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FINANCIAL PLANNING LLC

Q1 Quarterly Market Review

First Quarter 2016

COMMENCEMENT FINANCIAL PLANNING LLC

Quarterly Market Review

First Quarter 2016

This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the performance of globally diversified portfolios and features quarterly topics.

Overview:

Market Summary

Index Returns

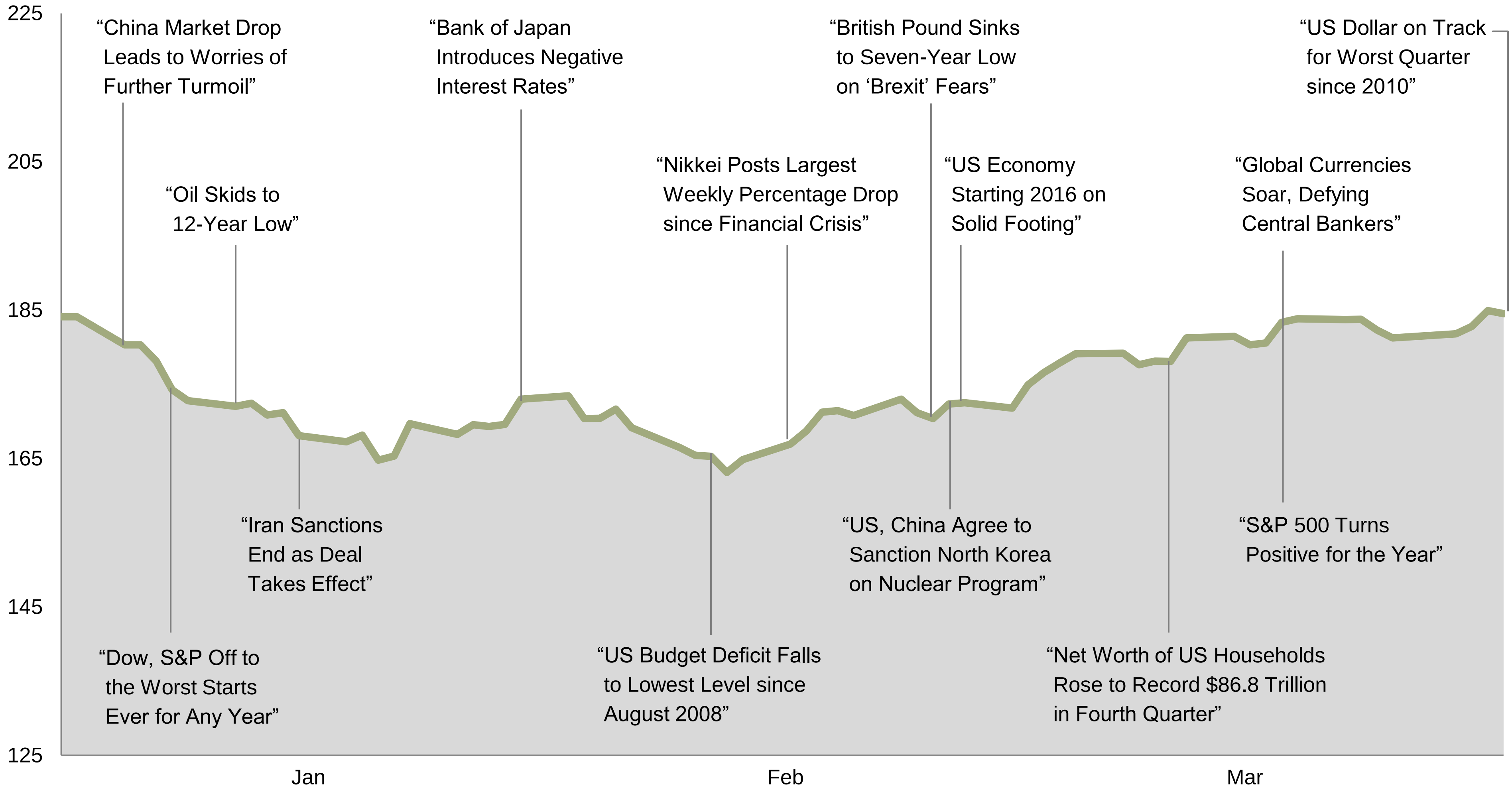
1Q 2016	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
	STOCKS				BONDS	
	0.97%	**-1.95%**	**5.71%**	**6.94%**	**3.03%**	**4.16%**

Since Jan. 2001	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Avg. Quarterly Return	1.7%	1.3%	2.9%	2.9%	1.3%	1.2%
Best Quarter	16.8% **Q2 2009**	25.9% **Q2 2009**	34.7% **Q2 2009**	32.3% **Q3 2009**	4.6% **Q3 2001**	5.5% **Q4 2008**
Worst Quarter	-22.8% **Q4 2008**	-21.2% **Q4 2008**	-27.6% **Q4 2008**	-36.1% **Q4 2008**	-2.4% **Q2 2004**	-3.2% **Q2 2015**

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.
Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index), US Bond Market (Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citigroup WGBI ex USA 1−30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group.

