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As of 12/31/15

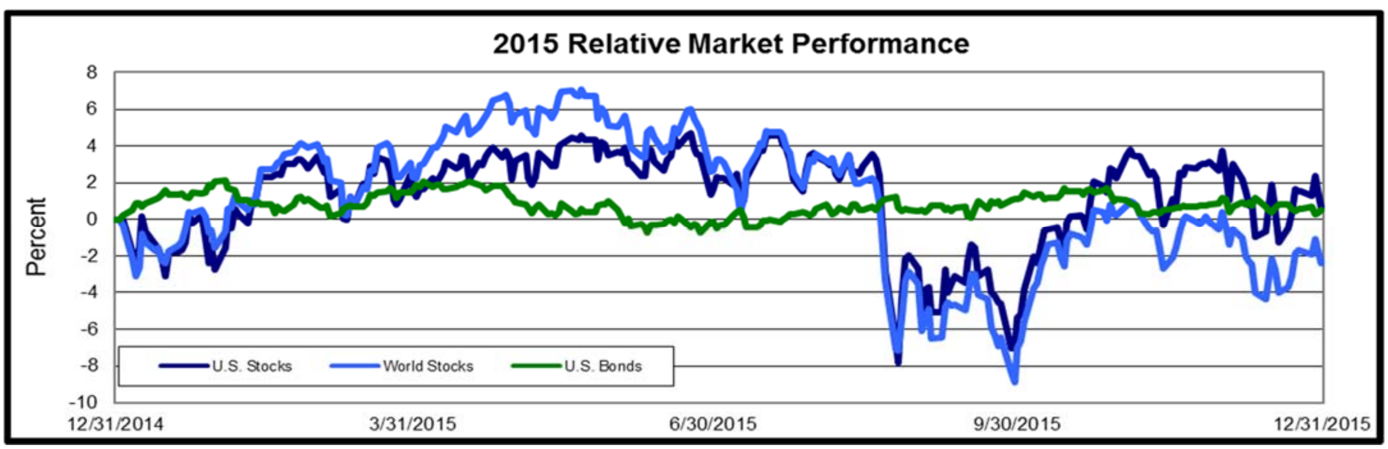
Market Performance	2015 1Q	2015 2Q	2015 3Q	2015 4Q	1 YR	3 YR	5 YR
Dow Jones Industrial Average (U.S. Large Stocks)	0.33	(0.29)	(6.98)	7.70	0.21	12.66	11.30
Standard & Poor's 500 (U.S. Large Stocks)	0.95	0.28	(6.44)	7.04	1.38	15.13	12.57
Wilshire 5000 (U.S. Stocks)	1.61	0.06	(6.91)	6.36	0.67	14.72	12.09
MSCI EAFE (Foreign Stocks)	4.88	0.62	(10.23)	4.71	(0.81)	5.01	3.60
MSCI EM (Emerging Market Stocks)	2.24	0.69	(17.90)	0.66	(14.92)	(6.76)	(4.81)
MSCI ACWI (World Stocks)	2.31	0.35	(9.45)	5.03	(2.36)	7.69	6.09
Barclays Capital U.S. Agg. Index (U.S. Bonds)	1.61	(1.68)	1.23	(0.57)	0.55	1.44	3.25

Inside This Issue

Performance Review

The fourth quarter saw a reversal of the sell-off experienced in the third quarter, but struggled in the final days of the year. Though the S&P 500 was able to generate a marginal return for the year, international equities remained in negative territory. Chinese growth concerns and a more liberal exchange rate policy by the People's Bank of China (PBoC) resulted in weakness in global market sentiment. This sentiment, combined with continued softness in commodities, caused concern amongst equity investors that was confirmed by weakness in the fixed income market.

The yield on the benchmark 10-Year U.S. Treasury bond ended 2015 just 0.1% higher than where it began despite an increase in rates from the Federal Reserve. Global unease, whether geopolitical or macro in nature, has seen investors move to the safety of treasuries. Also of concern to the credit markets has been the knock-on effects of the collapse in the price of oil on the energy sector. Concern over the sustainability of many of the high-cost domestic producers has seen credit spreads widen. Furthermore, general liquidity concerns and lower inflation expectations have all served to keep a lid on treasuries rates. Bond prices move inversely to yields.



Interest Rates

In December, the Federal Open Market Committee (FOMC) unanimously voted to raise the federal funds rate after seven years near zero. The decision to raise rates was made despite concerns about the low level of inflation. Inflation has been below the FOMC's target of 2.0%, but much of this has been deemed transitory due to the persistence of weak energy prices. Before their next rate hike, the FOMC will be looking for not only a trend toward increasing inflation, but that the labor market and economic growth remain intact. Based on current data, the FOMC anticipates four rate increases in 2016; however, economists interpret the data to mean there will be fewer. Either trajectory leaves rates accommodative relative to history for the year.

