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It was in October 1879 that inventor Thomas A. Edison, "a short, thick-set man, with grimy hands," as *The New York Times* described him, succeeded for the first time in producing continuous artificial electric light. After 14 months of testing countless materials, his latest incandescent bulb burned a carbon filament for 13½ hours in his cluttered laboratory in Menlo Park, New Jersey. While October has seen significant inventions, discoveries and enterprise – the first Model T Ford went on sale on October 1, 1908 – many of us see the 10th month simply as the time when deciduous forests turn into kaleidoscopes of color, when late crops are harvested, when sports fans can choose to watch the World Series, football, basketball or hockey – and a month that closes with ghosts and pumpkins. You, no doubt, have your own October traditions to build on. We wish you well as you work on them during the month, and perhaps you'll think appreciatively of the inventors whose genius changed the world in which we live, whether it's the late Steve Jobs or that fellow with the grimy hands pottering around in the other Menlo Park so long ago.

Let's take a look at the numbers.

	(As of 9/30/15)
Dow Jones Industrials	- 8.63%
S&P 500 Index	-6.74%
NASDAQ Composite	-2.45%

Major Bond Indexes	(As of 9/30/15)
Lipper U.S. Government	+0.58%
Lipper Short-term Investment Grade	+0.78%
Lipper Corporate A-Rated	-0.55%

Major Mutual Funds Indexes	(As of 9/30/15)
Lipper Large-Cap Core	- 6.72%
Lipper Mid-Cap Core Index	- 6.24%
Lipper Small-Cap Core Index	- 6.76%
Lipper International Index	- 4.66%

Source: The Wall Street Journal and Barron's

*Inclusion of these unmanaged indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

FINANCIAL AND INVESTMENT PLANNING

"It's waiting that helps you as an investor, and a lot of people just can't stand to wait. If you didn't get the deferred-gratification gene, you've got to work very hard to overcome that."
- Charlie Munger

While many investors know the importance of delayed gratification and patience, the recently completed third quarter certainly rattled many U.S. investors. Earlier this summer, June 12th marked the beginning of a significant correction in China's stock market which spanned most of the summer months. Despite several attempts by the Chinese government to halt the sell-off, the Shanghai Composite Index lost nearly 43%, peak-to-trough. After the Index more than doubled in a year, the decline in share prices appears to be the unwinding of a speculative bubble.

China is in the midst of two arduous and potentially dodgy transitions. First, the country is shifting to a consumption economy from one being led by export growth and infrastructure spending. This will take time and growth may be jarring along the way. It can be argued that sustainable expansion at the end of said transition is likely to be sluggish. This expansion has averaged about 10% per annum over the last two decades, and some experts think it may slow to 4-6% in the future. It's interesting to note that following China's inclusion in the World Trade Organization in 2001, real exports rose at a staggering 25% per year until 2007. Since 2014, real export growth has slowed significantly to 3.5%. Combination of the country's urbanization, rising standards of living and large population has led to a voracious need for commodities. China accounts for roughly 50% of annual global demand for quintessential commodities like cement, copper and steel. Its leadership has been investing in infrastructure at a staggering pace, building airports, high-speed rail, and roads to buttress the perpetual urban expansion and evolution of the country. To put this into context, China's investment in infrastructure as a percentage of GDP is 51%, compared to the U.S. at 17%. Historically speaking, as China's growth accelerated, commodity prices rose, and as China has slowed, commodity prices have come under pressure. Putting it all together, it becomes clear that the outlook for China will largely drive the outlook for commodities. Thus, it's clear that as China's GDP growth has slowed from an average of 9.4% in the 2000s to 7% in 2015, that demand for commodities has waned, and prices have sunk.