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q1 2016

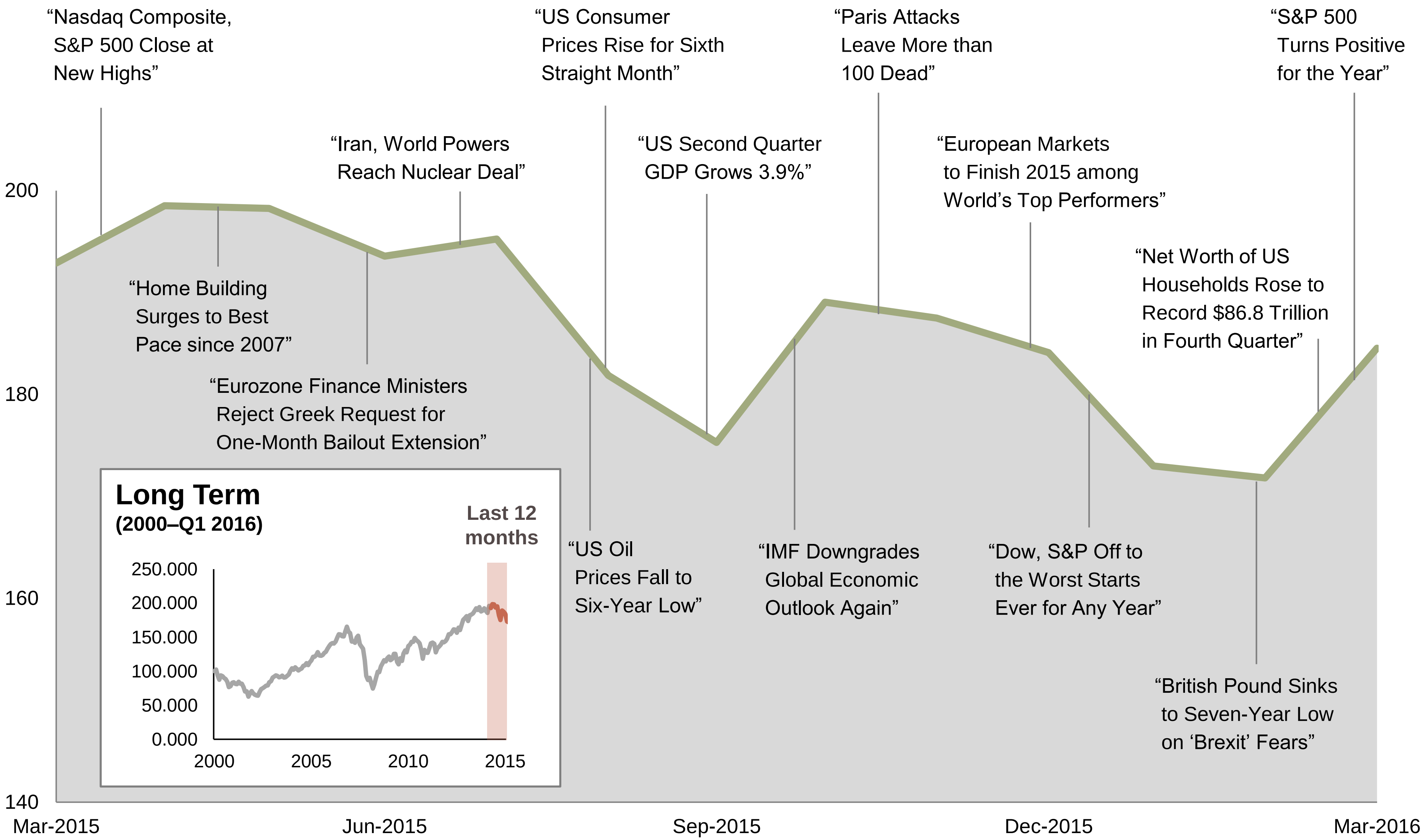


These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index. MSCI data © MSCI 2016, all rights reserved.
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results**.

World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



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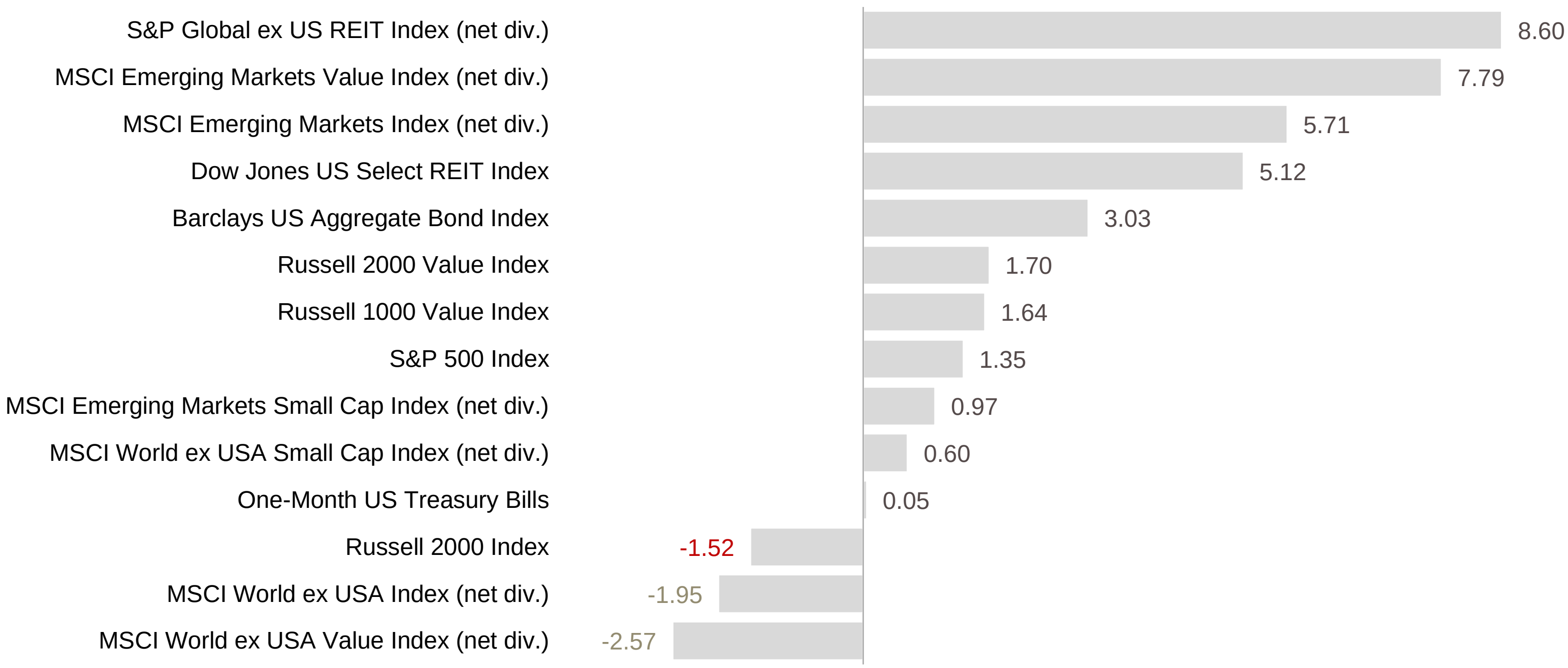
World Asset Classes

