Capital Markets Review

Q4 2016

Reviewing the quarter ended September 30, 2016

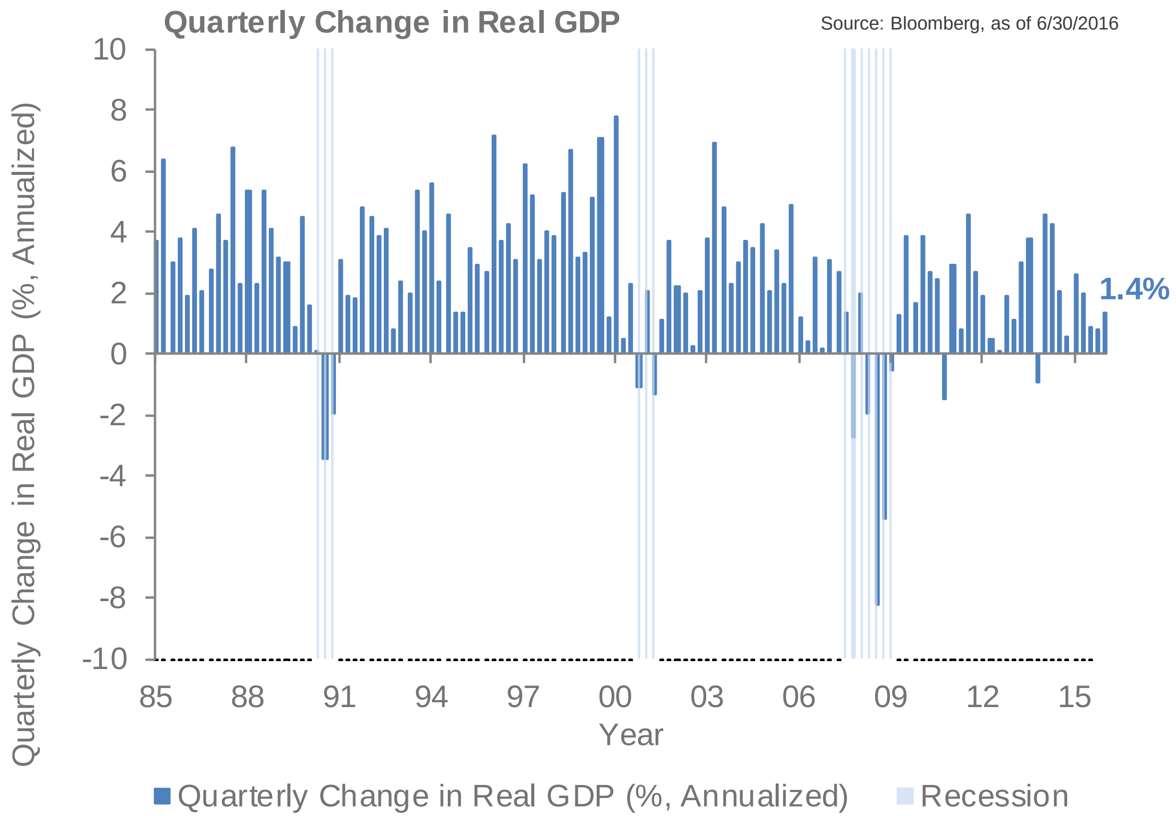
Wealth Advisory Services *of* Raymond James
221 West 6th Street, Suite 1210
Austin, Texas 78701
T: (512) 477-3110
F: (512) 472-1046
www.WealthAdvisoryServicesAustin.com

F. Walter Penn, WMS - Senior Vice President, Investments
Jenny Miller, WMS - Senior Vice President, Investments
Beaumont S. Boyce, Jr., AAMS® - Financial Advisor
Weston Keenan, AAMS® - Financial Advisor

TABLE OF CONTENTS

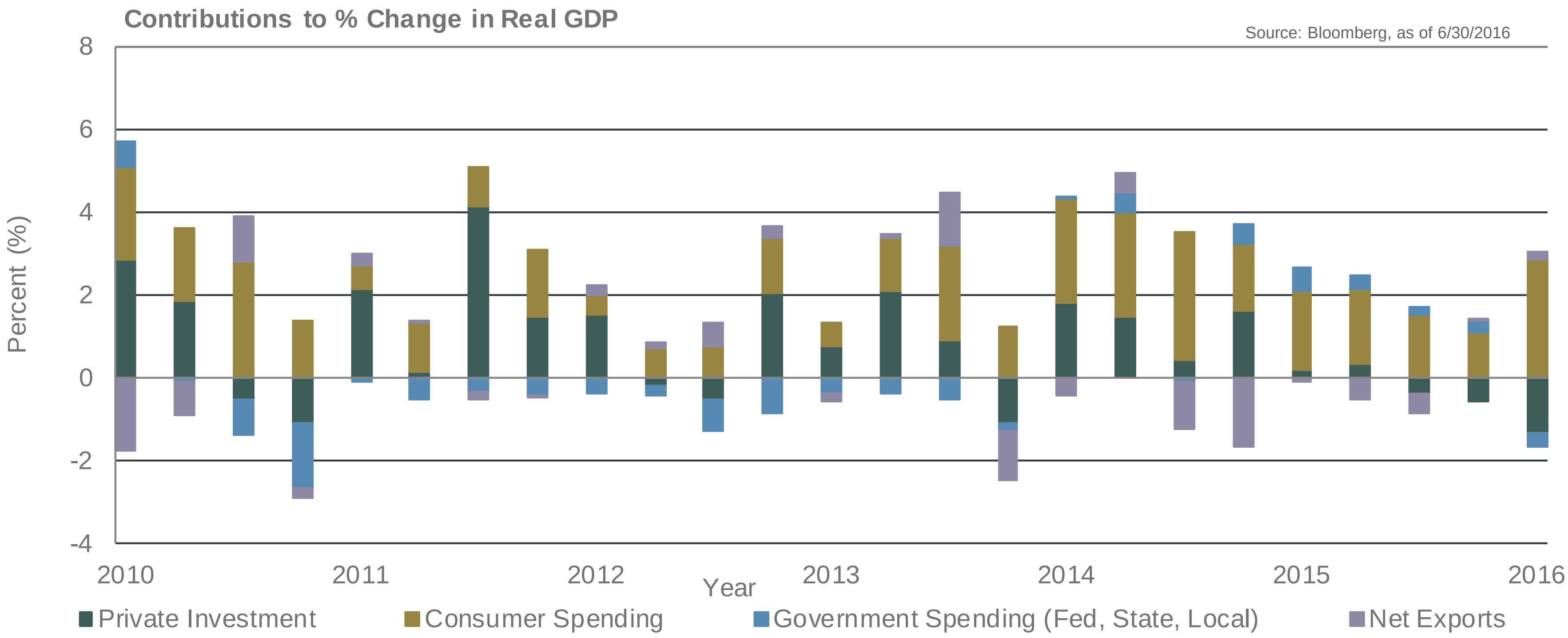
GROSS DOMESTIC PRODUCT

Real gross domestic product increased at an annual rate of 1.4% in the second quarter of 2016, up from 0.8% in the first quarter

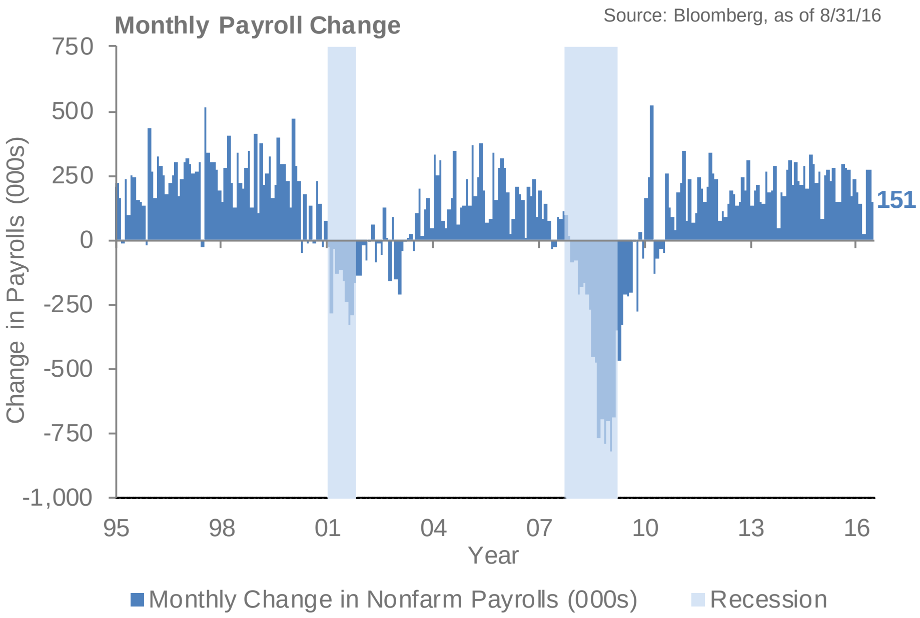


CONTRIBUTIONS TO % CHANGE IN REAL GDP

The increase in real GDP in the second quarter reflected positive contributions from personal consumption expenditures (PCE) and exports that were partly offset by negative contributions from private inventory investment, nonresidential fixed investment, residential fixed investment, and state and local government spending. Imports, which are a subtraction in the calculation of GDP, decreased.