The second transition is the liberalization of the country's capital markets. Asset prices need to be determined by the markets with limited intervention from the government. The past reveals that if such a transition is not carefully harmonized, there can be stark after-effects. On August 11, 2015, China's central bank allowed its currency to weaken by 1.9% against the U.S. dollar—the largest one-day devaluation in two decades. Some observers believe China took this action to spur its economy and exports and to improve its international competitiveness. The currency has fallen further since then. Eric Moffett, portfolio manager covering Asian markets at T.Rowe Price recently said, "Over the past three years, the U.S. dollar has strengthened against the Japanese yen, the euro, and many emerging markets currencies. However, China's yuan had been loosely pegged to the rising U.S. dollar. While the U.S. economy has strengthened, China's economy has weakened on a relative basis, resulting in a steady erosion of its global competitiveness. China has been steadily losing ground to other exporters due to rising labor costs, so it makes sense that there has been growing pressure on the currency on a trade-weighted basis. While boosting the economy appears to be part of China' motivation to devalue, we believe China's decision was also intended to move toward a more flexible, market-oriented exchange rate, with the ultimate goal of making the yuan a fully floating global reserve currency, such as the U.S. dollar, the euro, pound, and yen are today. Last May, the International Monetary Fund (IMF) urged China to achieve a floating exchange rate within two to three years and said it will decide in September 2016 whether the Chinese yuan would be eligible for the status of a reserve currency. Longer term, the country aims to open up its capital markets and its currency to foreigners."

An obvious question has been raised - what would a slowdown in China mean for the U.S. economy? Perhaps very little directly. China accounted for a little over 7% of U.S. exports in 2014, less than 1% of GDP. Yet, since China is a major importer of raw material, many commodity rich exporting nations like Brazil, Australia and Canada, are seeing economic vulnerabilities at home. Thus, anemic growth in China will have expansive outcomes on the global economy. On August 17, the Dow Jones Industrial Average embarked on a more muted correction, losing 10% over the course of seven consecutive trading days. General consensus believes that recent U.S. market commotion, while distasteful, is a healthy correction and a natural part of a conventional equity market cycle. Certainly it can be alarming for those who don't appreciate the phenomenon of a correction. These corrections are indispensable when the markets become steeped with investors trying to take advantage of magnified asset prices rather than trading on fundamentals. Eventually, the proverbial "bubble bursts," eradicating opportunists from the market and paving the way for a return to a "normal" investment environment.

The Federal Reserve, which delayed the highly anticipated rate hike in September, is the most influential macro-economic element facing investors as we head into the final quarter of 2015 and early 2016. It is widely believed that any imminent action by the Fed should not have a discernible effect on the overall fixed income markets. Nick Goetze, Managing Director of Fixed Income Services at Raymond James recently stated, "I think that the impact of an eventual rate change really won't amount to anything. As I understand it, anything short of 3.25% is accommodative, so when they increase short-term rates by 20 or 50 basis points, I would imagine the Fed's language thereafter will sound something a lot like, 'we're going to stop now and we're going to watch and see what happens'." These thoughts were echoed by the Raymond James Chief Economist Scott Brown, "The stock market is overly concerned about the Fed. This shouldn't be a big deal. The initial increase in short-term rates would be a sign that the recovery is well entrenched and the Fed expects that we're going to see further improvement down the line." U.S. economic outlook remains bright. It should also be noted that typically October to December is the strongest period for the equity markets, especially when you come off a correction in late September.

While declining markets can be worrisome, maintaining a longer term perspective makes the volatility easier to handle. A typical response to unsettling markets is often an emotional one. Investors often let emotions get the best of them and allow those feelings to influence investment decisions. Below you can see how various asset classes performed and how the average equity investor performed over the last 20 years.