First Quarter 2016 Index Returns (%)

Looking at broad market indices, emerging markets outperformed developed markets, including the US. Developed markets REITs recorded the highest returns.

The value effect was positive in the US and emerging markets but negative in developed markets outside the US. Small caps outperformed large caps in the non-US markets but underperformed in the US and emerging markets.



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US Stocks

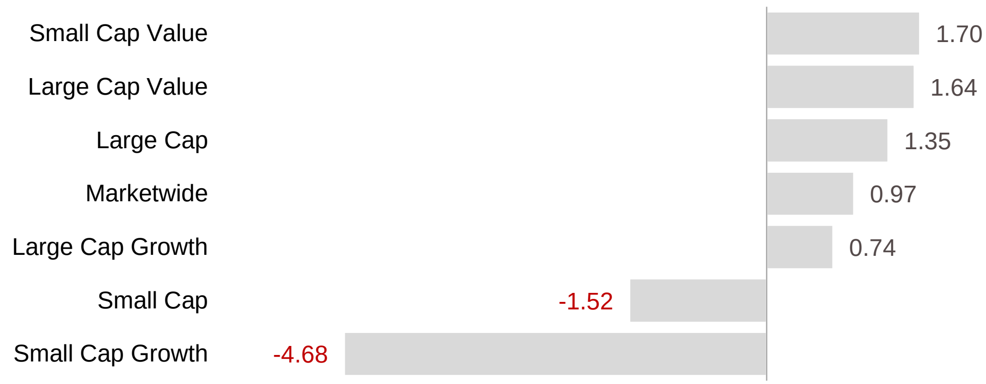
First Quarter 2016 Index Returns

The broad US equity market recorded slightly positive performance for the quarter.

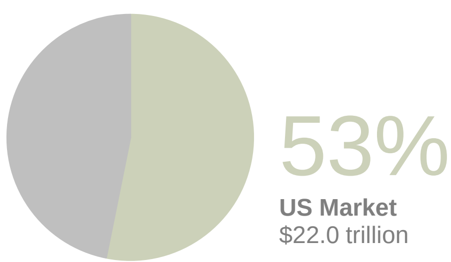
Value indices outperformed growth indices across all size ranges.

Small caps underperformed large caps.

Ranked Returns for the Quarter (%)



World Market Capitalization—US



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	0.97	-0.34	11.15	11.01	6.90
Large Cap	1.35	1.78	11.82	11.58	7.01
Large Cap Value	1.64	-1.54	9.38	10.25	5.72
Large Cap Growth	0.74	2.52	13.61	12.38	8.28
Small Cap	-1.52	-9.76	6.84	7.20	5.26
Small Cap Value	1.70	-7.72	5.73	6.67	4.42
Small Cap Growth	-4.68	-11.84	7.91	7.70	6.00

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (S&P 500 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Russell data © Russell Investment Group 1995–2016, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group.

International Developed Stocks

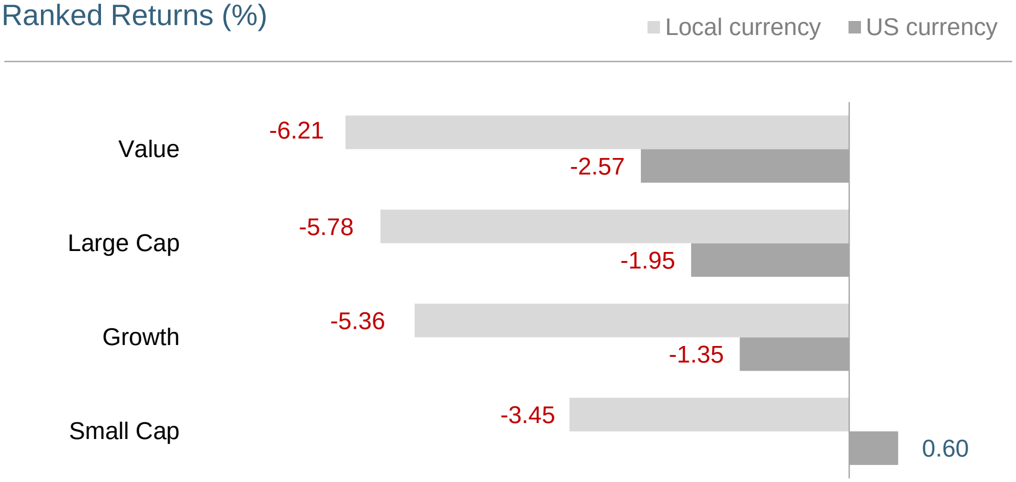
First Quarter 2016 Index Returns

In US dollar terms, developed markets outside the US lagged both the US equity market and emerging markets indices during the quarter.

