asset prices may turn out to be a good thing (helping to limit the potential development of asset bubbles).

In the United States, the year seemed like a roller coaster run, with the major U.S. indexes reaching all-time highs in May, correcting more than 10% in August and finishing December just slightly positive. The 1.38% return on the Standard & Poor’s stock index (including reinvested dividends) was roughly matched by a 1.07% return on intermediate-term Treasury bonds. Small company stocks, however, produced negative returns with the Russell 2000 Index down 4.41% for the year despite strong 4th quarter results.

Mixed International Returns

Given the strong dollar, international markets posted mixed results. Most developed economies gained in local currency but declined in dollar terms. While the European Central Bank’s quantitative easing is expected to have positive economic effects, current results have been mixed. As will be discussed more fully in subsequent pages, for the full year, the MSCI Europe Australia Far East Index (EAFE) was down 0.39% — this despite a strong market recovery in the 4th quarter (with the index rising 4.75%).

Country / Region	2015		2014	
	Local	USD	Local	USD
Regions / Broad Indexes				
All Country World	1.8	-1.8	9.9	4.7
U.S. (S&P 500)	-	1.4	-	13.7
EAFE	5.8	-0.4	6.4	-4.5
Europe ex-U.K.	9.1	0.1	7.4	-5.8
Pacific ex-Japan	-0.8	-8.4	5.8	-0.3
Emerging Markets	-5.4	-14.6	5.6	-1.8

Despite a strong start in 2015, emerging markets equities were in a downtrend for the most of the year. These markets were significantly affected by the economic slowdown in China, weakening commodity prices and a strong dollar. The MSCI Emerging Market Index finished down 14.6% for the year with the weakness showing in virtually all regions around the globe.

The Bond Market

Interest rates across the U.S. fixed income markets increased slightly in the 4th quarter of 2015. The 0.25% interest rate hike announced by the Fed in December had long been anticipated and did not have much effect on current bond prices. At year end, the yield on the 10-year Treasury note stood at 2.27% while the Barclay’s U.S. Aggregate Bond Index rose 0.55% for the year. The Fed’s announcement had the strongest impact on the short-term bonds, with Barclays U.S. Government Credit 1-3 Year Index rising 0.65% in 2015. As can be noted in the chart above, The Barclays Long Term Government Bond Index declined by 1.16% in 2015.

Bond Returns have been Weak for a While

Asset Class	1 Year	3 Years*
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.05	0.05
BofA Merrill Lynch 1-Year US Treasury Note Index	0.15	0.20
Citigroup WGBI 1-5 Years (hedged to USD)	1.00	1.17
Barclays Long US Government Bond Index	-1.16	2.55
Barclays US Aggregate Bond Index	0.55	1.44
Barclays US Corporate High Yield Index	-4.47	1.69
Barclays Municipal Bond Index	3.30	3.16
Barclays US TIPS Index	-1.44	-2.27

Oil at Eleven Year Lows

Oil prices continued their decline throughout 2015, hitting 11-year lows during the year and settling at \$37 per barrel on December 31st. The 30% decline in crude oil prices and the continuing strength of the dollar negatively affected the economies of energy exporting countries. Oil’s continuing decline also hurt domestic oil producers and the companies that service the industry. With the increase in U.S. oil production, global inventories at near-maximum levels, and most major producers around the world continuing to pump more oil, it will be a while before the supply glut ends. This is likely to mean even lower oil prices in the near term. For sake of perspective,

in inflation-adjusted dollars, the current price of oil is now slightly below where oil prices were in the 1960's.

The Fed and Interest Rates

The Fed has maintained a highly accommodative interest rate policy for the last seven years (it's difficult to be more accommodative than 0%). December's rate increase ended an unprecedented period of record low rates that were part of the extraordinary and controversial Fed policies designed to stimulate the U.S. economy in the wake of the most devastating financial crisis since the Great Depression.