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

US Small/Mid Cap Stocks	11.21%
REITs	11.13%
US Large Cap Value Stocks	10.51%
US Large Cap Growth Stocks	9.04%
Diversified Portfolio	8.55%
US Bonds	6.2%
Global Bonds	5.54%
Emerging Market Stocks	6.63%
International Stocks	5.43%
Cash	2.72%
Average Stock Investor	2.5%
Inflation	2.4%

Citigroup 3-month T-bill Index is derived from secondary market Treasury bill rates published by the Federal Reserve Bank. 2 Barclays U.S. Aggregate Bond Index measures the U.S. bond market. 3 JPMorgan Global Government Bond Index (Unhedged) measures government bond markets around the world. 4 Russell 1000 Value Index measures large-cap U.S. value stocks. 5 Bloomberg Commodity Index is composed of futures contracts on physical commodities. 6 MSCI EAFE Index measures the non-U.S. stock market. 7 Russell 1000 Growth Index measures large-cap U.S. growth stocks. 8 Russell 2500 Index measures small- and mid-cap U.S. stocks. 9 FTSE NAREIT All REITs Total Return Index tracks the performance of commercial real estate across the U.S. economy. It is not possible to invest directly in an index. Keep in mind that the Average Equity Fund Investor (as defined by DALBAR) represents the aggregate action of all investors in equity mutual funds. The return in calculated by treating aggregate industry flows as being representative of the average investors and applying these flows to the appropriate performance index. The rate of return investors earn is based on the length of time investors actually remain invested in a fund, amount of dollars bought and sold and the historic performance of the fund's appropriate index.

By looking at the above chart, you can see there is a big difference between asset class returns and the average individual investor returns. Why the big discrepancy? Peter C. Whybrow, PhD, director of the Semel Institute for Neuroscience and Human Behavior at UCLA, wrote " The human brain is a hybrid, and in our ancient, preconscious core we are instinctively selfish creatures, focused on the short term and driven by habit." Years ago, we read a white paper that said the average person emotionally experiences a 10% gain with a 10% investment gain, but we experience an investment loss of 10% as 20% emotionally. Due to our emotional and short driven tendencies, it's no surprise successful investing can be difficult. While there is no magic pill that will change our natural behavior, we can study history, understand our short comings and learn to ignore those emotions when they are screaming at us to buy, sell or jump.

Jim Parker of Dimensional Fund Advisors was recently quoted, "Markets rarely move in one direction for long. If they did, there would be little risk in investing. And in the absence of risk, there would be no return. One element of risk, although not the whole story, is the volatility of an investment. Look at a world stock market benchmark such as the MSCI World Index, in US dollars. In the 45 years from 1970 to 2014, the index has registered annual gains of as high as 41.9% (in 1986) and losses of as much as 40.7% (2008). But over that full period, the index delivered an annualized rate of return of 8.9%. To earn that return, you had to remain fully invested, taking the unsettling down periods with the heartening up markets.

"Second-guessing markets means second-guessing news. What has happened is already priced in. What happens next is what we don't know, so we diversify and spread our risk to match our own appetite and expectations. Spreading risk can mean diversifying across asset classes. For instance, while stocks have been performing poorly, often bonds have been doing well. Markets are constantly adjusting to news. A fall in prices means investors are collectively demanding an additional return for the risk of owning equities. But for individual investors, the price decline, if temporary, may only matter if they need the money today."

If one's horizon is five, 10, 15, or 20 years, the uncertainty will soon fade and the markets will worry about something else. Ultimately, what drives your return is how you allocate your capital across different assets, how much you invest over time, and the power of compounding. In the short term, the greatest contribution you can make to your long-term wealth is exercising patience.

