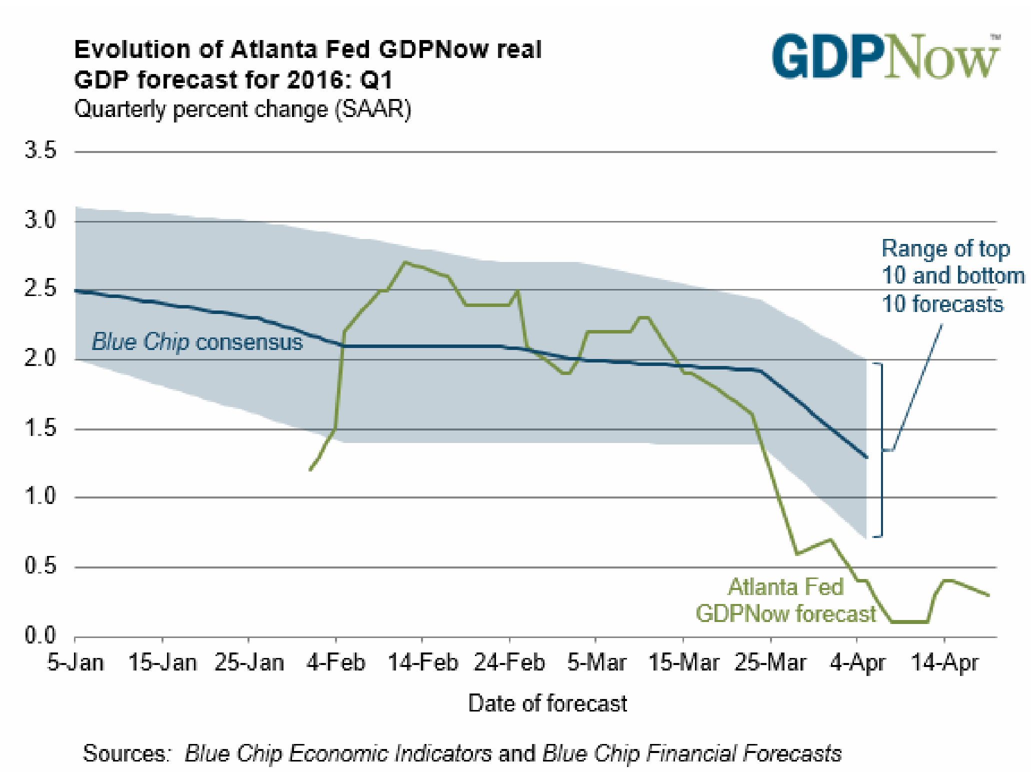
First Quarter 2016

Economic Update: Continued slow growth

Recent consumer spending, business investment and international trade data suggest US growth slowed to below a 1% annualized rate in the first quarter after expanding at an anemic 1.4% percent in the fourth quarter of 2015[1]. The Atlanta Federal Reserve publishes a real time GDP estimate called GDPNow. As you can see, their GDP forecast is below 1% and below the downward trending consensus.



Capital Markets: Volatile

S&P 500 earnings, otherwise known as corporate profits, have declined the past five quarters, through December 31, 2015. What is worse is that the number of shares of S&P 500 companies

[1] Reuters, April 7, 2016

is down 4% during the past year[2]. A reduced share count would tend to inflate the per-share earnings but even so, corporate profits continue to decline. The anticipated stream of future profits determines stock valuations. The weak global economies and declining corporate profits are warnings worth watching.

During the first quarter, all of the major global stock indexes suffered significant declines into the middle of February. Shanghai and Japanese stocks were down more than 20%. The US S&P 500 was down more than 12%. Most markets have rallied back to the end of the quarter; although, all but the S&P 500 are still negative year-to-date (see Exhibit A.).

Our various risk indicators have recovered significantly through the end of March after being very concerning earlier in the month. We continue to be cautious of general stock market prospects – valuations are still very high, prospective returns are low and downside risk is significant.