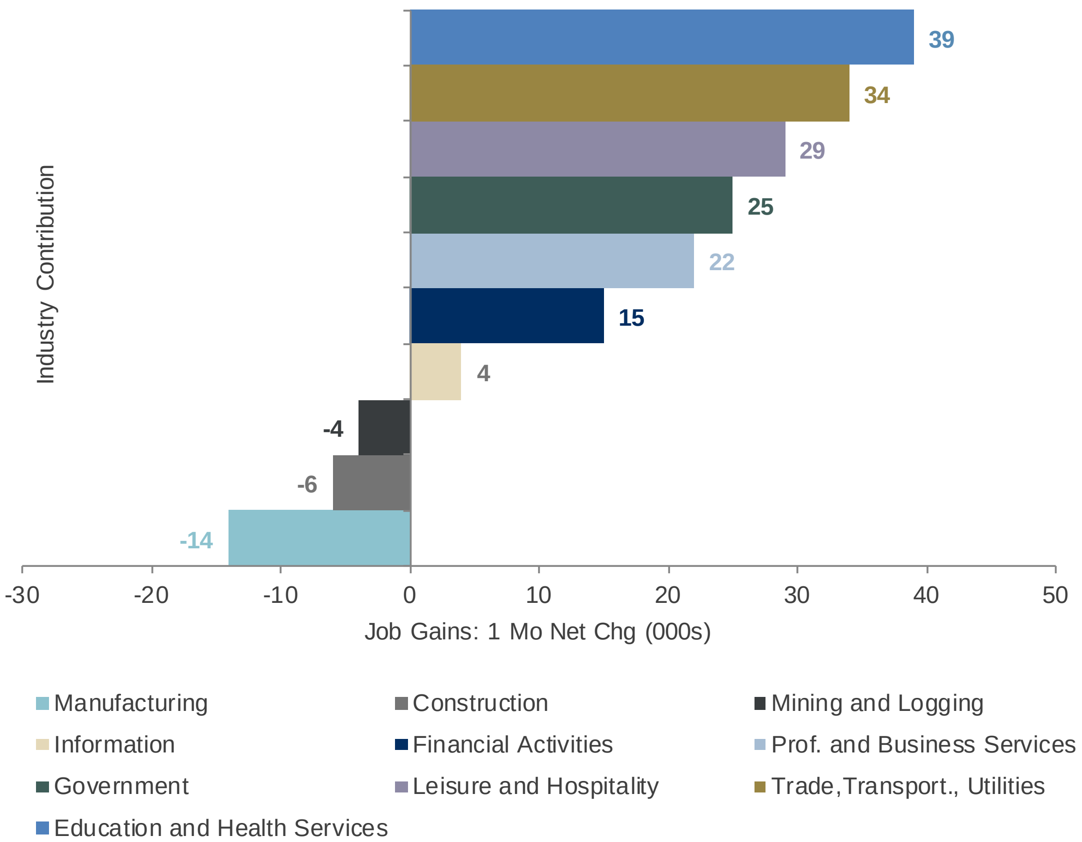


Total nonfarm payroll employment rose by 151,000 in August, compared to an average monthly gain of 204,000 over the prior 12 months and the unemployment rate remained at 4.9%.



MAJOR INDUSTRY CONTRIBUTIONS TO JOB GROWTH

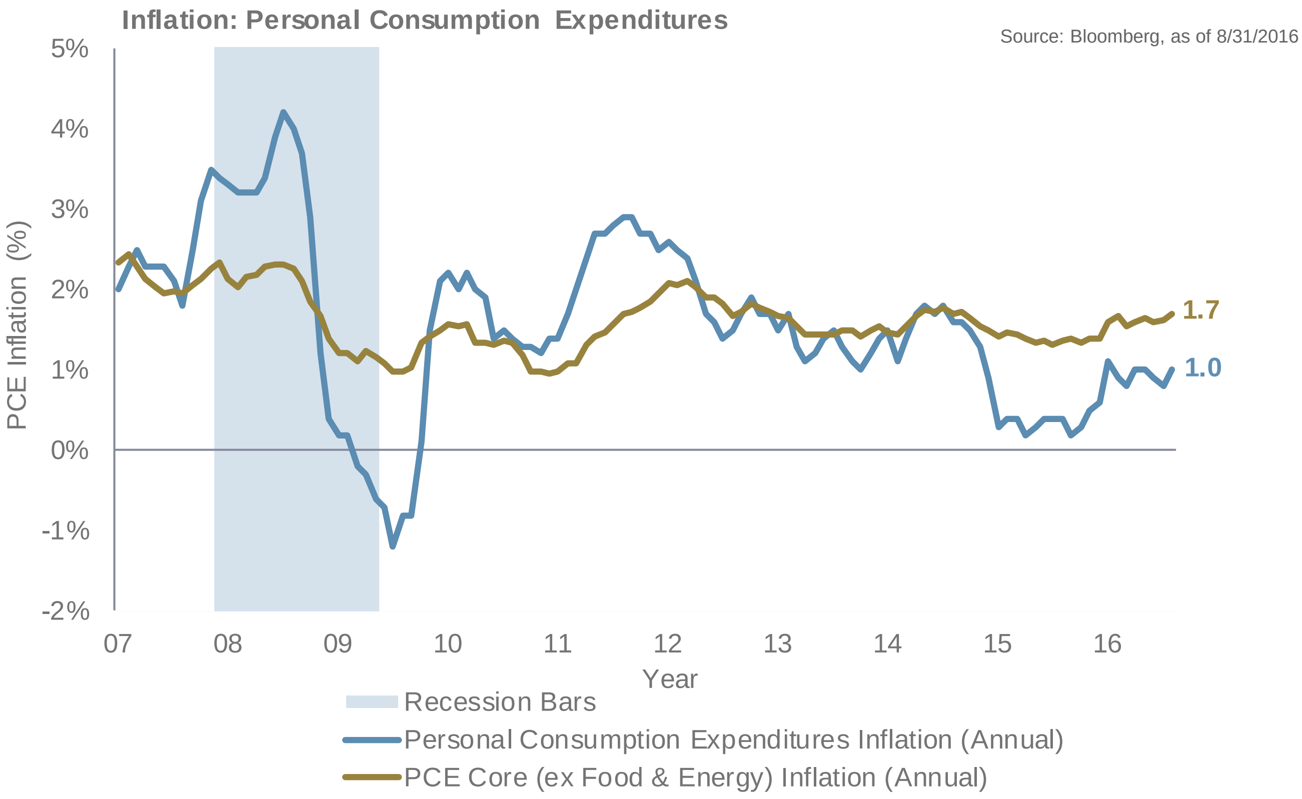
Employment continued to trend up in August in service-providing industries such as education and health services, trade, transport, and utilities, and leisure and hospitality among others.



Source: Bureau of Labor Statistics, as of 8/31/2016, a preliminary estimate of the net number of jobs in the various industries in the latest month.

INFLATION

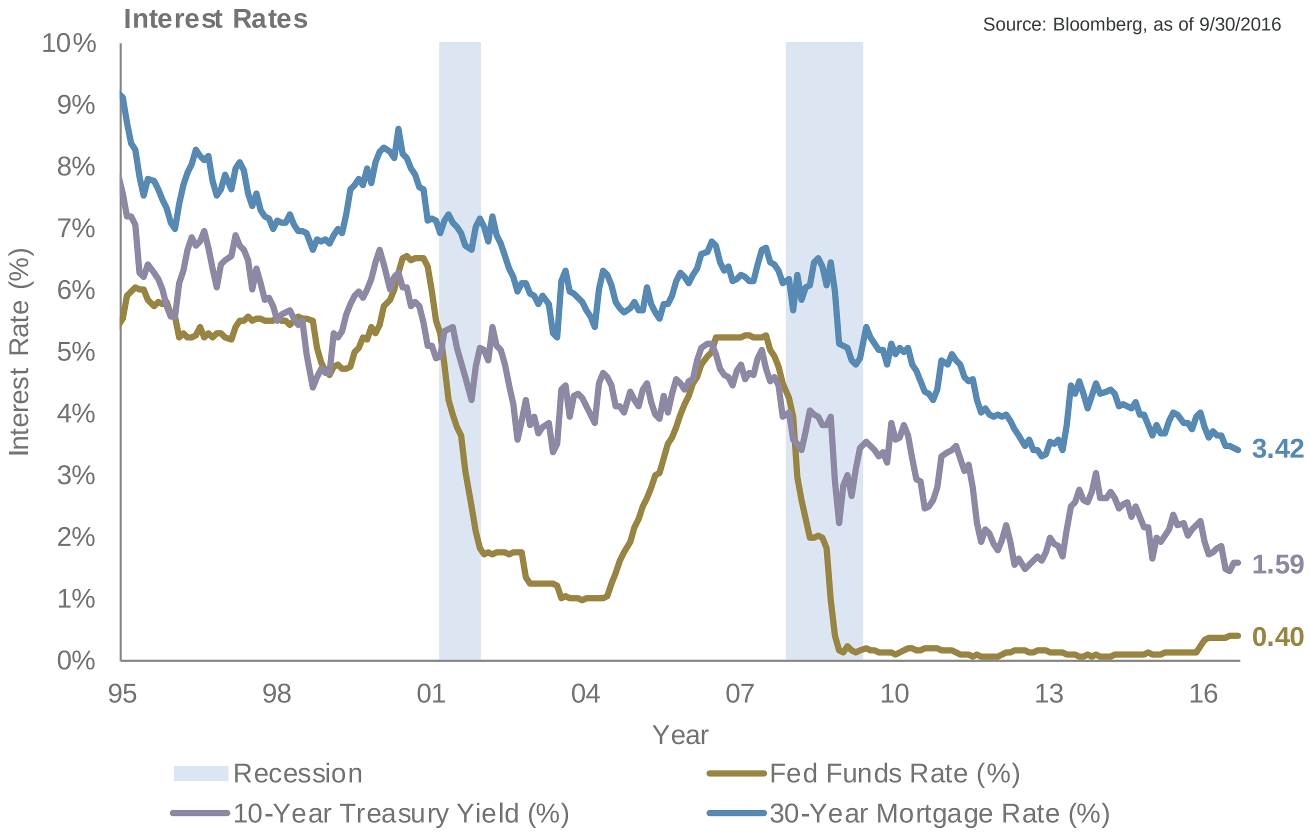
An increase in personal income in August (reflective of increases in compensation, personal income receipts on assets, and government social benefits) resulted in a slight uptick in the PCE Inflation indices.