Small caps outperformed large caps in non-US developed markets.

The value effect was negative in non-US developed markets using broad market indices. Large cap value indices underperformed large cap growth indices. The opposite was true in small caps; small cap value indices outperformed small cap growth indices.

Ranked Returns (%)

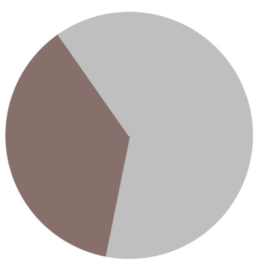


World Market Capitalization—International Developed

37%

International Developed Market

$15.1 trillion



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	-1.95	-8.44	1.69	1.62	1.80
Small Cap	0.60	1.99	5.54	3.84	3.09
Value	-2.57	-12.34	0.07	0.37	0.76
Growth	-1.35	-4.52	3.24	2.81	2.77

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Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index used as the proxy for the International Developed market.

Emerging Markets Stocks

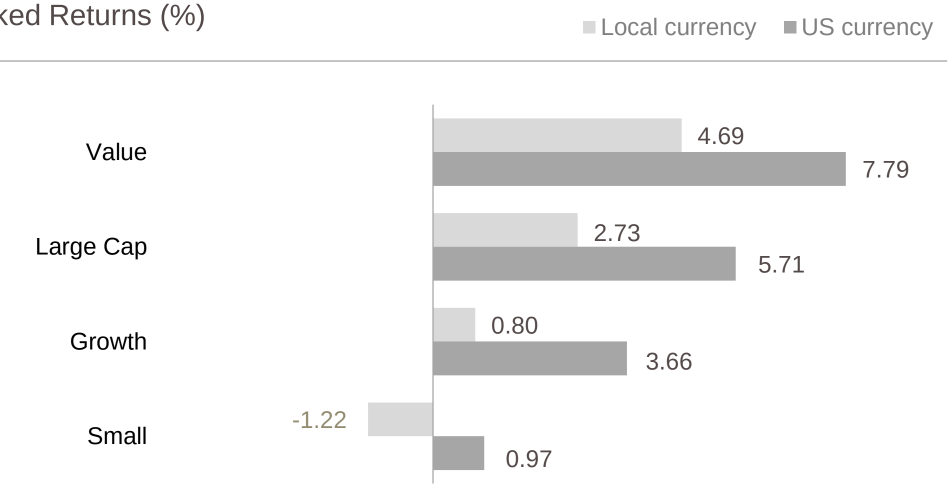
First Quarter 2016 Index Returns

In US dollar terms, emerging markets indices outperformed developed markets, including the US.

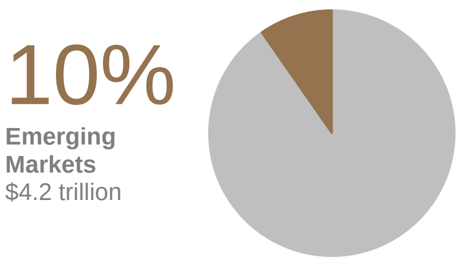
Value outperformed growth across all size ranges.

Small cap indices underperformed large cap indices.

Ranked Returns (%)



World Market Capitalization—Emerging Markets



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	5.71	-12.03	-4.50	-4.13	3.02
Small Cap	0.97	-9.20	-2.69	-2.56	5.08
Value	7.79	-12.56	-6.46	-5.86	2.96
Growth	3.66	-11.60	-2.66	-2.48	2.99

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Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market.

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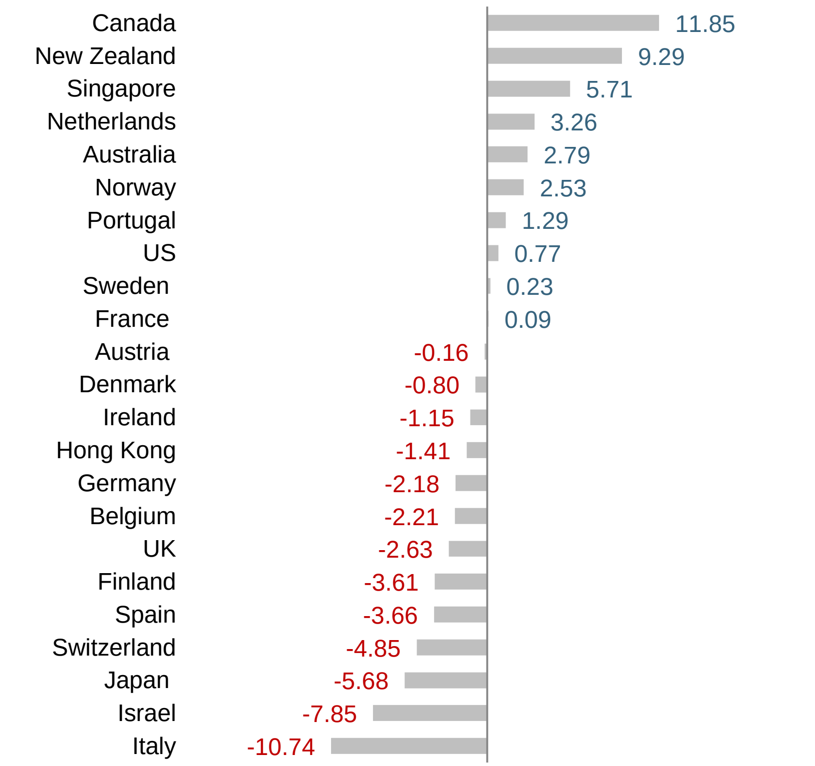
Select Country Performance