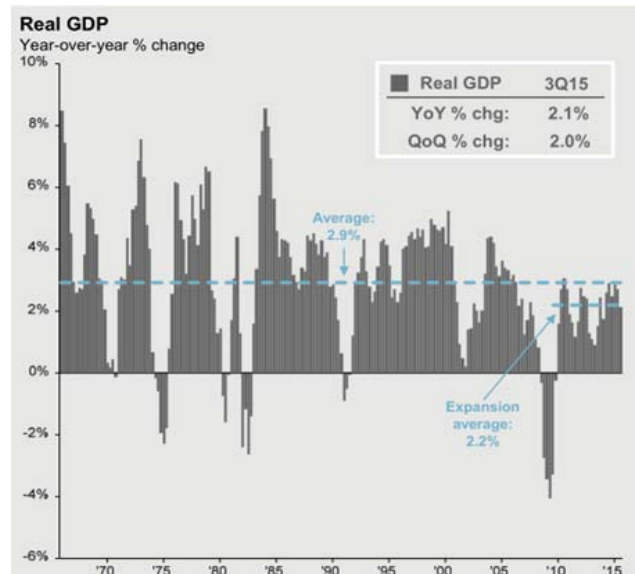
By all indications, the Fed is prepared to begin raising rates to bring them more in line with historic norms. While the Fed has clearly indicated that their assessment of the broader economy will be a key in determining future rate increases, the median projection by the Fed's Open Market Committee foresees the rate at about 1.4% by the end of 2016. This would suggest three or four more increases through out next year. As we suggested previously, we doubt it will happen that fast.

The U.S. Economy

Gross Domestic Product (GDP)

The U.S. economy posted moderate growth of 2.0% in the 3rd quarter of 2015 and reports released in January suggest a similar result for the 4th quarter. This is in line with the slow but consistent growth that has been a hallmark of the current recovery. A stronger dollar, weak global demand and tumbling commodity prices all weighed on trade in the 3rd quarter — slightly more so than previously estimated. Still, consumer spending, which accounts for more than two-thirds of U.S. economic activity, grew at 3% in the 3rd quarter. The rise in consumer spending can be attributed to an improving labor market, rising home values and falling oil prices. Savings, which are near three-year highs, and low inflation of 0.5%, are also helping to underpin consumption. These developments should help cushion the economy from the slowing growth in China and other parts of the global economy.

Goldman Sachs forecasts U.S. GDP growth will average 2.2% in 2016. This growth rate would be stronger except for the surging dollar, which will lead to slower exports from the U.S.



Employment

Inflation Rates Graph (2005-2015)



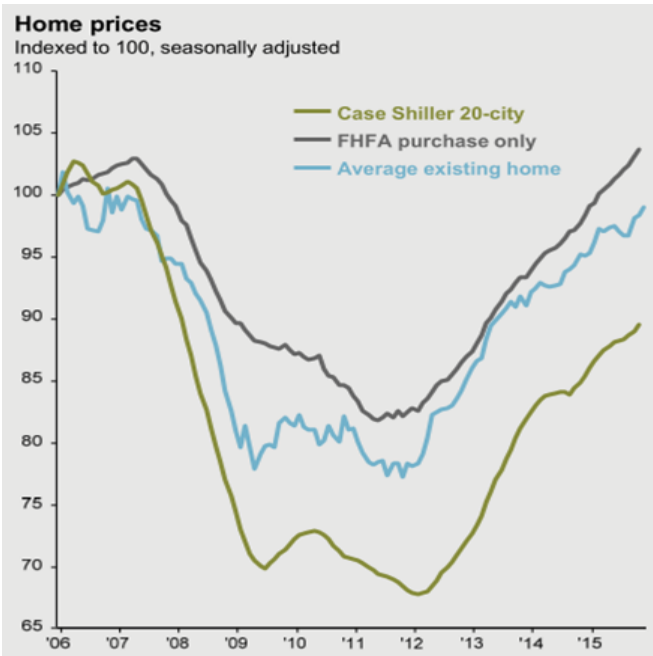
The job market continued its improvement during the 4th quarter. The most recent monthly report showed the economy added 292,000 jobs, bringing the unemployment rate to a post-recession low of 5%. The full year results capped the second-best year for hiring since 1999.

While corporate financial strength has continued to improve, worker pay has yet to show meaningful improvement. Average hourly earnings in December were unchanged from the prior month and increased only 2.5% from a year earlier. While wage stagnation is an understandable concern for the average consumer, it does suggest that labor-driven inflation is unlikely to be a concern in the near term.