Personal Consumption Expenditure (PCE) is the preferred measure of inflation by the Bureau of Economic Analysis.

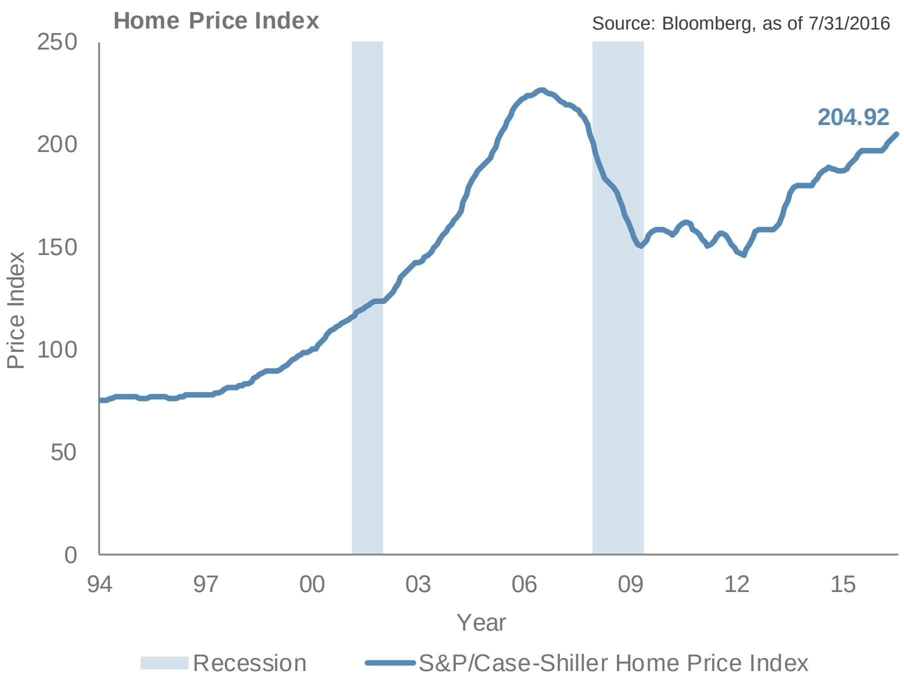
KEY INTEREST RATES

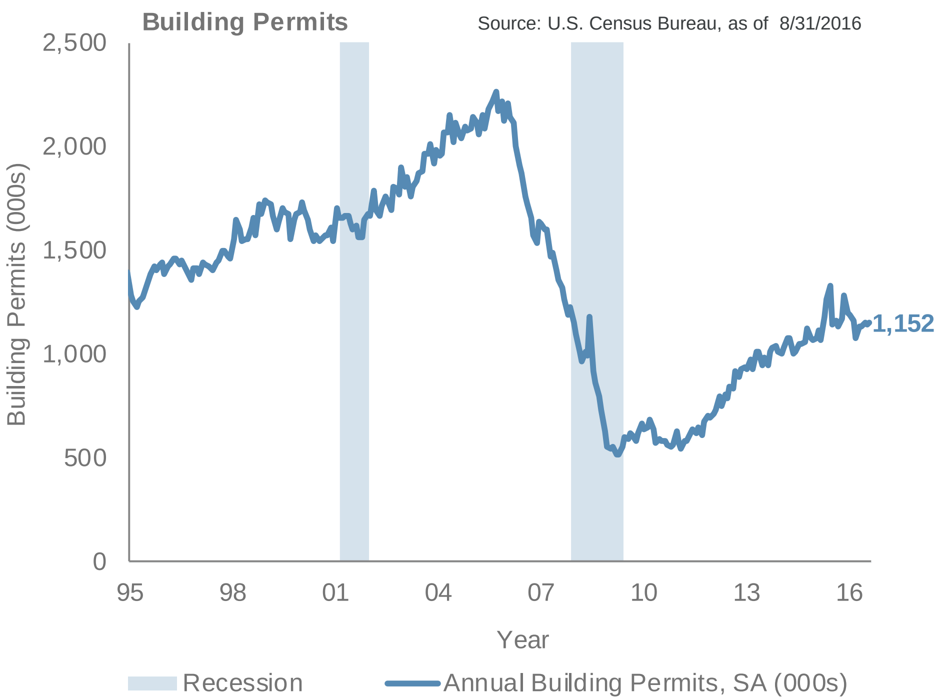
Long-term interest rates remain suppressed due, in part, to record-breaking demand from foreign investors seeking “safe” and positive yield.



HOUSING MARKET

U.S. home prices continue to recover from post-financial crisis lows, driven by low mortgage rates and lean inventory levels. Building permits have yet to pick up due, in part, to limited access to credit and increased building costs.