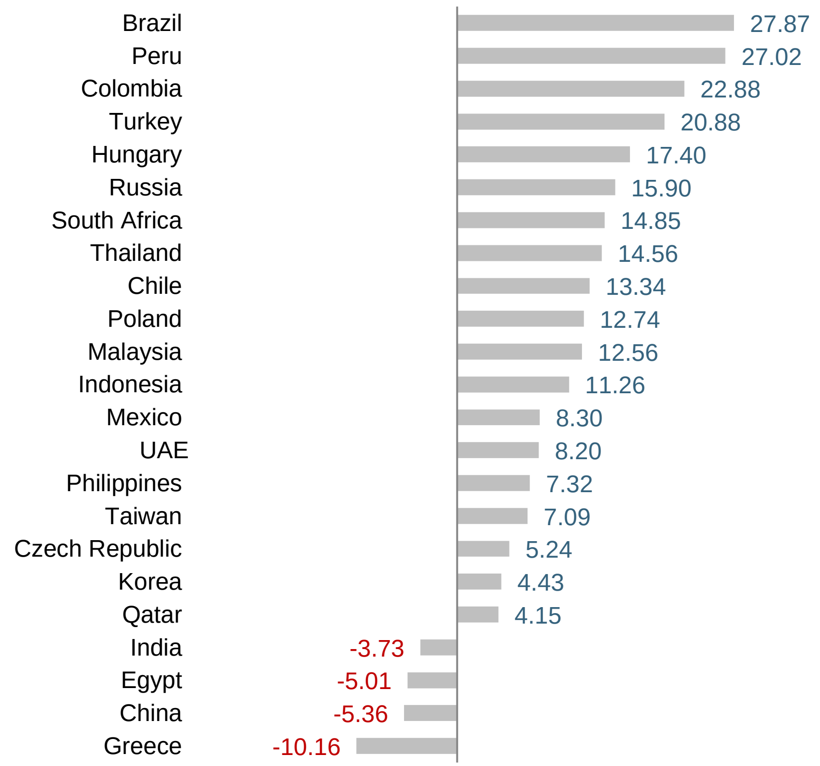
First Quarter 2016 Index Returns

Canada recorded the highest country performance in developed markets, while Israel and Italy posted the lowest returns for the quarter. In emerging markets, Brazil and Peru recorded the highest country returns, while China and Greece recording the lowest.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



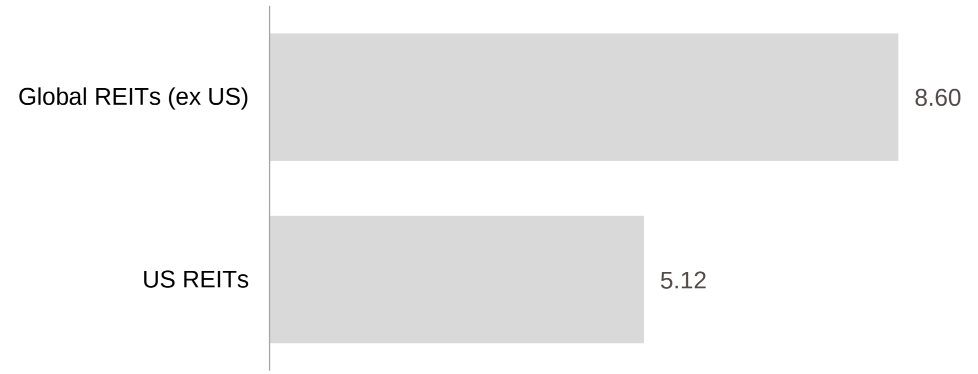
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.
Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), Russell 3000 Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.

Real Estate Investment Trusts (REITs)

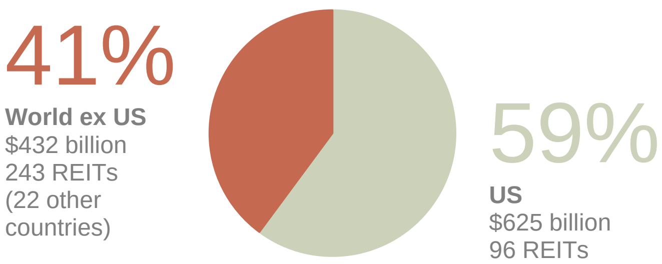
First Quarter 2016 Index Returns

REITs in developed markets posted very strong performance for the quarter. US REITs outperformed broad market US equity indices.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITs	5.12	4.88	11.09	11.99	6.17
Global REITs (ex US)	8.60	2.53	3.46	6.58	3.49

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Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones US Select REIT Index data provided by Dow Jones ©. S&P Global ex US REIT Index data provided by Standard and Poor's Index Services Group © 2016.

