OPTIVEST
WEALTH MANAGEMENT

Turning Success into Peace of Mind.

FIRST QUARTER 2016

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To Our Investors:

By: Mark Van Mourick, CEO
Leslie Calhoun, CIO/COO

Financial Markets Review by Mark:

2015 Economic Review –

World markets have been caught between two strong forces: 1. the Federal Reserve's desire to increase interest rates as a result of an improving U.S. job market, and 2. weakening economies in the rest of the world as a result of China's deceleration, bringing commodity prices to multi-year lows. The result produced a volatile tug-of-war causing U.S. markets to deliver the worst year since 2008 after dealing with a soaring U.S. Dollar, sinking junk bonds, low yields and crashing oil prices. Outside of the F.A.N.G.s (Facebook, Amazon, Netflix, and Google), U.S. stocks struggled all year, commodities and emerging markets dropped in sync, liquid alternatives faltered (average hedge fund was down 3%), and old European markets advanced thanks to a devalued Euro and heavy Central Bank stimulus. Interest rates rose, leaving most bond funds with either small gains or losses (including income). 2015 was quite a frustrating year for investors as there were few winners and multiple losing asset classes.

2016 Forecast –

As the financial markets' current values often project 6 months in the future, we expect the year to start with the same opposing forces as described above (but hopefully not turning to the dark side). Universally, Wall Street's stock market outlook assumes muted gains as they prepare investors' expectations for another year of struggles. With the S&P 500 and NASDAQ at a 23 P/E ratio (according to the *Wall Street Journal* on 12/31/2015), we cannot disagree… and we don't like swinging at bad pitches. Therefore, we continue to avoid U.S. stocks and anticipate that future volatility will bring us better values with which to reenter the markets in the future. The current weakness in oil (which is at an 11-year low), general commodities and emerging markets will produce a sizeable rebound when the world economy finally regains its footing.

Since the Federal Reserve announced their intent to raise rates up to 8 times over the next two years, interest rates will continue to be a focus of the financial markets. We doubt that the U.S. economy will avoid a recession over that time period and allow short term rates to rise that far.

Portfolio Update by Leslie:

During the 4th quarter of 2015 we saw a U.S. stock market recovery from the lows it made in the 3rd quarter and the U.S. bond market saw the first bump in overnight rates since 2006. The 4th quarter also brought expectations for a second consecutive quarter of declining U.S. corporate earnings.

We started the quarter with unusually high levels of cash since we sold nearly all of U.S. equity holdings over the second and third quarters of the year. Since we believe the U.S. stock market is still expensive relative to forecasted forward earnings and the reward for risk is low, we worked hard to rebalance accounts to take advantage of extenuated market trends such as the micro and macro environments listed above.

We reduced our commodity exposure by 50% in accounts early in the fourth quarter. With ever increasing cash levels, we waited for big market decline days to purchase a few of our favorite preferred stocks, floating rate income producing funds, and an apartment REIT. We are still seeking income in a long spell of low yields.

The sell-off in energy related and commodity producing companies are at the heart of the subsequent sell-off in junk bonds. We reset exposure to junk-bonds early in November to be certain accounts were not invested beyond our original diversified model allocation levels. We added to investment grade bonds with intermediate duration which we believe will hold value better in the ongoing weak commodity demand and inevitable rising rate environments.

Technical indicators which prompted us to sell U.S. equities before the August 24th, 2015 market sell-off continue to hover at levels that indicate a 50% investment level in U.S. equities at most. European stocks remain a better value and therefore we continue to hold them with hopes for a recovery cycle beginning in 2016. Alternative strategy funds (low or non-correlation to U.S. stock market) are still the primary area where we will invest for our diversified portfolios while we keep our sights keen for a reentry at less expensive levels to U.S. equity markets.

Summary:

While 2015 was frustrating, we believe 2016 will be volatile with a diverse lineup of presidential candidates, conflicting New World and Old World Central Bank objectives, sputtering Third World economies and commodities. We look for a continued strong U.S. Dollar, wild stock market swings and a flattening yield curve, leading us to conclude that this will be a good year to focus on preservation of capital and income.

Cybersecurity Precautions

As cybersecurity continues to become an important issue in our digital world, we are constantly taking precautions to remain ahead in our industry when it comes to protecting your data. Optivest's cybersecurity controls are designed to insure the security and confidentiality of your records and personal information. For your safety, our company has recently implemented an employee training program that provides new information on identifying possible breaches and how to thwart them.

While we recognize that our security measures can sometimes seem like an inconvenience, we hope you will participate in keeping your data secure by adhering to safe practices such as never sending important documents or numbers through regular email. We will always send you a secure link to upload or receive documents that contain pertinent or confidential information. Please don't hesitate to contact us if you have further questions regarding this important issue.

Optivest Foundation 2015 Year-End Report

The Optivest Foundation exists to make an impact through financial investments that change lives, for today and eternity. We are pleased to report that thousands of lives were impacted through the resources provided by the various Optivest entities and other generous contributors.

In 2015, the Optivest companies contributed **$600,447** into the Foundation and distributed **$537,669** to the following projects:

- Continued our multiyear commitment to the High Five initiative with Breakthrough Partners, a national educational program designed to reach at-risk children in Rwanda and other African Countries through the local church
- Continued our multiyear commitment to expand the facilities and ministry of Forest Home, a local Christian retreat and conference center in Forest Falls, CA
- Continued our multiyear commitment to the building and development of Northrise University and farms in Ndola, Zambia
- Sourced microfinance loans as part of a holistic approach to addressing poverty through HOPE International
- Funded the first of a multiyear commitment to expanding ministry in Madagascar with partners DCPI and Operation Mobilization
- Funded the first of a multiyear commitment to support the work and ministry of Acres of Love orphanage in South Africa
- Several staff participated in ministry trips in countries outside of the U.S. including Mexico, Dominican Republic, Haiti, Switzerland, Moldova and Madagascar

Until next time,

Mark Van Mourick

Leslie Calhoun

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