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Winter 2016

The beginning of another calendar year signals in us a desire to start anew, to take that leap, to excel in ways we never have before. And as we dust the remnants of 2015 off of our coats and look toward this next New Year – bright with possibility – we can take advantage of the unique opportunity for a fresh start that's presented to each of us. Let's take a look at the numbers.

	(As of 12/31/15)
Dow Jones Industrials	- 2.23%
S&P 500 Index	- 0.73%
NASDAQ Composite	+5.73%

Major Bond Indexes	(As of 12/31/15)
Lipper U.S. Government	+0.40%
Lipper Short-term Investment Grade	+0.40%
Lipper Corporate A-Rated	- 1.16%

Major Mutual Funds Indexes	(As of 12/31/15)
Lipper Large-Cap Core	- 0.69%
Lipper Mid-Cap Core Index	- 3.59%
Lipper Small-Cap Core Index	- 4.25%
Lipper International Index	- 1.34%

Source: The Wall Street Journal and Barron's

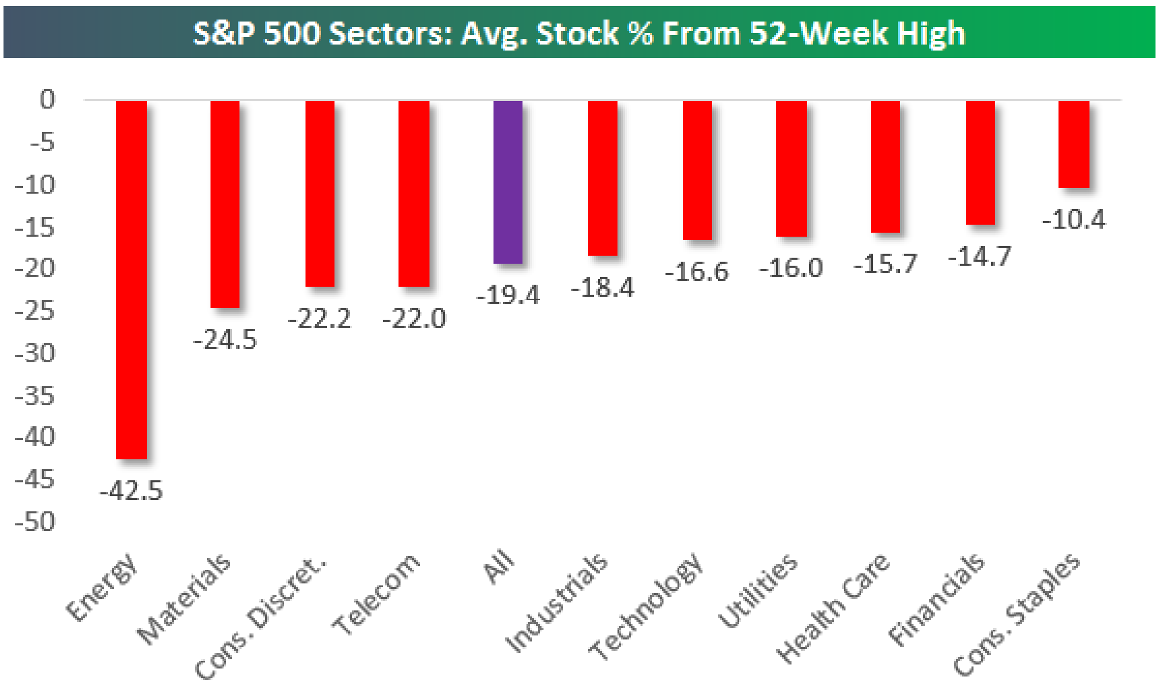
*Inclusion of these unmanaged indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.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

FINANCIAL AND INVESTMENT PLANNING

"When you get into a tight place and everything goes against you, till it seems as though you could not hang on a minute longer, never give up then, for that is just the place and time that the tide will turn. "

— Harriet Beecher Stowe

If you feel like last year was nothing like the recent past you would be absolutely correct. Since March 2009, particularly in the U.S., investors have been spoiled by strong stock market performance and relatively non-existent volatility. In sharp contrast, 2015 was a rough year for stocks around the globe. Many countries saw double digit losses. The U.S. stock market was not immune from this weakness either, with the average stock in each of the ten S&P 500 sectors down in excess of 10% from its 52 week high. Even as the market-cap weighted index exhibited a slightly negative return for the year, from the chart below, one can see the average stock has fared much worse. Many stocks are already in bear market territory (20% decline or more). Below please note how far the average sector has falling from its 52 week high.



On the economic front, despite the uninspiring wage growth, the velocity of job growth remained energetic in 2015. Inflation was restrained largely in part due to lower oil and other commodity prices. Consequently, consumer spending growth was robust throughout the year.