U.S. Housing

For Americans, their homes are a major source of wealth and security. According to the most recent S&P/Case Shiller U.S. National Home Price Index, home prices across the nation were 5.5% higher than just one year



ago. With continuing high demand and a limited supply of available homes (both new and existing homes) prices are likely to continue to rise. Rising interest rates could slow demand. However, we believe rates are likely to remain relatively low for some time.

Growing employment numbers and rising pay rates will be needed to continue the current high level of demand. New construction will be a key factor in meeting this growing demand.

Consumer Confidence

Consumer confidence is an important consideration as consumer spending represents such a large portion of the total U.S. economy. According to the Thomson-Reuters/University of Michigan Survey, consumer confidence achieved an average score of 92.9 this year. This is the highest level since 2004. Lower energy costs, improved labor market conditions and improving real estate values all strengthened consumer confidence (and played an important role in convincing the Federal Reserve that the economy could withstand higher interest rates).

The World Economy

In 2015, once again the United States came out as the “best house on a troubled block.” From the latest signs of trouble in the Chinese economy to the Syrian refugee crisis in Europe, 2015 was a troubled and uncertain year across the globe.

Slow growth and fears of recession continued to dominate many global economies. If one is looking for a silver lining in this environment, it may be that market valuations in many international markets now look quite attractive — certainly so on a relative basis. Moreover, the strength of the U.S. dollar relative to most other currencies should help grow export flows for U.S. trading partners, giving an important boost to struggling economies.

Europe

Europe’s economic recovery has faltered, with growth in the single currency region slowing to just 0.3% in the 3rd quarter of 2015. Weak international trade was a drag for the economies of Germany and Italy, and limited France’s recovery too. Still, European economic sentiment showed signs of improvement in December as unemployment declined to 10.5% (down from 11.5% in November 2014). Data from the European Union’s statistics office and the European Commission showed improved economic sentiment throughout much of the Euro-zone. Deflation continues to be a concern in Europe. Consumer prices in December were up only 0.2%.

In a bid to spur growth, the European Central Bank further reduced the negative interest rate it pays to banks in December and extended a bond-buying program by six months to March 2017.

Japan

Japan's economy narrowly dodged a recession in the 3rd quarter when the initial estimate of an economic contraction was revised to an annualized expansion of 1%. Capital expenditure was the key contributor to this upgrade. Premier Shinzo Abe's administration has been pressuring Japanese companies to invest more of their record profits in the Japanese economy and help put Japan's economy on a sustained path of recovery. Even with the revised data showing Japan avoided recession, policymakers will remain under pressure to speed growth with additional stimulus measures.

China

China reported that its economy expanded at an annualized rate of 6.9% in the first nine months of 2015. Growth is expected to come in around 7% for the year. While most outside observers believe the actual figures are considerably lower than that, it remains the case that China will still see a growth rate well above global averages.

Economists agree that a long-term slowdown in Chinese growth is inevitable due to structural factors such as a shrinking labor force and the end of "catch-up growth" as China completes its transition from a rural to an industrial economy. However, a cyclical slowdown in manufacturing, an oversupply of housing and weak foreign demand for Chinese exports is adding to China's economic challenge.

In December, the International Monetary Fund approved adding China's yuan into its elite reserve currency. With this decision, beginning next year, the yuan (also known as the renminbi) will join the U.S. dollar, euro, Japanese yen and British pound in the group of currencies the IMF uses as an international reserve asset. As stated by the IMF, with this change, it is expected that China will become a "much more responsible financial power." This will put the Bank of China under pressure to provide more transparency in line with its peers, such as the Federal Reserve and the European Central Bank.

Elsewhere

The growth rate in the largest emerging BRIC (Brazil, Russia, India and China) economies weakened in the 4th quarter of 2015. A significant part of this slowdown reflects the weaker international demand for their exports. In some cases, government policies reversing earlier stimulus policies have also been a contributing factor to economic slowing.

Russia (hit by international sanctions) and Brazil (faced with economic and political crises) were also struggling due to falling commodity and oil prices, and deep depreciation of their national currencies. India seems to be causing less anxiety in financial and international markets with growth picking up some momentum in 2015, although its growth rate still fell well short of the previous year.

Investments

U.S. Equities

Although the U.S. stock market experienced a fair amount of volatility during 2015, the benchmark index for large U.S. stocks, the S&P 500 Index, finished the year in the positive territory — up 1.38% for the year. As can be seen in the chart below, although large stocks did well, it was a difficult year for small company stocks and value stocks have significantly under-performed growth for the last few years.

