

INTERMARKET FORECASTING

PRESCIENCE BACKED BY SCIENCE

TRACK RECORD 2016



IFI delivered good forecasting results in 2016, with an overall success rate of 61%, close to our 16-year average of 65%. We also out-performed Wall Street strategists for the 13th time in 16 years. We predicted the dollar's appreciation, the out-performance of U.S. equities versus bonds and bills, the up-shift in the Treasury yield curve, and the rich returns seen on the bonds of Brazil, Greece, and Russia. Three of our four model portfolios out-performed benchmarks (page 5), extending our long-term track record (pages 14-16). Where were we wrong? We predicted a drop in commodity prices (ex-energy), consistent with our forecast of dollar strength, but instead most commodity prices increased. Also, twice as many foreign equity indexes declined as we predicted. The main results:

- Global equities gained 5.0% but IFI's **Global equity portfolio** out-performed by 3.5% points, due to our large portfolio weighting for the U.S. (47%), which returned 11.9%. Asia and Europe posted only single-digit gains, while Latin America performed best (Table 4, page 5).
- Our **U.S. Specific portfolio** (Table 4, page 5) returned 12.5%, due mainly to a large allocation to equities (75%), which returned 15.5%. We advised only a 20% allocation in bonds (which returned just 4.5%) but nothing in commodities (which gained 9%). The portfolio easily beat the benchmark (65% stocks, 30% bonds, 5% T-Bills), by 4.7% points (see Table 4, page 5).
- Our model portfolio for **U.S. Equity Styles** returned 15.5%, yet marginally under-performed the benchmark of equal-weighted styles by 1.5% points (Table 4, page 5). We recommended the largest allocations (40% each) in large-cap growth and small-cap growth, which returned 5.2% and 20.7%, respectively, but we advised too low share for small-cap value (15%), which performed best (29.5%) In **sector rotation** (Tables 8 and 9, pages 9-10) our five *most-favored* sectors delivered a weighted gain of 7.7% versus a gain of 0.7% for our five *least-favored* sectors. Overall, our model sector portfolio gained 8.4%, yet still trailed the S&P 500 by 1.0% point.
- IFI's model portfolio for **U.S. Specific Fixed Income** returned 4.5%, besting the 0.1% gain on the benchmark Barclays Aggregate Government-Corporate Bond Index (Table 4, page 5). We were right to advise large allocations in junk bonds (40%) and convertible bonds (35%), which returned 6.9% and 5.2%, and nothing in T-Bonds, which lost 1% (Table 4, page 5).
- We correctly predicted the 4% gain in the **U.S. Dollar Index** and most of the dollar's moves versus specific foreign currencies, as well as the rise in oil and other energy prices, but gains in most other **commodity prices** as well defied our expectations (Table 5, page 6)
- We out-performed peers (ten strategists) on U.S. economic growth and profits, but they were right to be more bullish on equities and less bearish on T-bonds than we (Table 12, page 13).
- We began this service 16 years ago and our forecasting success rate (2001-2016, inclusive) has averaged 65% (Table 2, page 3). Since the inception of our **four model portfolios** in 2002, they've materially out-performed their benchmarks on a long-term, annually-compounded basis (2.7% pts p.a.), as well as in 86% of all the years (pages 14-16).

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IFI's Market-Based Forecasting Method

IFI's unique forecasting system uses signals from forward-looking market prices to anticipate risk-adjusted returns on currencies, commodities, stocks, bonds and bills globally. We eschew reliance on economic or accounting data, which are backward-looking, perpetually revised and thus incapable of capturing the outlooks and incentives faced by market-makers with their own capital (or their clients' capital) at risk. IFI's most powerful, best-known signal is the Treasury yield curve, which has a stellar forecasting record with many practical applications. Our mission is to help our institutional investment clients consistently out-perform both benchmarks and peers.