The end of 2015 finally brought our first interest rate increase. The Fed increased the federal funds target rate by 0.25%. The increase was the first hike in nearly a decade. In the Fed's post-meeting statement, they noted it saw economic risks as balanced, removed reference to global economic and financial developments, and suggested further increases will be gradual. We expect the low rate environment to persist for some time. Below are a few reasons why we could be in an extended low rate environment.

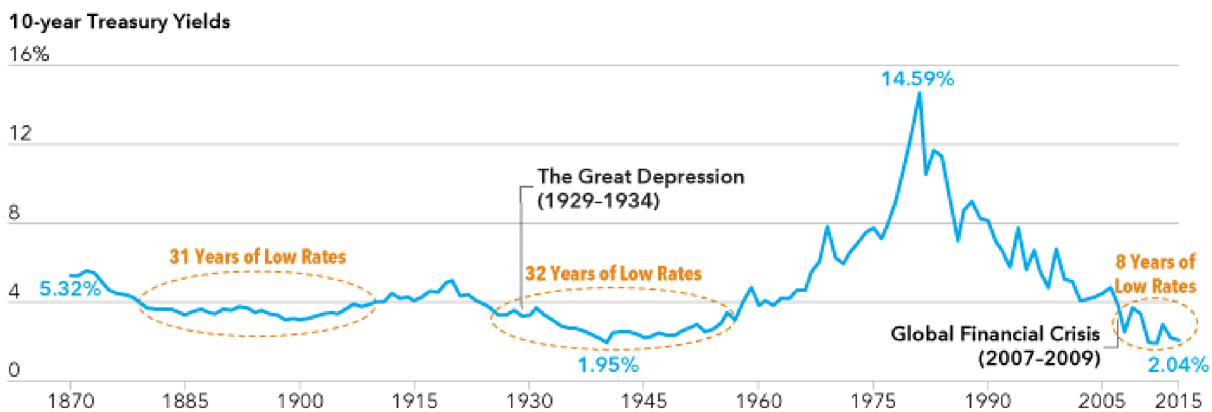
- A lack of inflation, largely due to falling energy prices, removes one of the Fed's primary motivations for raising rates. With oil prices falling nearly 50% since the summer of 2014, the threat of inflation has dropped. The Fed's preferred inflation gauge, the Personal Consumption Expenditures (PCE) Index, has risen just 0.3% over the past year, which is far below the Fed's 2% inflation target. Removing food and energy prices, the PCE is still up only 1.3% over the past 12 months.
- Wage growth and business investment has been lackluster. The unemployment rate looks good on the surface, but the labor force participation rate is at a 38 year low of 62.6%, meaning fewer people are actually working or looking for work.
- A strong U.S. dollar has made it more difficult for the fed to raise rates because of the adverse effect it has on exports and corporate earnings.

- Quantitative easing (QE) is now being used globally. Although the Fed stopped its bond buying program in October 2014, the European Central Bank (ECB) launched an aggressive new QE program in March 2015. The Bank of Japan continues its purchases of government bonds every month.

Fergus MacDonald, a portfolio manager with The American Funds, reminds us that "the Fed's mandate is maximum employment and a 2% rate of inflation. It is arguably closer on its employment goal but still short on its inflation target, with core inflation currently around 1.3%. I would expect the Fed to be very cautious and communicate a very shallow path of future rate increases. Hence, even after the initial rate increase, U.S. monetary policy will remain extremely accommodative. Rates will still be low by historical standards, and the Fed will still own trillions of dollars of Treasuries and mortgage-backed securities that it purchased during three rounds of quantitative easing. The Fed could sell those securities, as another means of tightening policy, but it has indicated no desire to do so in the near future."

Rates have stayed low for extended periods at other times in history when they were deemed necessary to recover from financial crises or the high cost of wars. In fact, throughout much of American history going back to 1870, low rates generally have been the norm (see chart below). It was only during the 1970s and 1980s, when the Fed was attempting to tame high inflation that rates soared to extremely high levels, with the 10-year Treasury yield climbing above 14% in 1982. Since then, 10-year Treasury yields have been in a long-term declining environment, hitting what now appears to be a bottom of 1.43% on July 25, 2012.

U.S. interest rates have remained low for extended periods in U.S. history



Uncertainties remain plentiful going into 2016 with escalating geopolitical concerns, bifurcated global monetary policies, and the upcoming U.S.presidential election at the forefront of people's minds. There are concerns that the strength of the dollar will perpetuate a negative feedback loop on U.S. company earnings, consumer confidence, and growth. This environment will continue to challenge exports, manufacturing and corporate profits. Sluggish, and divergent, growth from the global economy may hinder U.S. growth and keep corporations conservative over the coming year.

James Camp, managing director of fixed income with Eagle Asset Management, is concerned that risk-taking behavior and capital budgeting have been distorted by long-term Fed policy. "I think we're going to find out very emphatically how dependent upon the Fed we are," he stresses. "We are academically and practically in a world we've never been in and, now that we begin the exit process, what will be the fallout from that? We speak of mergers and acquisitions and buybacks at record levels, but what does the real economy look like when we aren't financially engineering it?"

