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Dear Client,

This letter contains news and views that I feel will be of interest to you. As always, please call me at your convenience to set up your quarterly meeting.

Contents:

Going, Sebastien, Fisher & Le Bouef, LLP News:

- Craig and Darren attended the 2016 AICPA Personal Financial Planning Conference January 17-20, 2016 in Las Vegas, NV. Sessions attended included Investment Outlook, Tax Strategies for Retirees, Smart-Beta Investing, Using Life Insurance to Increase Your Net After-Tax Return on Investment, and Critical IRA Tax Planning Issues.
- GSF&L is constantly looking for asset classes to include in clients' portfolios to increase income or reduce risk or both. We have been offering Insurance-Linked Securities since last year as an alternative asset class for clients and may soon start offering alternative lending securities (see article included in this newsletter), so feel free to contact us for more details.

Investment Views:

- ***Morningstar Data - Through March 31, 2016 - Year-to-date returns -*** S&P 500 1.35%, Dow Jones Industrial Average 2.20%, NASDAQ Composite (dollars) -2.43%, Morningstar Small Cap Core 3.64%, MSCI EAFE (dollars) -3.01%, and the Barclays U.S. Aggregate Bond Index 3.03%.

- ***Northern Trust – Weekly Economic Commentary – April 1, 2016 –*** Oil prices gained more than 50% during the first quarter in what was essentially a supply story. Inventories suggest that the supply glut will be with us for a long while. The rig count has been falling alarmingly in the United States – currently at a low last seen at the turn of the century. In the longer term, lack of capacity, demand growth and depletion of known reserves will certainly place upward pressure on prices. But these factors may take some time to gain the upper hand. It appears that cheap oil will be with us for some time.

- ***Bureau of Economic Analysis – March 25, 2016 -*** Real Gross Domestic Product (GDP) – the value of goods and services produced by the nation's economy less the value of the goods and services used up in production increased at an annual rate of 1.4% in the fourth quarter of 2015 as compared to a 2.0% increase in the third quarter 2015. Personal Income increased 0.2% in February 2016 as compared to 0.5% in January.

- ***Bureau of Labor Statistics – March 16, 2016 –*** On a seasonally adjusted basis, the Consumer Price Index for All Urban Consumers declined 0.2% in February, and over the last 12 months the all items index rose 1.0% before seasonal adjustment. Total nonfarm payroll employment rose by 215,000 in March, and the unemployment rate was little changed at 5.0%.

***C*raig's Thoughts and Views:**

The Importance of Emergency Savings

Most investors should hold some level of cash and similar cash equivalents (or short-term investments) such as CDs, money market funds, and short-term treasuries. The amount of these investments held should include and emergency level over-and-above the dedicated allocation assigned within a long-term investment plan.

The reasoning behind this is simple – if an emergency pops up that requires funding, you would not want to disrupt an investment strategy intended to fund a comfortable retirement or other long-term goals.

A variety of factors should be considered in deciding how much to save for a rainy day or for emergency purposes. Some of the important questions to consider are:

- How secure is your job? For people that have less job security, a higher emergency savings fund may be needed.

- Does your household have one or two incomes? One-earner households may want to consider having a larger emergency stash.

- How is your health? People with potential health concerns may need to set more aside.

- Do your insurance policies: health, auto, and home/rental have a high level of deductibles?

- How many family members rely on your income? Children and parents that need help could justify keeping more in a safety fund.

Obviously, individual circumstances will determine the "correct" amount of emergency cash to put away. One approach is to keep an amount adequate to cover four to six months of household expenditures. Another method is to calculate a level of total liquid assets based on your total current debts. For example, suppose your mortgage, car, and student loans require expenditures of $25,000 over the next year. A rule of thumb is to maintain somewhere between one and two times as much ($25,000 to $50,000) in liquid assets.

Alternative Lending Securities

Historically banks have been key to the creation of credit because of their ability to take in low cost of funds deposits and loan the money out at higher rates. There have always been non-bank channels that paralleled traditional banking; however, they were very small niches. Over the past decade new type of lender has emerged to gain some market share in the area of lending. Initially known as "Peer-to-Peer Lenders," these platforms have taken market share from traditional banks while also expanding a more widely available borrower market. Alternative lenders, as they are also known as, are characterized by innovative technology in the underwriting process and non-deposit funding to make the loans. In 2016, it is estimated that alternative lenders will originate $30 billion in loans and $150 billion by 2020 (Source: Global Marketplace Lending, "Morgan Stanley research, May 19, 2015). Alternative lending may mark the beginning of a fundamental shift of fixed income investing from banks to outside investors.