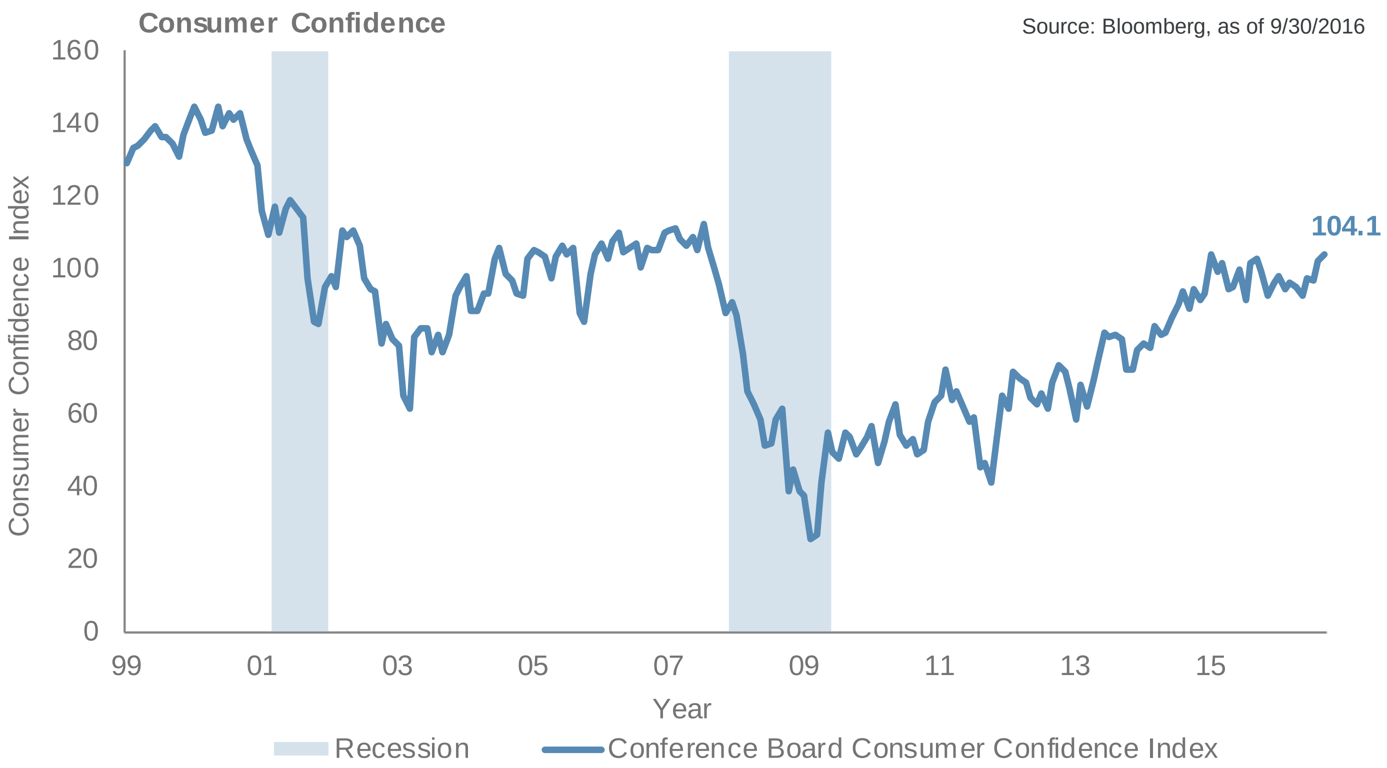




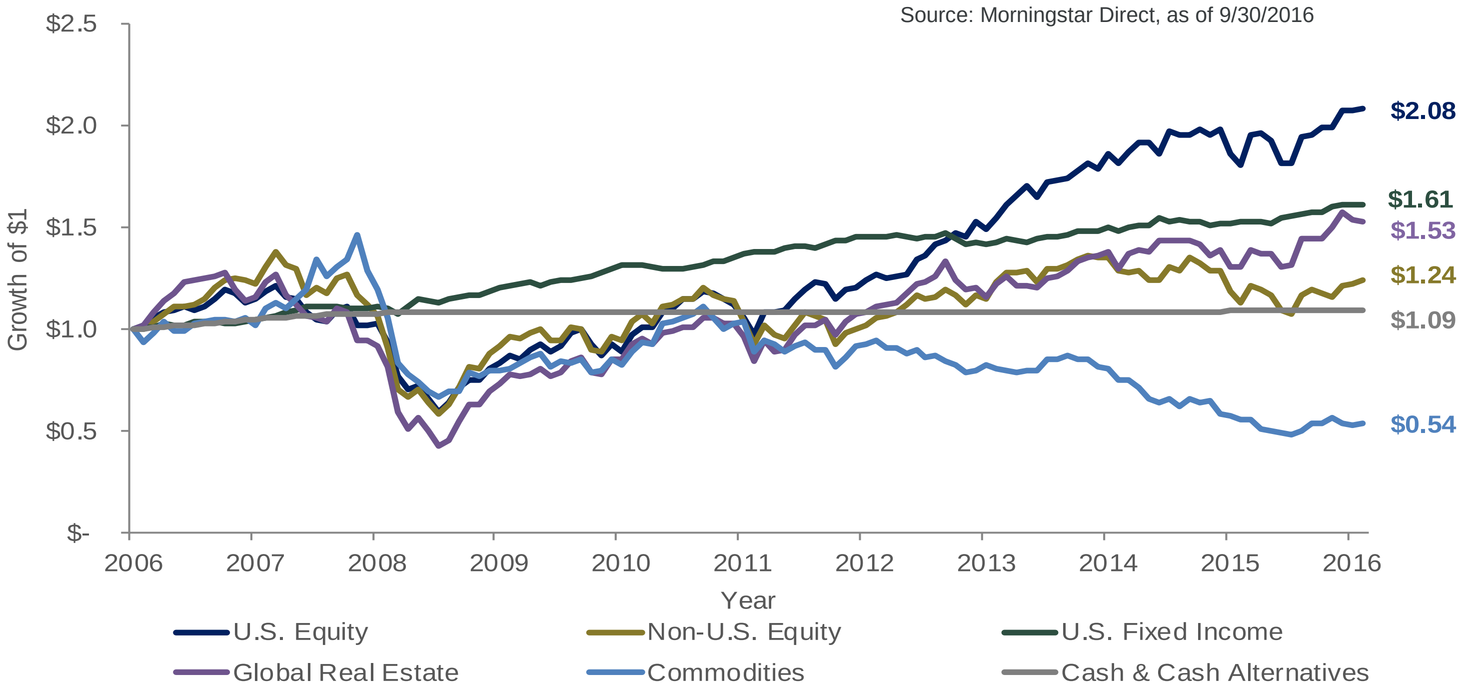
CONSUMER CONFIDENCE

"Consumer confidence increased in September for a second consecutive month and is now at its highest level since the recession. Consumers' assessment of present-day conditions improved, primarily the result of a more positive view of the labor market. Overall, consumers continue to rate current conditions favorably and foresee moderate economic expansion in the months ahead."

- ***Lynn Franco***, *Director of Economic Indicators at The Conference Board*



ASSET CLASS RETURNS: GROWTH OF A DOLLAR



	QTD	YTD	1-Year	3-Year	5-Year	10-Year
U.S. Equity	4.40%	8.18%	14.96%	10.44%	16.36%	7.37%
Non-U.S. Equity	6.91%	5.82%	9.26%	0.18%	6.04%	2.16%
U.S. Fixed Income	0.46%	5.80%	5.19%	4.03%	3.08%	4.79%
Global Real Estate (REITs)	1.82%	10.33%	15.48%	7.04%	11.64%	4.12%
Commodities	-3.86%	8.87%	-2.58%	-12.34%	-9.37%	-5.33%
Cash & Cash Alternatives	0.07%	0.16%	0.18%	0.08%	0.07%	0.88%

Past performance is not indicative of future results. Please see slides 26-29 for asset class definitions.

ASSET CLASS RETURNS

Source: Morningstar Direct, as of 9/30/2016

2007	2008	2009	2010	2011	2012	2013	2014	2015	YTD 2016
Non-U.S. Equity 16.7%	Fixed Income 5.2%	Non-U.S. Equity 41.5%	Real Estate 19.3%	Fixed Income 7.8%	Real Estate 29.0%	U.S. Equity 33.6%	Real Estate 13.9%	Fixed Income 0.6%	Real Estate 10.3%
Commodities 16.2%	Cash & Cash Alternatives 1.8%	Real Estate 40.2%	U.S. Equity 16.9%	Blended Portfolio 2.1%	Non-U.S. Equity 16.8%	Non-U.S. Equity 15.3%	U.S. Equity 12.6%	U.S. Equity 0.5%	Commodities 8.9%
Blended Portfolio 7.8%	Blended Portfolio -21.7%	U.S. Equity 28.3%	Commodities 16.8%	U.S. Equity 1.0%	U.S. Equity 16.4%	Blended Portfolio 13.9%	Blended Portfolio 7.1%	Cash & Cash Alternatives 0.0%	U.S Equity 8.2%
Fixed Income 7.0%	Commodities -35.7%	Blended Portfolio 20.2%	Blended Portfolio 11.9%	Cash & Cash Alternatives 0.1%	Blended Portfolio 11.0%	Real Estate 1.6%	Fixed Income 6.0%	Blended Portfolio -0.2%	Blended Portfolio 6.9%
U.S. Equity 5.1%	U.S. Equity -37.3%	Commodities 18.9%	Non-U.S. Equity 11.2%	Real Estate -8.7%	Fixed Income 4.2%	Cash & Cash Alternatives 0.1%	Cash & Cash Alternatives 0.0%	Real Estate -1.2%	Non-U.S. Equity 5.8%
Cash & Cash Alternatives 4.7%	Non-U.S. Equity -45.5%	Fixed Income 5.9%	Fixed Income 6.5%	Commodities -13.3%	Cash & Cash Alternatives 0.1%	Fixed Income -2.0%	Non-U.S. Equity -3.9%	Non-U.S. Equity -5.7%	Fixed Income 5.8%
Real Estate -5.0%	Real Estate -50.2%	Cash & Cash Alternatives 0.2%	Cash & Cash Alternatives 0.1%	Non-U.S. Equity -13.7%	Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	Commodities -24.7%	Cash & Cash Alternatives 0.2%

Best

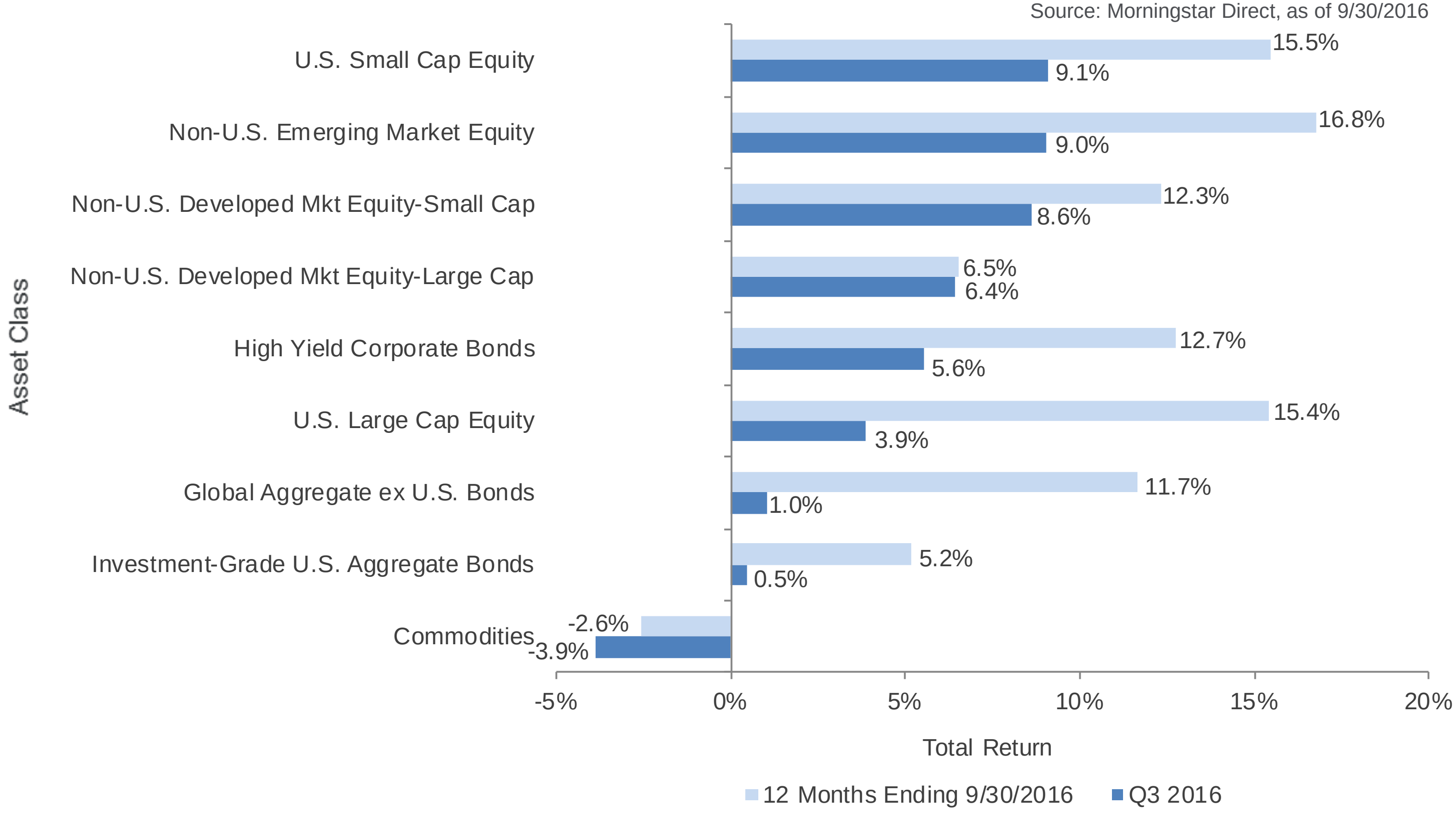
Worse

Blended Portfolio Allocation: 45% U.S. Equity / 15% Non-U.S. Equity / 40% Fixed Income

Past performance is not indicative of future results. Please see slides 26-29 for asset class definitions.