In December, the Federal Open Market Committee (FOMC) unanimously voted to raise the federal funds rate after seven years near zero.

The European Central Bank (ECB) expanded its monetary stimulus by lengthening its 60 billion euros per month asset purchase program by an additional six months. With the euro area beginning to show more broad based signs of growth, the ECB wants to remain stimulative. Likewise, the Bank of Japan (BoJ) maintained its aggressive stance amid a volatile path to recovery that has had persistently low inflation and has flirted with recession.

Global Growth Prospects

The economic strength of the U.S. relative to developed counterparts has improved as well as the value of the dollar. A rising dollar can negatively impact the manufacturing sector as exports become more expensive. Additionally, revenues earned overseas that are repatriated can experience a negative translation effect. While the strong dollar has generated some weakness in economic growth, the service sector remained healthy. Improvement in the labor market along with low inflation and cheap energy has meant more money in consumers' pockets. Furthermore, banks are expanding the availability of credit to consumers allowing for the potential of improvement in future spending. In light of these factors, expectations are for 2.5% to 3.0% growth in GDP in 2016.

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Within the euro area, growth appears more broad-based as the peripheral countries are showing signs of improvement alongside the core. Like the U.S., easy monetary policy, low inflation and cheap energy pricing has benefitted the euro area. Employment and business sentiment continue to improve, but many countries are moving off of recessionary base levels. As consumer sentiment increases along with credit availability, growth should continue to move in the right direction. Euro area economic growth is anticipated to be 1.6% in 2016 according to the International Monetary Fund (IMF).

Across broad emerging markets, those countries most sensitive to the collapse in commodity prices have struggled the greatest. Looking forward, those countries most dollar-leveraged could face headwinds as the FOMC targets higher interest rates. Of continued concern is the fate of China. The recent devaluation of China's currency relative to the U.S. dollar has made headlines and increased global equity volatility, despite being a policy initiated this past summer. As China targets a stable peg to a trade-weighted basket of currencies versus the dollar alone, larger swings relative to the dollar will be more common. From a growth perspective, China continues to slow as manufacturing weakens; however, the largest part of the economy, the service sector, remains strong. Economic growth of 6.0% to 6.5% is expected in the near-term. Growth expectations for broad emerging markets in 2016 are 4.5% according to the IMF.

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Corporate Earnings Growth

The S&P 500 currently trades at 16.1 times estimated full-year 2016 earnings. A moderation of earnings expectations for 2016 is warranted amidst a struggling energy sector and continued dollar strength. Additionally, if the economy begins to see signs of wage inflation, it could place downward pressure on profit margins. At this stage of the market cycle, valuations and earnings become more important. With Europe in an earlier cycle relative to the U.S., there is still ample room for earnings to grow; however, given the state of the European economy, single digit earnings growth is expected. In light of the negative sentiment toward the emerging markets in general, it is no wonder that many countries are trading near prior crisis levels based on a number of valuation metrics. European and emerging market equities continue to trade at a relative discount to the S&P 500.

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Summary

Reflecting on the year, many of the same risks remain. Global growth remains pressured. Though the Fed raised rates for the first time, the path and pace remained data dependent. Wages were sluggish and the U.S. central banks push toward a targeted 2.0% rate of inflation remained out of reach, an inflation target that the central bank of Europe and Japan hope to obtain as well. While geopolitical risks are always on the table, the effect on markets tend to be temporary and have little effect on the business cycle. In the short-term, the negative sentiment out of emerging markets and China in particular have been the driver of volatility. While China-made volatility may persist for some time, it is important to take a step back and consider the transition that is taking place. The PBoC will have policy wins and failures, but they have many resources to manage the ups and downs of economic transition. Finally, it is important to realize that the constituents of their stock market are not necessarily representative of the driving force of their underlying economy. Growth in emerging market and developing economies is projected to have bottomed in 2015 and global growth prospects are expected to be 3.6% in 2016 according to the IMF.

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In volatile markets investors should remain focused on their long-term objectives. Asset allocation strategies developed for a portfolio provide a roadmap to follow in times of duress. Steps may need to be taken to ensure capital preservation, but must be weighed against their potential impact on long-term performance. Implementing a disciplined, strategic approach with portfolio allocation across varying asset classes is an important element of a successful investment strategy. That's why at TrustCore, we believe in creating a customized, well-diversified portfolio to help you meet your long-term financial goals.