Fixed Income

First Quarter 2016 Index Returns

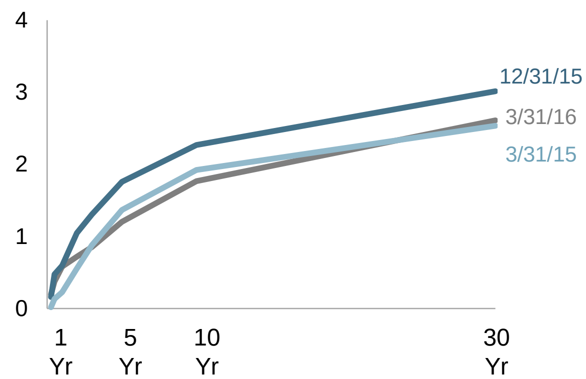
Interest rates across the US fixed income markets generally decreased during the quarter. The yield on the 5-year Treasury note fell 55 basis points (bps) to 1.21%. The yield on the 10-year Treasury note declined 49 bps to 1.78%. The 30-year Treasury bond declined 40 bps to finish at 2.61%.

The yield on the 1-year Treasury bill dipped 6 bps to 0.59%, and the 2-year Treasury note declined 33 bps to 0.73%. The 3-month T-bill increased 5 bps to yield 0.21%, while the 6-month T-bill decreased 10 bps to 0.39%.

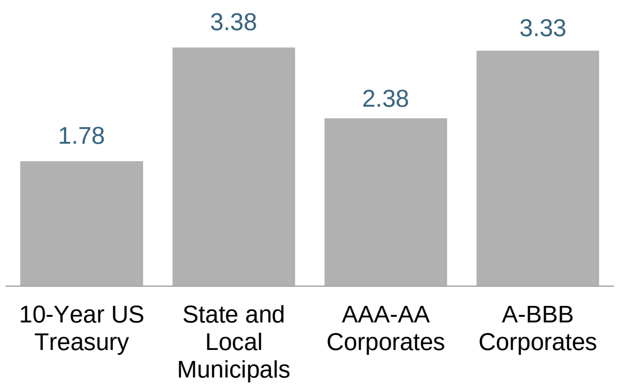
Short-term corporate bonds gained 1.16%, intermediate-term corporate bonds returned 2.76%, and long-term corporate bonds returned 6.83%.[1]

Short-term municipal bonds returned 0.71% while intermediate-term munis gained 1.55%. Revenue bonds slightly outperformed general obligation bonds for the quarter.[2]

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.07	0.12	0.07	0.08	1.15
BofA Merrill Lynch 1-Year US Treasury Note Index	0.36	0.40	0.29	0.32	1.74
Citigroup WGBI 1-5 Years (hedged to USD)	1.14	1.52	1.47	1.86	3.00
Barclays Long US Government Bond Index	8.06	2.80	6.04	9.52	7.88
Barclays US Aggregate Bond Index	3.03	1.96	2.50	3.78	4.90
Barclays US Corporate High Yield Index	3.35	-3.69	1.84	4.93	7.01
Barclays Municipal Bond Index	1.67	3.98	3.63	5.59	4.86
Barclays US TIPS Index	4.46	1.51	-0.71	3.02	4.63

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1. Barclays US Corporate Bond Index. 2. Barclays Municipal Bond Index. Yield curve data from Federal Reserve. State and local bonds are from the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the Bank of America Merrill Lynch US Corporates, BBB-A rated. Barclays data provided by Barclays Bank PLC. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield). Citigroup bond indices © 2016 by Citigroup. The BofA Merrill Lynch Indices are used with permission; © 2016 Merrill Lynch, Pierce, Fenner & Smith Incorporated; all rights reserved. Merrill Lynch, Pierce, Fenner & Smith Incorporated is a wholly owned subsidiary of Bank of America Corporation.

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Global Diversification

First Quarter 2016 Index Returns

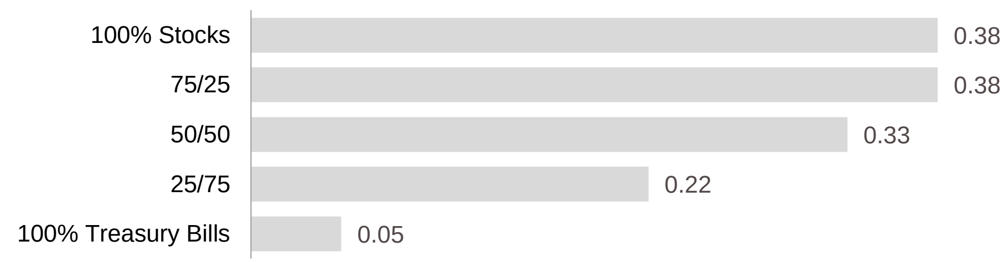
These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Period Returns (%)

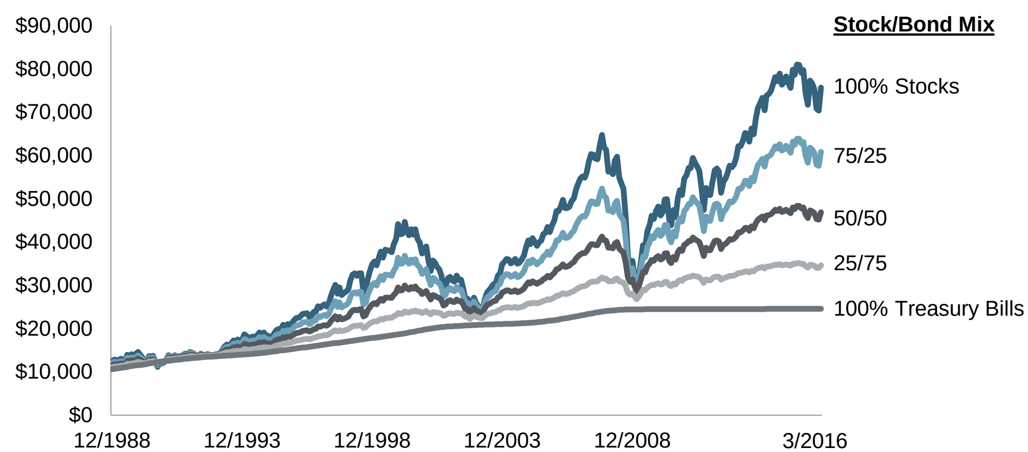
** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
100% Stocks	0.38	-3.81	6.10	5.80	4.63
75/25	0.38	-2.64	4.69	4.51	4.01
50/50	0.33	-1.61	3.20	3.12	3.20
25/75	0.22	-0.71	1.65	1.62	2.20
100% Treasury Bills	0.05	0.06	0.03	0.04	1.03