ASSET CLASS RETURNS

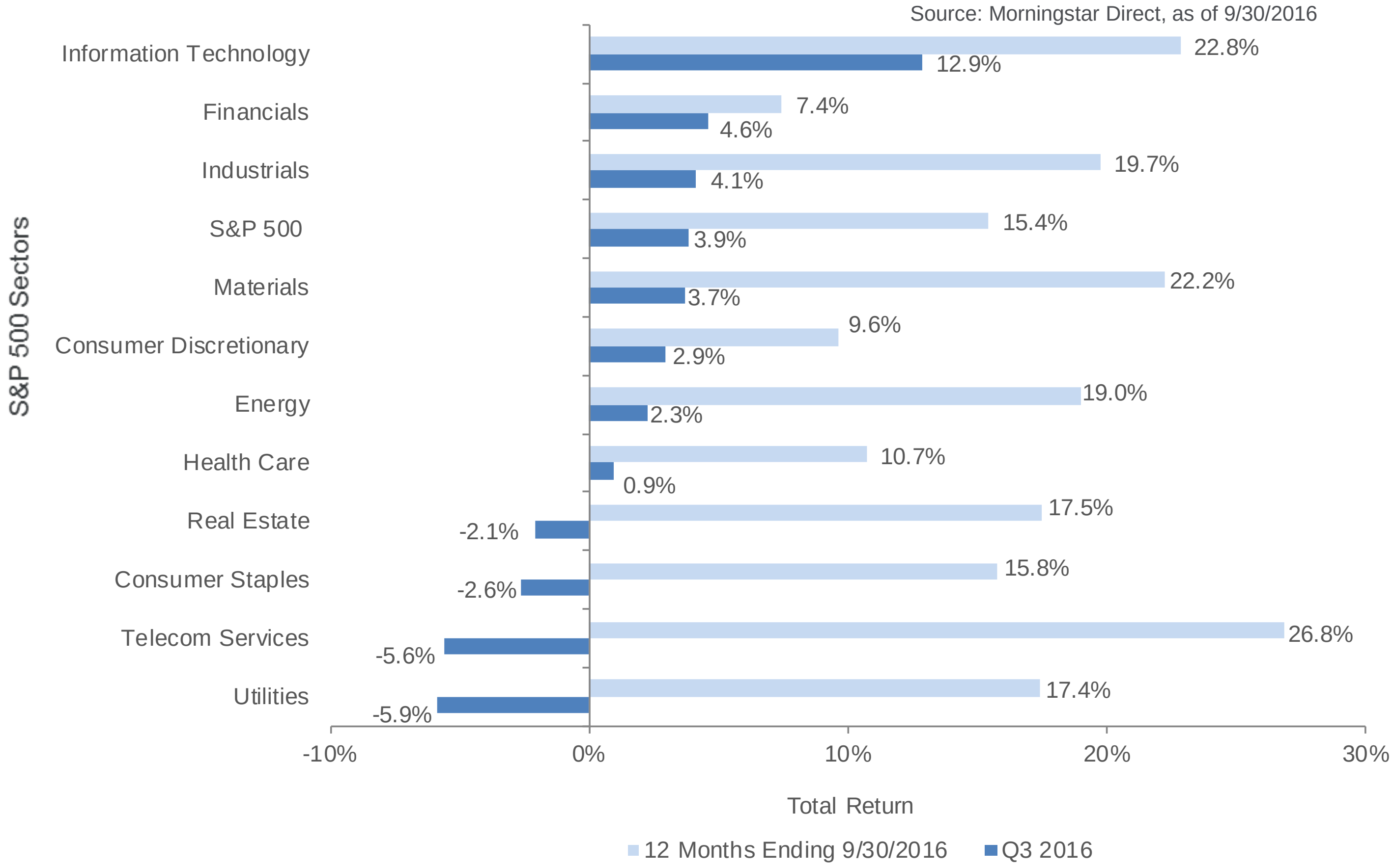
Top market performers in the third quarter were U.S. small-cap equity and emerging market equity. Small caps exhibit attractive relative valuations and near-term momentum, while beaten down emerging market equities received a boost from stabilizing growth year-to-date.



Past performance is not indicative of future results. Please see slides 26-29 for asset class definitions.

S&P 500 SECTOR RETURNS

Sector performance was dominated by information technology in the third quarter, due in part to upside surprises on Q2 earnings releases.



Returns are based on the GICS Classification model. Returns are cumulative total return for stated period, including reinvestment of dividends. Past performance is not indicative of future results.

EQUITY STYLES

Growth-oriented equities outperformed value and blend strategies by a slim margin in the third quarter. While value dominated over the last year, there hasn't been a significant style bias in recent months.

Q3 2016 Total Return

	Value	Blend	Growth
Large	3.5%	4.0%	4.6%
Mid	4.4%	4.5%	4.6%
Small	8.9%	9.0%	9.2%

12-Month Total Return

	Value	Blend	Growth
Large	16.2%	14.9%	13.8%
Mid	17.3%	14.2%	11.2%
Small	18.8%	15.5%	12.1%

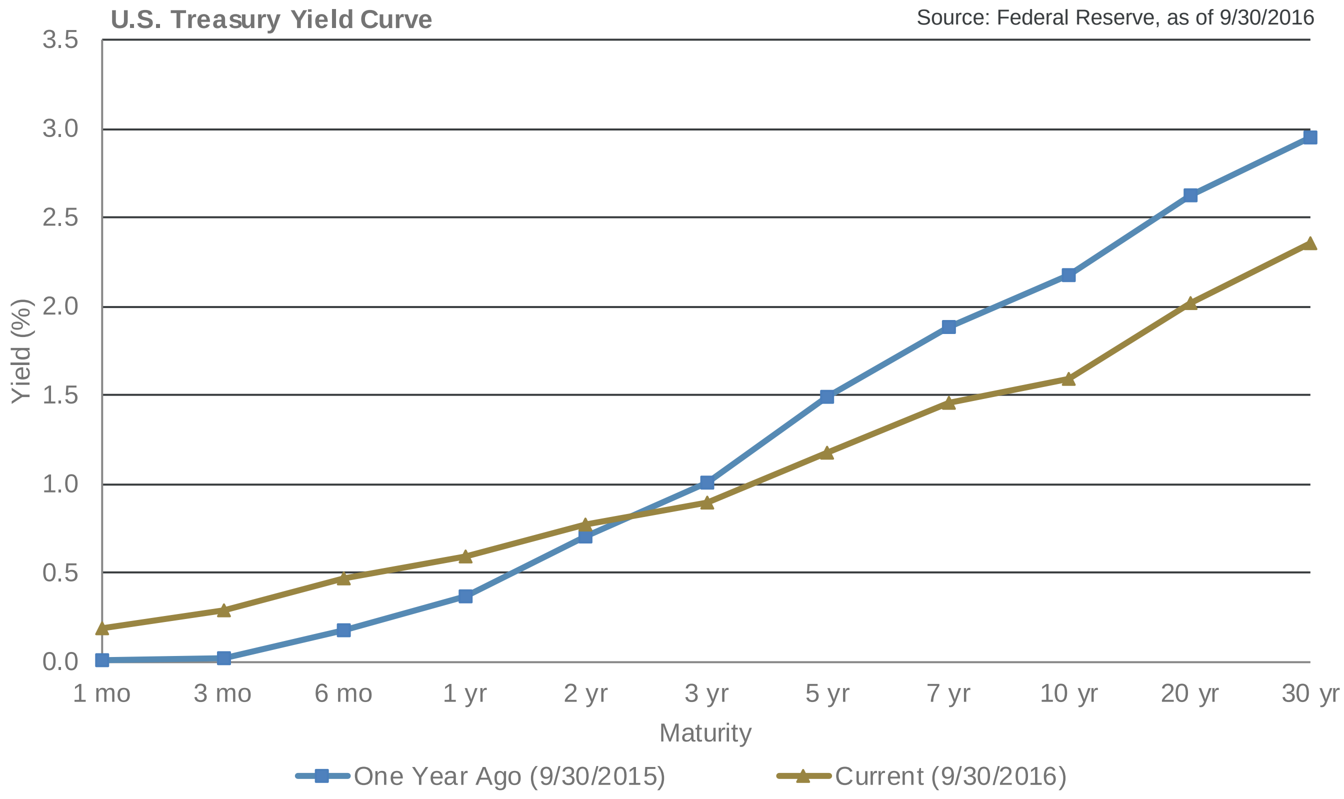
Source: Morningstar Direct, as of 9/30/2016

Style box returns based on the GICS Classification model. All values are cumulative total return for stated period including reinvestment of dividends. The indices used from left to right, top to bottom are: Russell 1000 Value Index, Russell 1000 Index, Russell 000 Growth Index, Russell Mid-Cap Value Index, Russell Mid-Cap Blend Index, Russell Mid-Cap Growth Index, Russell 2000 Value Index, Russell 2000 Index and Russell 2000 Growth Index. Past performance is not indicative of future results. Please see slides 26-29 for index definitions.