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- Lipper indexes are based on the 30 largest funds by asset size within the Lipper objective and do not include multiple share classes of similar funds.
- The **Dow Jones Industrial Average** (DJIA), commonly known as "The Dow", is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal.
- The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material accurate or complete.
- The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the U.S. stock market.
- The **NASDAQ Composite Index** measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market and includes over 3,000 companies.
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PERSONAL

After summiting Bergen Peak, Angie began her descent. Enjoying the clean, crisp mountain air, the golden aspens and blue sky, she ran down the trail – sometimes hopping and side stepping rocks along the way. With her Saturday morning workout almost complete, her foot clipped a small rock and BAM! Her left elbow, courtesy of gravity, smashed against a boulder. The impact of the collision split her elbow all the way through and half of it now resided closer to her tricep. Immediately, others on the trail stopped to help. An ambulance rushed her away to the emergency room. Kris' mom came over to watch the kids, so he could see Angie in the E.R. Waiting for surgery, he sat next to his wife and her new bed. The concerned husband nearly fell to the floor when he first saw the hole in her arm and the bone that was exposed. Incredibly, Angie could talk and even joke about what happened. Adrenaline must be nature's pain medicine. After four days in the hospital, two multi-hour surgeries, the mother of two now has shiny new plates and screws in her left arm. The surgeon expects her to make a full recovery by spring.

Upon returning home, Macy and Kora were excited to see mommy and her booboo. Her new bionic arm was completely wrapped and in a sling, so not much for the girls to see. The loving daughters soon asked for a snack, decided they needed a different pretty dress, wanted to play outside, and so on and so on. Life was not going to slow down at the Fisher household. Angie was blessed by the kindness of strangers on the trail that September morning. The first one called her husband. Another couple called 911 and helped her make her way to the trailhead and ambulance. They then drove her car home and parked it in the driveway. Other strangers heard about what happened and brought dinner to the house after she returned from the hospital. In a world where headlines are often negative and about what is wrong with people, the kindness and spirit to help others that Angie and her family experienced showed how incredibly generous strangers and the communities we live in can be. Angie left the house alone that Saturday morning to go for a trail run, but she was far from alone out there.

The prolonged and gorgeous spring quickly turned to a typical roasting Arizona summer. Like grizzly bears hibernating in winter, Phoenicians barricade themselves indoors, only periodically to be seen darting in and out of cars, homes, malls and offices attempting to avoid the oppressive 100°+ temperatures. Many escape to the mountains, the coasts, or up north in search of pleasant days and cool nights. For that exact reason the Kachkovskys spent a couple of weeks in San Diego. This summer, unlike the past proved to be one of the hottest on record for Southern California and perhaps El Niño is to blame. The waters off the coast of California were so warm that surfers often boarded without wetsuits (typically a must in the frigid waters of the Pacific).

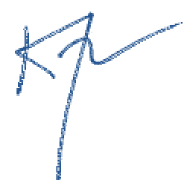
Despite the warm temperatures, it was great to spend quality time with family. Ava really enjoyed the beach, running up and down the shore, building sand castles, and splashing in the waves. Elle, who will be seven months in October, played the part of a curious observer, taking in new daily experiences. Not to be outdone by her older sister, Elle is proving to be an active child – military crawling the living room floors, telling baby tales to anyone who listens and wrestling her stuffed toys. Her first tooth made an appearance recently, which may explain the irregular sleep. Perhaps it runs in the genes, and to the parents' disdain, Elle seems to require little sleep in general. Ava absolutely adores her baby sister, showering her with kisses and lullabies at every opportunity. According to Ava, Elle said her first words, "Vroom, vroom!" Yes, like a car. Ava loves cars so much that when given a choice to go swimming (one of her favorite activities) or look at the new minivans, she enthusiastically yelled, "let's go to the dealership!"

In late September, Garry competed in the SoCal Beast Spartan Race, a 12+ mile 35 obstacle course at Vail Lake in Temecula, CA. It could be argued that Vail Lake is the most all-encompassing venue for such an event. With boasting hills, sandy areas, grassy areas, swamps, forests, muddy areas and a 1,000 acre lake, the 100°+ weather proved to be as much of a challenge as the terrain itself. Out of more than 4,000 competitors Garry finished in the top 9%.

"Be thankful for what you have; you'll end up having more. If you concentrate on what you don't have, you will never, ever have enough"

– Oprah Winfrey

Thank you for your trust, confidence and friendship.



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