Ranked Returns (%)



Growth of Wealth: The Relationship between Risk and Return



Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio**. Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2016, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield).

Free Throws

Dave Butler offers a sports example to help investors apply discipline in a stressful market

"What do you regard as the most difficult period in the financial markets during your 25 years in the investment business?"

I am often asked this question, usually by people who already have a framework and opinion as a result of living through one or several market downturns. For example, many older advisors and their clients regard the 1973–1974 bear market as the toughest period in their investment lifetime. Middle-aged investors may consider the tech boom and bust of the late 1990s and early 2000s to be the bellwether event for a generation of investors who assumed they could get rich on one great stock pick. Today, just about everyone remembers the 2008–2009 global financial crisis, having experienced the anxiety of declining investment accounts themselves or knowing someone who did.

The market decline in early 2016 has much of the same feel as past events. Times like these are never easy for clients or advisors, who must confront their concern that "things just might be different this time." When in the midst of a market decline, it is natural to sense that the volatility is lasting longer and is worse than anything before. As a result, advisors spend a lot of time talking to their clients in an effort to alleviate elevated concerns and fears.

How do we find the words that might help minimize the fear and anxiety advisors' clients feel about their investment portfolios and retirement security? As you know, no single word or story can ease their concerns—and certainly not overnight. The more effective course may be for advisors to steadily lead clients down a path from worry to calm through a conversational approach that emphasizes the importance of sticking with their plan.

LINKING PROCESS TO DISCIPLINE

I had the opportunity a few weeks ago to speak at an advisor's client event in California. As I was driving to the event, I thought about how to make the presentation conversational and ensure the concepts of process and discipline resonate with the audience.

The audience was a sports-oriented crowd, and I had about 15 minutes to get across one important concept that might help them navigate the choppy markets. Then I remembered an article I read about world-class athletes and their approach to success. The author described how the greatest athletes, from Olympians to all-star professionals, focus on process rather than outcome when competing at the highest level. I thought about this in context of my own college athletic experience, which, although not at the Olympic level, involved the same need for calm and focus during high-pressure moments in a basketball game.

Imagine yourself playing in a championship basketball game. Your team is trailing by one point. You are fouled just as the game clock goes to zero. You have two free throws. Make both and you win. Miss them and you lose.

What do you do to contain the pressure and focus on the task? The great athletes look to process. While each process may be different, each one reflects a personal routine a player has performed thousands of times in practice. For instance, you start your routine as you approach the free throw line; you take a deep

(CONTINUED ON PAGE 16)

Free Throws (continued from page 14)

Dave Butler offers a sports example to help investors apply discipline in a stressful market

breath and imagine the ball going through the hoop; you step to the line and find the exact spot (usually a nail right behind the painted line) where your right foot will anchor; you look at the back (or front) of the rim and notice the paint peeling or the net missing a connecting loop—or anything else to help you concentrate and calm your mind; and you take the ball from the referee and continue your routine. You dribble twice and flip the ball in the air, take a couple of knee bends, find the grooves on the ball, and spread your fingers across it. You feel the texture of the ball, the rough orange leather and the smooth black rubber on the grooves, and finally time the motion so that your body, the release of the ball, and the follow-through of your hand are all in perfect synch as the ball elevates and descends to the basket.

The effective athlete does not hope for an outcome or get nervous or scared as the moment approaches. He or she immediately falls back on the tried and tested routine performed countless times in a more serene environment (practice). Following the routine dulls the noise of the crowd and brings clarity of mind.

The same lessons apply to the seasoned investor. A chaotic market is akin to what the visiting team experiences in a gym, where opposing fans and players are doing everything possible to distract you. You stay focused on a routine burned into your nature through coaching and repetitive practice.

The components of the seasoned investor's routine are similar: the investment policy statement, the regular review of family goals and liquidity needs, and the regular calls an advisor makes during good and bad markets. These and other actions are all part of the process developed to summon that muscle memory needed in stressful times. Just as the great athlete navigates through the moments of pressure in any athletic event, the actions are part of the routine that allows the individual to navigate through a chaotic market like we have today.

I believe there are many stories and anecdotes that parallel the basic needs of an investor, but it is up to the advisor to find one that resonates with a particular client or audience. The example could involve a great violinist, a world-class chef, or even a gardener. In each case, there is a story of discipline behind the person who continually works to perfect the craft and a reminder of how a successful investor can do the same.

Statistics and data are the bedrock for the insights we gain about the capital markets, but it is often the conversational story that can help clients of advisors focus on the simplest and most important tenets of investment success. Regardless of the market or time period, advisors can encourage their clients to maintain the discipline needed to follow a process, which can lead to a great investment experience.