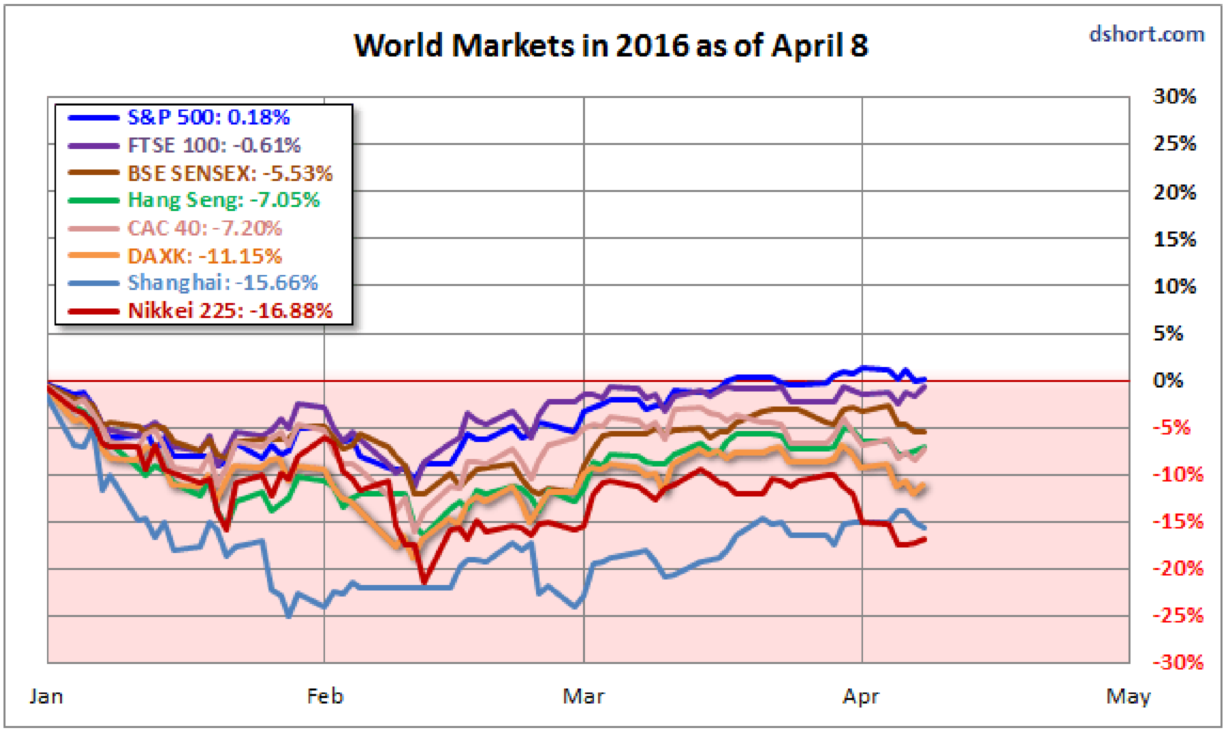


Exhibit A

S&P 500: US 500 large cap stocks
FTSE 100: UK 100 large cap stocks
BSE Sensex: Bombay, India 30 large stocks
Hang Seng: Hong Kong stock market
CAC 40: French 40 large stocks
DAXK: German stocks
Shanghai: Shanghai, China stocks
Nikkei 225: Japanese 225 large stocks

[2] Per Standard and Poors

Portfolios

Generally speaking, our portfolios withstood the first quarter barrage well. We had very little, if any direct exposure to the worst performers shown in Exhibit A. During the middle part of February, when general stock market losses were at their worst, our portfolios were down approximately 1.25%[3]. For the quarter, our fixed income investments (DLTNX, DODIX, PBDDX, DLSNX, TPINX) were positive performers[4]. Our alternative investments were collectively flat. For the first time in years, our precious metals stocks had a very strong quarter (PMPIX +61%, GDXJ +48%, TGLDX +33%)[5] and we reduced exposure to these during the quarter. Our worst-performing investments were in the energy sector (Toscana Energy, XLE), but the allocations were relatively small (approximately 1% and 5% respectively). Our three-pillar investment approach (stocks, bonds, alternatives) continues to smooth out our overall performance and the first quarter was a profitable one.

Thank you for your continued trust and support.

Trevor K. Holsinger and Steve Small

Disclosure:

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[3] Net of management fees; based on Small, Growth & Conservative model portfolios invested from 12/31/2015 through February 11, 2016.

[4] Based on Morningstar and holding investments from beginning to end of quarter.

[5] PMPIX gain is through 1/1/16 - 2/12/16; GDXJ gain is through 1/1/16 - 3/4/16; TGLDX gain is through 1/1/16 - 3/21/16. All are net of management fees.