U.S. Category Index Returns (* annualized)

Asset Class	1 Year	3 Years*
Marketwide	0.48	14.74
Large Cap	1.38	15.13
Large Cap Value	-3.83	13.08
Large Cap Growth	5.67	16.83
Small Cap	-4.41	11.65
Small Cap Value	-7.47	9.06
Small Cap Growth	-1.38	14.28

The S&P 500 is now 56.2% above its prior high point before the Great Recession (this is an average annual growth rate of 5.73% over the last eight years). From a market valuation perspective, using the forward P/E (current stock price divided by estimated future earnings over the next twelve months), the S&P 500 is now priced at 16.1 times forecasted earnings. This is in line with the index's 25-year average of 15.8. The current dividend yield for the S&P 500 stands at 2.3%. Based on these metrics, the market's valuation is in line with its historic norms and does not appear to be "overvalued" but it is also clearly not "undervalued."

International Equities

In 2015, the MSCI EAFE index, the most widely used international index, gained 5.8% in local currency while dollar denominated returns declined by 0.39%. In contrast, small international company stocks rose in dollar terms roughly 2% in 2015.

Over the last 10 years, the MSCI EAFE Index has risen by 3.5% annually (compared to the S&P's rise of 7.1% per year). This lower growth rate is reflective of a slower recovery from earlier recessions and the disadvantage of a

Country / Region	2015		2014	
	Local	USD	Local	USD
United Kingdom	-2.2	-7.5	0.5	-5.4
France	12.3	0.8	3.6	-9.0
Germany	10.0	-1.3	2.8	-9.8
Japan	10.3	9.9	9.8	-3.7
China	-7.7	-7.6	8.3	8.3
India	-1.6	-6.1	26.4	23.9
Brazil	-12.5	-41.2	-2.8	-13.7
Russia	22.9	5.0	-12.1	-45.9

rising U.S. dollar.

The above chart reflects the returns of selected countries in both their local currency and in U.S. dollars. As can be seen, without exception, the continuing strength of the dollar significantly impaired the returns achieved by U.S. investors.

Emerging Market Equities

Emerging Market returns were hurt by both a strong dollar and declining commodity prices. For the full year, the MSCI Emerging Markets Index declined 5.4% in local currency but was down 14.6% for U.S. investors. Declining commodity prices have hurt the growth prospects of exporters such as Brazil (down 41.2%) and Russia (up 5%), whose markets were faced with unprecedented capital flight due to the political crisis (Brazil) and economic sanctions (Russia).

At the same time, China and India were struggling with their own economic headwinds. China's market was down 7.6% (a wild ride considering that at year end, it was down 40% from its early June high point). India equities declined 6.1% (after an impressive gain of 23.9% in 2014). Over the last 10 years, the Emerging Markets as-

set class has been one of the stronger equity sectors with a compound annual return of 3.95%.

Fixed Income Investments

During the 4th quarter, prices in all major U.S. bond sectors were flat. There was limited reaction in the fixed income markets to the Fed's interest rate hike. Investors expected it and the shift had already been incorporated into current bond prices.

The Barclays Capital U.S. Bond market index posted 0.57% loss for the quarter but was up 0.55% for the year. The yield on 10-year Treasuries increased to 2.27% from 2.06% during the quarter.

Short-term bonds fell 0.36% for the quarter, but were up 0.65% in 2015. Intermediate-term bonds declined 0.69% in the 4th quarter but were up 1.07% for the year.

Treasury Inflation-Protected Securities (TIPS) reflect investor expectations about the future inflation trends. TIPS experienced a decline of 0.64% during the 4th quarter and were down 1.44% for the year.

Dollar-denominated emerging market bonds had a positive year despite uncertainties surrounding emerging market economies. The JP Morgan Emerging Markets Bond Index (which tracks bonds issued in dollars) was up 1.77% during the quarter with the index finishing up 1.82% for the year. The value of bonds issued by more developed countries outside the U.S. also increased. The Citi World Broad Investment Grade Index (ex-U.S.) was up by 0.59% in the 4th quarter and is up 1.24% for the year.