U.S. TREASURIES

"I don't think long-term rates are going to go meaningfully higher, and I don't think it's for the reasons that we want or expect them to. You've got money flowing in from overseas at record-breaking numbers. This isn't stopping anytime soon. It's going to take a global recalibration, not just in the U.S., for long-term rates to move."

*– **Benjamin Streed**, CFA, Strategist, Fixed Income*



FIXED INCOME YIELDS

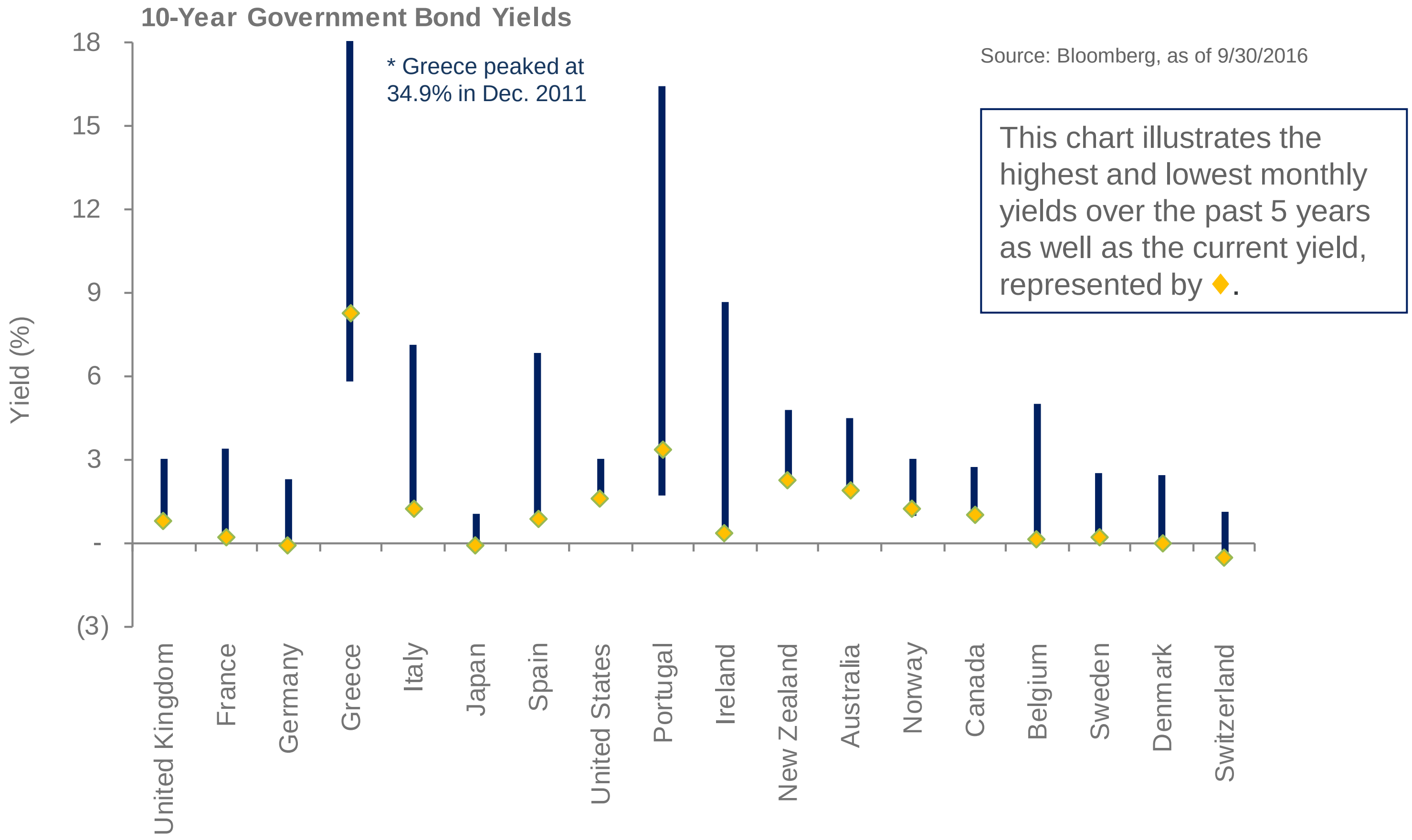
"Certain corporate credit metrics have been compromised due in part to shareholder rewards such as share buybacks and/or dividends. In addition to select corporations, the high-yield space in general has heightened its leverage and seen deterioration in interest coverage; however, the median nonfinancial investment-grade space has maintained leverage ratios and actually improved interest coverage. Careful selection within the corporate space can provide investors with a needed spread alternative."

– ***Doug Drabik***, *Senior Strategist*, *Fixed Income*

Past performance is not indicative of future results. Please see slides 26-29 for index definitions.

GLOBAL SOVEREIGN DEBT YIELDS

An estimated 30% of the global government-bond market is now trading at negative yields. Institutional investors, traders and risk-averse investors are the primary buyers of these negative interest-rate issues.



S&P 500 YIELDS VS. TREASURY YIELD

Capital Markets

Bonds have offered substantially higher yields than equities up until the last seven years. This surprising phenomenon has now become the norm, at least for the near term.

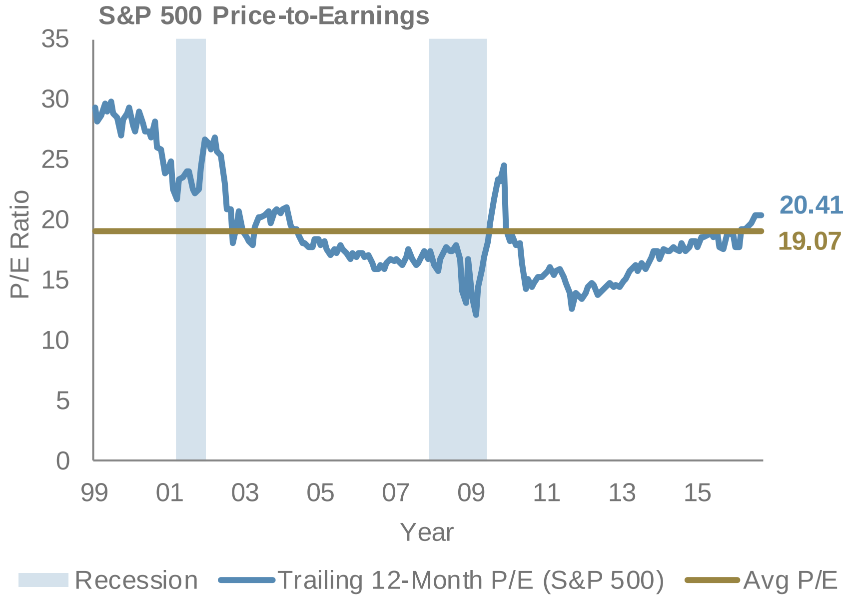
Source: Bloomberg, as of 9/30/2016

Past performance is not indicative of future results. Please see slides 26-29 for index definitions.

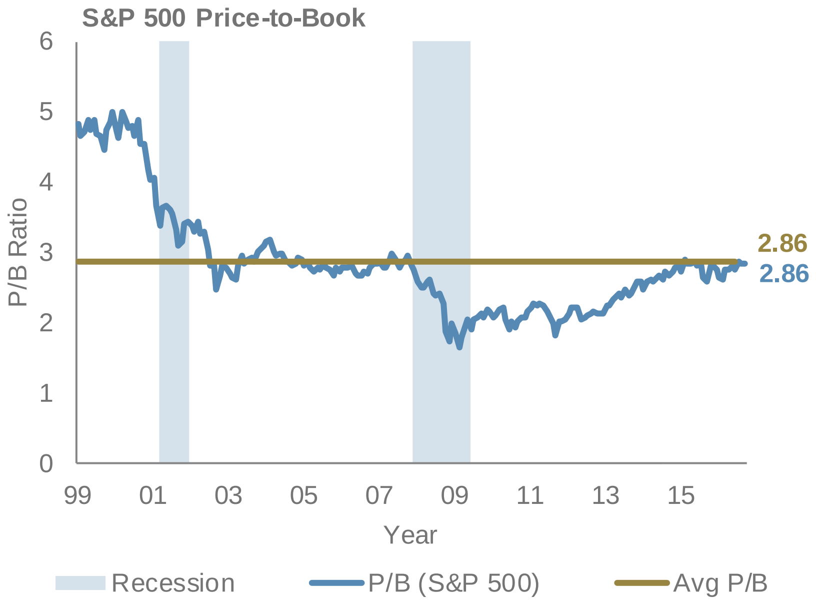
PRICE-EARNINGS RATIO AND PRICE-BOOK RATIOS

"With the S&P 500 trading at elevated valuation levels, investor optimism over earnings expectations is vital for the current market to move appreciably higher."