Protecting Your Credit

Scammers are more sophisticated than ever; protect yourself!

Identity thieves are using everything from sophisticated phishing techniques which look quite legitimate (like this one) to hacking schemes which use blunt force to steal credit and debit card information (like this one); so it's more important than ever that you do what you can to protect your credit. Recovering from identity theft can be a long and grueling process. This paper summarizes some of the steps you can take to protect yourself.

Create strong passwords. When creating passwords, use a mix of uppercase, lowercase, special characters, and numbers whenever you can. Also consider incorporating nonsensical phrases such as "helpfulkayak" or "uneventiger" as part of your passwords.

Know the website you are visiting. Don't share your personal information over the internet unless you go directly to the website and log on to your account and/or call the service provider. Phishing scams can redirect users to websites which look quite legitimate, but are not.

Look for warning signs. Be sure to review all bank, investment, and credit card statements each and every month for suspicious activity. Also be sure to review your free credit report every 12 months as allowed by Federal law. If your identity has been breached you may also begin to receive calls from bill collectors and/or written correspondence from the IRS.

Credit monitoring services. Services such as Identity Guard, ProtectMyID, AllClearID, and LifeLock work with one or more of the three major credit bureaus to monitor credit inquiries. Subscribers are alerted when new credit lines have been opened under their names and/or address change requests, but this will not stop "hard pull" inquiries which ding credit scores. Ultimately, these services might not avoid the hassle of having your identity stolen. For example, it's been reported that not only have LifeLock customers' credit been repeatedly compromised; even the CEO of LifeLock had his own identity stolen 13 times!

Place an initial fraud alert. If you think or know that your identity may be compromised you can place a fraud alert (for free) which will alert potential lenders before they open new credit lines. To place an initial fraud alert contact Experian, Equifax, or TransUnion. Once you place an initial fraud alert with one of the three main credit bureaus they will contact the other two (but be sure to verify). The initial fraud alert will stay in place for at least 90 days; and you can renew it every 90 days.

Place an extended fraud alert. An extended fraud alert works much like an initial fraud alert, with the major difference being that it stays in place for 7 years. To place an extended fraud alert you need to contact one of the major credit bureaus, and provide them with a valid police report, law enforcement agency report, or USPS report that alleges mail theft.

Place an active duty alert. An active duty alert is very similar to a fraud alert, but applies to military personnel on active duty. The alert stays in place for one year, but if deployment lasts longer the alert can be renewed.

Drawbacks of alerts. Initial fraud alerts, extended fraud alerts, and active duty alerts all warn potential creditors that fraud may exist, thus they *should* take precaution when opening new lines of credit, but this doesn't mean they won't actually open a new line or prevent someone from opening an account in your name. Additionally, while an alert is in place it will also be more difficult to open a new account for yourself.

(Continued)

Protecting Your Credit (continued from page 16)

Scammers are more sophisticated than ever; protect yourself!

Freezing your credit report altogether. Freezing your credit report altogether might be the single best way to protect yourself as it blocks credit information to everyone other than you (you are provided with a PIN at the time you place a freeze), your existing creditors, and potentially governmental entities. I recently spoke with several fellow NAPFA members about this issue and many recommend credit report freezes for most all of their clients, many have frozen their own credit (me included), and one mentioned that an FBI agent said it was the single best way to protect one's credit. This said, freezing credit reports does come with drawbacks.

Freezing Credit: **Cost.** The cost of freezing credit reports varies from state-to-state, but is often $5-$10 per credit bureau. You can find the cost for your state here, here, and here; for each of the three major credit bureaus.

Freezing Credit: **New credit lines, utilities, employers, landlords, and insurance companies.** Since only existing creditors will have access to credit information after a freeze, new lines of credit cannot be opened unless the freeze is lifted/thawed. (see later discussion of process to lift/thaw credit reporting) Similarly, utility companies (including mobile phone service providers), employers, landlords, and insurance companies often require credit information; so these too might require credit information be lifted or thawed. Some NAPFA members also mentioned insurance premium spikes since some insurers will occasionally pull credit reports. The remedy was to allow the insurance company access, but I was told it was somewhat frustrating since the inflated premiums just "showed up" with no warning from the insurers. Finally, health insurance companies will access credit information as part of their customer verification process, so they too would need to be allowed access.

Freezing Credit: **Preapproved credit and insurance offers**. Oddly, freezing credit reports does not necessarily stop "preapproved" offers of new credit or insurance. To stop these offers for either 5 years or permanently, you'd need to begin the process here.

Freezing Credit: **Thaw, lift, and specific party lift of credit report freeze.** If a third party requires credit report information, a frozen credit report can be "thawed" for a specific amount of time, can be lifted altogether, or can *possibly* be lifted for specific third parties. The cost and ability to lift a freeze for specific third parties varies from state-to-state which can be found here, here, and here; for each of the three major credit bureaus. A credit bureau must lift a credit report freeze no later than 3 days after receiving the request. Additionally, if you know which credit bureau is being contacted by the third party (such as with a prospective employer), the credit report freeze can be "thawed" just with that bureau.

Freezing Credit: **Summary**. Freezing your credit report is arguably the best way to protect your credit from scammers. If you don't anticipate needing additional lines-of-credit or that a third party will need to access your credit report in the foreseeable future, you should strongly consider locking your credit report with each of the three main credit bureaus. Though doing so does cost a bit of money as well as the occasional hassle should a third party need your credit report, this extra cost and hassle pales in comparison to the havoc which would ensue should someone use your identity to "borrow" against your credit.