There appears to be economic advantages in alternative lending compared to traditional banks in the areas of efficiency and cost. For example, JP Morgan, Bank of America, and other large banks have more than 5,000 physical branches each. Alternative lenders streamline the underwriting process by directly integrating their platform with various accounting/financial softwares such as Intuit, Quickbooks, and online banking. In contrast, most banks manually request borrower financial statements that have to be standardized causing a more expensive and slower process. Loans originated from alternative lenders are fully funded as compared to the fractional reserve lending of banks; therefore, bank runs are virtually impossible. The efficiencies from alternative lenders help drive cost savings which add up and provide for a lower operating cost than average large banks.

In the consumer loan space, alternative lender platforms have taken some market share from banks by offering lower rates and a more user friendly online experience. For many consumers (borrowers) these loans are an alternative to credit card debt. Some common uses of alternative lending proceeds are debt consolidation, home improvement, and various major purchases. Unlike credit card debt, these loans are fixed rate and monthly payments are debited from the borrower's bank account. Lending Club is a dominant lending platform in the U.S. with over $1 billion in liquid assets and prime borrowers with an average FICO score of 699. There are similar platforms used in other developed countries such as Australia, New Zealand, and Europe.

In the small business loan market, traditional bank lending became somewhat impaired during the financial crisis and has never fully recovered. After the financial crisis, large banks expanded their portfolio of business loans over $1,000,000 and at the same time pulled back from traditional smaller loans (Source: Federal Financial Institution Examination Council data). According to the Wall Street Journal (November 26, 2015), the underwriting process for large banks costs the same to originate a $100,000 loan as it does a $10 million loan. Small businesses needing to borrow capital have had to resort to credit cards that have higher rates. Alternative lenders have taken market share in this segment by using cost-effective methods to originate loans.

Alternative lending platforms offer yields that are attractive relative to more traditional forms of fixed income (investment grade corporate bonds, high yield corporate bonds, and government securities). Because loan terms for alternative lenders tend to be shorter in duration as compared to corporate and government securities, investors tend to get repaid quicker. Risk of non-payment relative to credit card debt is reduced because alternative loans are auto-debited from the borrower bank accounts. In the case of small business loans, there is additional security in the loan guarantee. However, across a large pool of consumer and small business loans, some loans will default (and could increase during times of economic stress). Reviewing consumer and business loan charge-off rates provided by the Federal Reserve from years 1985-2015, consumer loan and business loan write offs peaked at about 6.5% and 2.0 %, respectively, during the 2008-2010 financial crisis. Using data as of December 31, 2015, Lending Club alternative lending yields were 13% for consumer loans and 13.8% for small business loans based on average weighted loan yields, which indicates charge-off rates have never risen to a level where lenders faced principal losses. Those yields compared to 3-year treasury

1.3%, Barclays U.S. Aggregate 3.2% and High Yield Corporate 9.1% as provided by Bloomberg as of December 31, 2015.

Alternative lending appears to present an opportunity for investors to directly access additional credit risk (in addition to the conventional fixed income securities), particularly during a time (like today) when traditional fixed income returns have been lower than historical standards.

GSF&L, LLP Registered Investment Advisors:

We can never know what the future holds, but we can make informed decisions regarding investment strategies and portfolio allocations. We (GSF&L) make changes based on our perception of opportunities in the capital markets. We assimilate fundamental, technical, and economic information to make informed decisions. Of course it is important to have long-term focus on portfolio management, but with a critical analysis of intermediate strategies.

Managing risks and opportunities are important to portfolios and reaching one's financial needs and goals. Having a complimentary understanding of investment horizon and attitude toward risk are equally important. Markets and economies do not always behave as we expect them to. That is the problem with investing! There is no luck to professional investing. You can no more have a successful, disciplined approach by luck or accident than you can win a chess tournament by luck or accident.

If you know of someone who may fit our financial and investment planning philosophy, please mention our name. We are a small organization and intend to remain so. A solid organization makes it possible for us to spend our time managing our business rather than each other. Because everyone has so much to do, much gets done. We will forego any growth opportunity that may detract from our ability to serve our clients as they have become accustomed to. We never expect to be among the biggest, but our attention to be among the best is not subject to compromise.

Regards,

Craig

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NASDAQ composite measures the performance of all issues listed in the NASDAQ Stock Market, except for rights, warrants, units, and convertible debentures. The S&P 500 is made up of 500 common stocks representing major U.S. industry sectors. The Dow Jones Industrial Average contains 30 stocks that trade on the New York Stock Exchange (NYSE) which reflect the performance of 30 large American companies. The Morgan Stanley Capital International Europe, Australia, and Far East Index (MSCI EAFE) is a market-weighted aggregate of 20 individual country indexes that collectively represent many of the major markets of the world, excluding Canada and the U.S. The Lehman Brothers U.S. Aggregate Bond Index tracks performance of debt instruments issued by corporations and the U.S. Government and its agencies. The returns for this index are total returns, which includes reinvestment of dividends. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 8% of the total market capitalization of the Russell 3000 index.

All indices are unmanaged. It is not possible to invest in an index.

Past performance is no guarantee of future results.

Diversification does not assure against market loss.

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