– *Managing Director* ***J. Michael Gibbs*** and *Senior Portfolio Analyst* ***Joey Madere****, Equity Portfolio & Technical Strategy*



The price-to-earnings ratio, or P/E, is a common measure of the value of stocks. It shows the relationship between a stock's price and the underlying company's earnings (or profits) per share of stock. In essence, it calculates how many dollars you pay for each dollar of a company's earnings. In very general terms, the higher the P/E ratio, the more likely the stock is to be overpriced.



The price-to-book ratio, or P/B, is a relative measure based on most recent price/accounting (book) value (quarterly, semiannual or annual data). Both price-to-earnings and price-to-book are accounting-based relative value measures.

Source: Bloomberg, as of 9/31/2016 Past performance is not indicative of future results. Please see slides 26-29 for index definitions.

FOREIGN EXCHANGE RATES

The dollar is likely to remain range-bound, with gradual Fed tightening already priced in. However, the presidential election will be a factor.

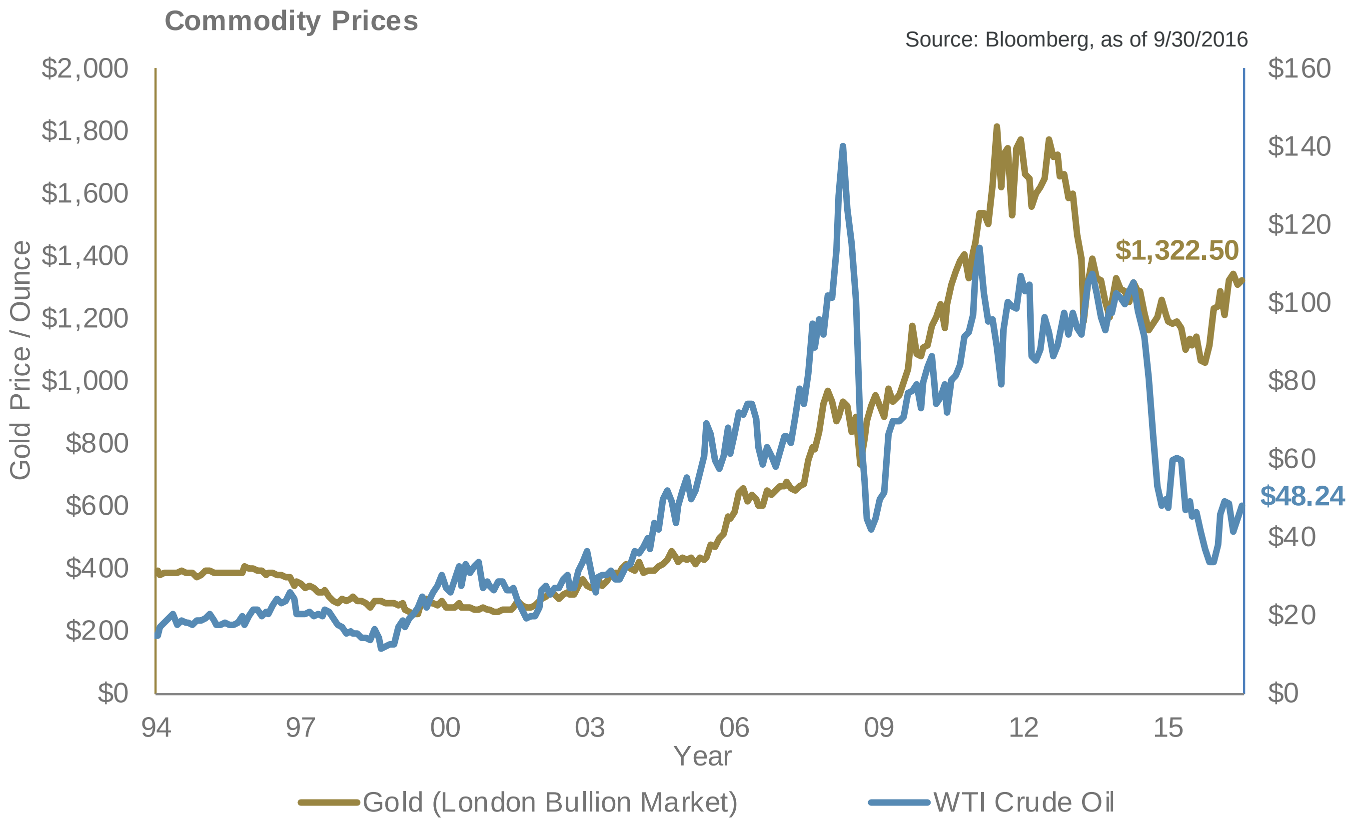
Source: Bloomberg, as of 9/30/2016

	9/30/2016	9/30/2015
Source: Bloomberg, as of 9/30/2016		
U.S. Dollar ($) / Japanese Yen (¥)	101.3500	120.2400
Euro (€) / U.S. Dollar ($)	1.1235	1.1215
British Pound (£) / U.S. Dollar ($)	1.2972	1.5199

COMMODITY PRICES

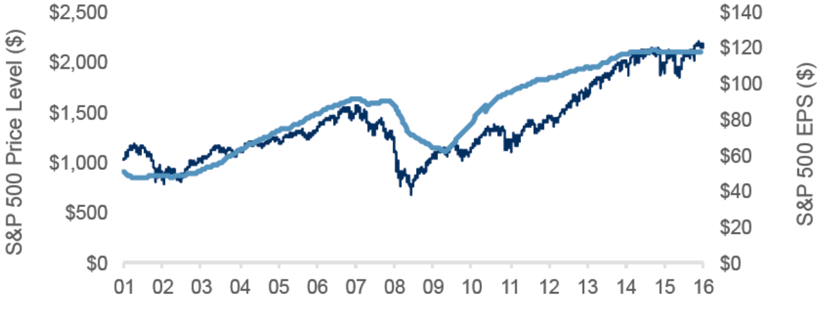
Capital Markets

After hitting a nearly seven-year low in December of last year, global economic uncertainty has kept gold prices afloat. Oil prices continue to stabilize and many expect this upward trend to endure into 2017 as the market continues to rebalance.



EARNINGS: THE LIFEBLOOD OF THE MARKET

S&P 500 PRICE LEVEL VS. EARNINGS PER SHARE



Source: Factset

2017 RAYMOND JAMES ESTIMATED EARNINGS: $128

Assuming a sales increase of **5%** and with margins expanding by **3.5%** versus 2016 estimates.

Representing **7.6%** earnings growth, **$128** is slightly above the S&P 500 earnings **6.0%** compounded annual growth rate since 1954.

2017 CONSENSUS BOTTOM-UP ESTIMATED EARNINGS: $133

2017 EST. SALES GROWTH

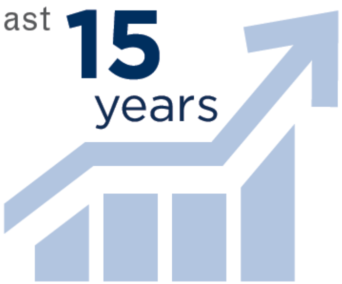
Bottom-up estimates assume **5.7%** sales growth

vs.

1.5% average over the past five years

2017 EST. PROFIT MARGIN GROWTH

2017 profit margins growth rate highest increase in last **15** years



Expected to increase to **10.9%**

CAGR since 2002 is **2.4%**

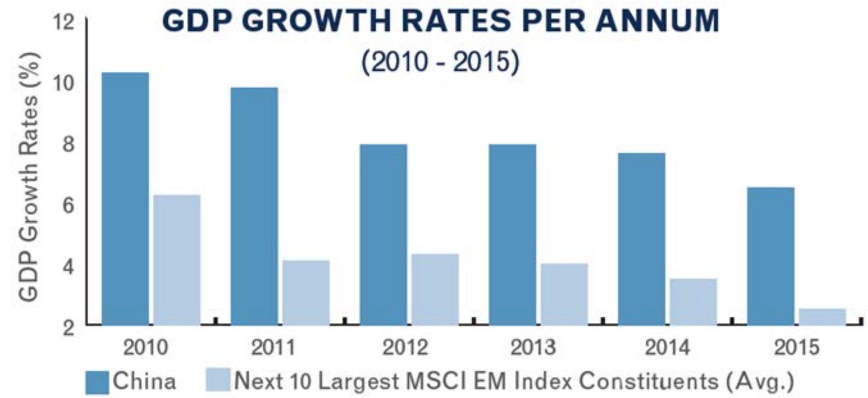
Source: Factset

For full theme articles, ask for a copy of the October 2016 Investment Strategy Quarterly.

EMERGING MARKETS: A RE-EMERGENCE?

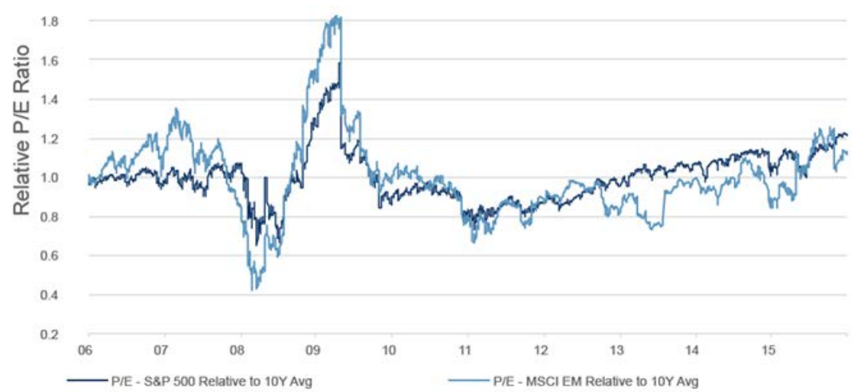
"Conditions are looking brighter as major headwinds, such as slower economic growth in China and the U.S. dollar, are stabilizing. Discounted equity prices and long-term projected economic growth trends may make this an opportune time for this exposure to re-emerge in portfolios."