Despite a dismal start to the new year, there is a sense of cautious optimism in certain financial circles. Dr. Claus te Wildt, Senior VP, Capital Markets Strategy at Fidelity, has a pretty optimistic outlook. "The U.S. has solved many of its long-term problems (peak oil, manufacturing jobs, housing bubble, over leveraged banks, the deficit is under control, balance sheets are strong, etc.) and with cash on the sidelines, an improving economy, and everyone cautious, it is the formula for a continuation of the secular bull market.

Looking forward, 2016 should bring single digit earnings growth in the U.S. That's where it was in 2013 and 2014 and would have been in 2015 if you exclude the energy sector. As we've already see in the first week of the new year, volatility will likely be heightened due to a rising interest rate environment and the slowing growth in China. Europe should continue to heal. The recent earnings season there was the best since 2011. Efforts by companies to restructure and reduce costs are bearing fruit. The steep decline in the Euro (vs. U.S. dollar) is now a tailwind for European multinational companies. Europe continues to surprise to the upside with euro zone unemployment at a four-year low, manufacturing and industrial production picking up, and services remaining healthy. In China, policymakers have increased stimulus efforts, including higher infrastructure spending, and additional cuts in interest rates and bank-required reserve ratios. The Chinese industrial economy is in recession, while the consumer economy is growing in low double digits. The global economy will likely continue to muddle through, led by U.S. and European households and perhaps endure the final innings of sharp declines in commodity prices and emerging market economies.

PERSONAL

There are exceptionally proud moments in parents' lives that will always remain in the memory bank - birth of a child, seeing your teen off to college, having the father and daughter dance at her wedding. Soon after her fourth birthday, Ava was ready to ride her bike like a big girl. It literally took one try. Emily held the bike steady while ava got on and on the count of three, with a gentle push she was riding without training wheels. It didn't take long for Ava get out of the saddle and dance on the pedals as if climbing up the famed Alpe d'Huez in the Tour De France. Despite strong suspicions, Garry did not teach the intricacies of the power slide. Ava figured them out all on her own. That same week she learned how to simultaneously whistle and hum. Not to be outdone, Elle is reaching her own milestones. At almost ten months, she is able to stand up and walk holding onto the couch. We are now up to six teeth and perhaps this is the reason sleep has been intermittent. Despite the lack of said sleep, Elle is a very happy smiley baby.

Like in years past, Thanksgiving for the Kachkovskys was spent in Chicago with Garry's family. Yet, unlike those yesteryears, the vastly spirited 25th Turkey Bowl ended in a tie. Old friendships were re-kindled, familial bonds strengthened (first year father and son stepped on the gridiron,) and will power tested on the drenched football field. Despite a soggy Thanksgiving week, heavy snow fell over the Midwest in early December. Ava could not have been happier, making snow angels and building a snow man for the first time as Elle enthusiastically watched from the dining room window. For Christmas, the clan traveled to San Diego, where Santa and the magic of the season awaited. Ava and Elle worked hard all year to stay off the naughty list and were handsomely rewarded on Christmas morning.

"Ready, set, go!" screamed Kora. Lying face down on her sled, she sped down the hill. Soon her sled turned around and the five year old was going backwards down the mountain. After getting tossed from the sled at the bottom, now covered in snow, she made her way back up the hill. "Dad, was that the most amazing thing you ever saw?!" Before Kris could respond, Macy shouted, "My turn, my turn." The Fisher girls are loving their first winter in the mountains. Making snow angels and snowmen are another favorite activity. The happy father remembers making Frosty the snowman when he was little, but the girls prefer making Olaf (from the movie *Frozen*).

In November, Kris, Angie and the girls traveled to Michigan to spend time with his Dad and family. At the last minute, his youngest brother, Justin, and his family, were able to make the trip from Maryland. Weeks later, Justin became a Commander in the U.S. Navy. The family is incredibly proud of his service and accomplishments, especially at such a young age. The Thanksgiving holiday was filled with food, laughter and priceless memories of the cousins playing together.

The family is enjoying new traditions in Colorado. In early December, Kris' family and his brother's family, all went to their mom's house to cut down a Christmas tree on her property. With snowflakes falling ever so gently to the ground, Steve and Kris scoured the woods for the perfect tree. The girls and their mom's drank hot chocolate and took turns sledding outside the house. Fresh from the oven, grandma had Christmas cookies and a warm fire waiting for the girls when they were ready to come inside. The brothers finally found their ideal trees. The two took turns with the saw, carried the trees through the forest and tied them to the top of their trucks. It was hard to tell who had the most fun!

"Wealth is the ability to fully experience life."

Henry David Thoreau

Thank you for your trust, confidence and friendship.

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