Alternatives

The Alternatives category continued to produce anxiety and frustration among investors in 2015. While some alternatives were up in the 4th quarter, there was little positive news surrounding the performance of this group in 2015.

The Alerian Master Limited Partnership Infrastructure Index (energy transportation and storage) saw a significant decline in value in 2015 (down 1.69% during the quarter and 31.74% for the year). Prices have fallen as investors dropped these investments in response to the decline in oil prices.

MLPs that own pipelines and storage facilities receive payments based on the volume of oil and gas they

transport or store. There is not a direct relationship between the price of oil and the returns generated by MLPs. A fall in oil prices may well affect the payments that MLPs receive but we believe investors have over-reacted to the current circumstances and that MLPs have been oversold.

While more time will be needed for a recovery in this sector, we believe the fundamental economics of the busi-

ness and the continuing need for transportation and storage will lead to a recovery of this group.

for the year. In fact, investment markets across the board have been tough for the last 18 months.

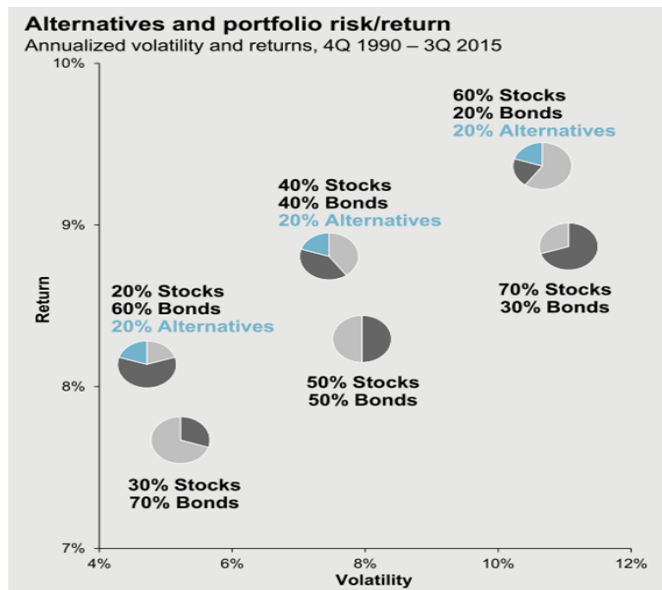
Although the numbers for the alternative asset class clearly disappoint, in our view, diversification worked as intended. There is no doubt that in the current environment some investors will be very tempted to “jump ship” and reallocate their portfolios into those investments deemed safest or less volatile.

We do not believe that “chasing performance” is the best way to invest. On the contrary — research continues to provide evidence that a disciplined investment approach with proper diversification and risk management is the most effective path to move you toward your long-term financial goals.

Our professional team continually reviews our portfolio investments and strategy and such a review is currently underway. As fiduciaries working on your behalf, we strive to employ the best thinking and research in the investment field. All of our decisions and recommendations are derived from vast research, both our own and research from leaders in finance and economics.

We are committed to bringing you leading research and a consistent investment discipline in an effort to achieve the investment performance needed to fulfill your goals.

We thank you for allowing us to continue to be of service to you and wish you and yours a very happy and successful new year!



Global Real Estate, represented by the NAREIT Global Real Estate Index, rose 4.87% over the quarter, but was down 0.41% for the year.

Timber — as measured by the FTSE NAREIT Timber REIT, posted positive results for the quarter, up 1.65%, but declined 6.97% over the full year.

Commodities — as measured by the Bloomberg Commodity Index, posted negative results for the quarter, down 10.52%, and declined 24.66% over the full year.

Managed Futures — as measured by the S&P Diversified Trends Indicator Index — was up 1.25% for the quarter but posted a decline of 3.05% in 2015.

Summary

While the U.S. equity market, as measured by the Dow or S&P 500, finished modestly positive for the year, both the developed and developing markets struggled against the headwinds of a stronger dollar, the fall in commodity prices and internal structural economic challenges. With most equity markets down and global bond markets only modestly positive, investors with broadly diversified portfolios generally experienced negative investment returns

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Sources: Morningstar, JP Morgan Asset Management, Dimensional Fund Advisors, Reuters, Bloomberg.com, NYTimes.com, US Bureau of Labor Statistics, Eurostat, HSBC Markit, TheBRICSpot.com