- **Peter Greenberger**, *CFA, CFP®, Director of Mutual Fund Research & Marketing, and*
- **Matt Feddersen**, *Mutual Fund Analyst*



Source: World Bank as of December 31, 2015

PRICE-TO-EARNING COMPARISON (SEPTEMBER 2006 - AUGUST 2016)



Source: Bloomberg L.P. and Raymond James. All data as of August 31, 2016

For full theme articles, ask for a copy of the October 2016 Investment Strategy Quarterly.

WHO'S BUYING NEGATIVE INTEREST-RATE BONDS AND WHY?

INSTITUTIONAL INVESTORS

- Institutions: required to buy bonds regardless of yield
- Central Banks and Insurance Co.: reserve requirements
- Pension Funds: match liabilities
- Index funds: must replicate their benchmark
- Traditional banks: liquidity and collateral requirements

TRADERS

- Hope to sell to another trader at an even lower yield
- Make a currency play on a foreign currency-denominated bonds

RISK-AVERSE INVESTORS

- Looking for "return of principal" rather than "return on principal"
- Some institutions have large holdings which make trading difficult, require liquidity and safety, or are unable to take on credit risk
- Any investor who believes inflation is going to turn negative

For full theme articles, ask for a copy of the October 2016 Investment Strategy Quarterly.
Asset allocation does not guarantee a profit nor protect against loss. Past performance is not indicative of future results.

DISCLOSURE

Data provided by Morningstar Direct, Bloomberg.

This material is for informational purposes only and should not be used or construed as a recommendation regarding any security outside of a managed account.

There is no assurance that any investment strategy will be successful or that any securities transaction, holdings, sectors or allocations discussed will be profitable. It should not be assumed that any investment recommendation or decisions made in the future will be profitable or will equal any investment performance discussed herein.

Please note that all indices are unmanaged and investors cannot invest directly in an index. An investor who purchases an investment product that attempts to mimic the performance of an index will incur expenses that would reduce returns. Past performance is not indicative of future results. The performance noted in this presentation does not include fees and costs, which would reduce an investor's returns.

Fixed Income: subject to credit risk and interest rate risk. An issuer's ability to pay the promised income and return of principal upon maturity may impact the issuer's credit rating. Generally, when interest rates rise, bond prices fall, and vice versa. Specific-sector investing can be subject to different and greater risks than more diversified investments.
Personal Consumption Expenditure Index (PCE): a measure of inflation, this index measures the price changes in consumer goods and services. Personal consumption expenditures consist of the actual and imputed expenditures of households; the measure includes data pertaining to durables, non-durables and services.
Gross Domestic Product (GDP): a broad measurement of a nation's overall economic activity. It is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, including all private and public consumption, government outlays, investments and net exports that occur within a defined territory.
Price-to-Earnings Ratio (P/E): a ratio for valuing a company that measures its current share price relative to its per-share earnings.
Price-to-Book Ratio (P/B): A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share.
Small-cap and Mid-Cap Equity: generally involve greater risks, and may not be appropriate for every investor. International investing also involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility.
High-Yield Fixed Income: not suitable for all investors. Risk of default may increase due to changes in the issuer's credit quality. Price changes may occur due to changes in interest rates and the liquidity of the bond. When appropriate, these bonds should only comprise a modest portion of your portfolio.
Commodities: trading is generally considered speculative because of the significant potential for investment loss.
U.S. Government Fixed Income: guaranteed timely payment of principal and interest by the federal government. U.S. Treasury Bills: A short-term debt obligation backed by the U.S. government with a maturity of less than one year.
Fixed Income Sectors: Returns based on the four sectors of Barclays Global Sector Classification Scheme: Securitized (consisting of U.S. MBS Index, the ERISA-Eligible CMBS Index and the fixed-rate ABS Index), Government Related (consisting of U.S. Agencies and non-corporate debts with four sub sectors: Agencies, Local Authorities, Sovereign and Supranational), Corporate (dollar-denominated debt from U.S. and non-U.S. industrial, utility, and financial institutions issuers), and Treasuries (includes public obligations of the U.S. Treasury that have remaining maturities of one year or more).

Asset allocation and diversification does not guarantee a profit nor protect against loss. Dividends are not guaranteed and will fluctuate.

Past performance is not indicative of future results. Investing in international securities involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

The values of real estate investments may be adversely affected by several factors, including supply and demand, rising interest rates, property taxes, and changes in the national, state and local economic climate. Companies engaged in business related to a specific sector are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector including limited diversification.

INDEX DESCRIPTIONS

Asset class and reference benchmarks:

ASSET CLASS	BENCHMARK
U.S. Equity	Russell 3000 TR
Non-U.S. Equity	MSCI ACWI ex US NR
U.S. Fixed Income	Barclays U.S. Aggregate Bond TR
Global Real Estate (prior to 2008)	NASDAQ Global Real Estate NR
Global Real Estate (2008-present)	FTSE EPRA/NAREIT Global Real Estate NR
Commodities	Bloomberg Commodity TR USD
Cash & Cash Alternatives	Citi Treasury Bill 3 Mon USD

Bloomberg Commodity Total Return Index: Formerly the Dow Jones-UBS Commodity Index TR (DJUBSTR),is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 3 Month U.S. Treasury Bills.

Barclays 10-Year Municipal Bond Index: A rules-based, market-value weighted index engineered for the long-term tax-exempt bond market. This index is the 10 year (8-12) component of the Municipal Bond Index.

Barclays 10-Year U.S. Treasury Index: Measures the performance of U.S. Treasury securities that have a remaining maturity of 10 years.

Barclays U.S. Aggregate Bond Index: Represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment-grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Barclays Global Aggregate ex-U.S. Bond Index: Tracks an international basket of bonds that currently contains 65% government, 14% corporate, 13% agency and 8% mortgage-related bonds.

Barclays High Yield Bond Index: Covers the universe of fixed-rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC-registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures and 144-As are also included.

Barclays U.S. Credit Index: an index composed of corporate and non-corporate debt issues that are investment grade (rated Baa3/BBB- or higher).

Citi 3-Month Treasury-Bill Index: This is an unmanaged index of three-month Treasury bills.

INDEX DESCRIPTIONS (continued)

FTSE EPRA/NAREIT Global Real Estate Index : designed to represent general trends in eligible listed real estate stocks worldwide. Relevant real estate activities are defined as the ownership, trading and development of income producing real estate.

MSCI All Country World Index Ex-U.S Index (ACWI ex U.S.): a market-capitalization-weighted index maintained by Morgan Stanley Capital International (MSCI) and designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. It includes both developed and emerging markets.

MSCI EAFE Index (Europe, Australasia, Far East): a free-float adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States and Canada. The EAFE consists of the country indices of 21 developed nations.

MSCI EAFE Growth Index: represents approximately 50% of the free-float adjusted market capitalization of the MSCI EAFE index, and consists of those securities classified by MSCI as most representing the growth style.

MSCI EAFE Small-Cap Index: an unmanaged, market-weighted index of small companies in developed markets, excluding the U.S. and Canada.

MSCI EAFE Value: represents approximately 50% of the free-float adjusted market capitalization of the MSCI EAFE index, and consists of those securities classified by MSCI as most representing the value style.

MSCI Emerging Markets Index: designed to measure equity market performance in 25 emerging market indexes. The three largest industries are materials, energy and banks.

MSCI Local Currency Index: a special currency perspective that approximates the return of an index as if there were no currency valuation changes from one day to the next.

NASDAQ Global Real Estate Index: the index measures the performance of real estate stocks which listed on an Index Eligible Global Stock Exchange. The index is market-capitalization weighted.

Russell 1000 Index: measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the investible U.S. equity market.

Russell 1000 Value Index: measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 1000 Growth Index: measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell Mid-Cap Index: measures the performance of the 800 smallest companies of the Russell 1000 Index, which represent approximately 30% of the total market capitalization of the Russell 1000 Index.

Russell Mid-cap Value Index: measures the performance of those Russell Mid-cap companies with lower price-to-book ratios and lower forecasted growth values.

Russell Mid-Cap Growth Index: measures the performance of those Russell Mid-cap companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Index: measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

Russell 2000 Value Index: measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index: measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 3000 Index: measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

INDEX DESCRIPTIONS (continued)

Standard & Poor's 500 (S&P 500): measures changes in stock market conditions based on the average performance of 500 widely held common stocks. Represents approximately 68% of the investable U.S. equity market.

S&P 500 Consumer Discretionary: comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer discretionary sector.

S&P 500 Consumer Staples: comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer staples sector.

S&P 500 Energy: comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.

S&P 500 Financials: comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector

S&P 500 Health Care: comprises those companies included in the S&P 500 that are classified as members of the GICS® health care sector.

S&P 500 Industrials: comprises those companies included in the S&P 500 that are classified as members of the GICS® industrials sector.

S&P 500 Information Technology: comprises those companies included in the S&P 500 that are classified as members of the GICS® information technology sector.

S&P 500 Materials: comprises those companies included in the S&P 500 that are classified as members of the GICS® materials sector.

S&P 500 Telecom Services: comprises those companies included in the S&P 500 that are classified as members of the GICS® telecommunication services sector.

S&P 500 Utilities: comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.