IFI's core method seeks and discovers the causal, quantitative, predictive, and exploitable relationships that exist among asset prices consistent with classical (or "supply-side") economics is to seek and discover causal, quantitative, predictive, and exploitable relationships among asset prices consistent with classical (or "supply-side") economics,¹ market-clearing price theory, market efficiency and empirical financial history. The finance-investment research on which we rely most is Arbitrage Pricing Theory (APT),² which holds that market prices reflect the combined, forward-looking wisdom of the most astute market-makers, and as such, also reliably embody forecasts. We "decode" the predictive messages of markets by performing rigorous regression analyses on price data and using only statistically significant explanatory factors. We employ no "gurus" and reject the conventional resort to subjective "hunches," anecdotes, and pop psychology. Our aim, in brief, is to provide *prescience backed by science*.

We don't approach the facts from one-sided "top-down" or "bottom-up" angles but instead explore the reliable *inter-connections that exist* among the five main markets (currencies, commodities, equities, bonds and bills) while incorporating judgment about political-legal factors.³ We use markets to forecast markets, while competitors use

backward-looking, oft-revised economic-accounting data and believe that business cycles and asset returns are driven by consumers, "animal spirits," or randomness.⁴

History shows that initial asset allocations explain more than 80% of the variation in subsequent investment returns, while security selection and buy-sell timing account for less than 20% of results. By forecasting asset-class performance, IFI focuses on the element of investment decision-making that most influences investment returns. Our time horizon is *one-year*, because there we find the most dependable forecasting success. We also provide forecasts a half-year ahead, which are slightly less reliable. Optimal use of our forecasting system is achieved by *tactical asset allocation* (with a year-ahead horizon) versus day-trading, "market timing," or strategic asset allocation (multi-year horizons).

Investors today have many practical means of profiting by broad-based forecasts and asset-allocation advice. It's unnecessary (and dangerous) to be a "stock picker" (or bond picker) and both safer and wiser to profit from forecasts of broad asset classes and sub-classes.⁵ All variables in our comprehensive monthly report, *The InterMarket Forecaster*, are *investable* assets. It can be wasteful to focus on GDP, CPI, jobs reports and all the other non-investable data issued by bureaucrats and discussed *ad nauseam* by economists. Macro-variables are relevant only to the extent they're relied upon by public policymakers.

All reports in 2016 are listed on pages 17-18. Clients can access an archive (starting in 2000) by access code on our web-site. "Track Record 2016" measures performance based on "Outlook 2016" (issued a year ago). As market conditions and price signals changed during the year we altered our forecasts, but to be objective we focus here on our year-ahead outlook a year ago. As usual we include *all* forecasts and results – the good, bad or ugly.⁶

¹ See "Saysian Economics," *The Capitalist Advisor*, InterMarket Forecasting, Inc., December 31, 2003 (Part I) and January 5, 2004 (Part II).

² See "Arbitrage Pricing Theory," http://en.wikipedia.org/wiki/Arbitrage_pricing_theory. For technical articles on APT specifically and multi-factor forecasting models generally, see <http://www.kellogg.northwestern.edu/faculty/korajczy/htm/aplhist.htm>. For APT articles focused on investment applications and forecasting using the yield curve (or "the term structure of interest rates"), see the work of Campbell Harvey, finance professor at Duke's Fuqua School of Business (<http://www.duke.edu/~charvey/research.htm>).

³ For more on our basic forecasting framework, see "Introducing the 'Policy Mix Index,'" *The Capitalist Advisor*, April 23, 2002 and "The Basics of Inter-Market Forecasting," *The Capitalist Advisor*, September 7, 2004.

⁴ On how and why we're distinct from competitors, see "Debating Doctor Doom – Part I," *The Capitalist Advisor*, January 27, 2009. "Debating Doctor Doom – Part II," *The Capitalist Advisor*, January 31, 2009; "Doctor Doom Revisited," *The Capitalist Advisor*, February 28, 2010; "The 'Who' vs. 'What' of Investing: The Irrelevance of PIMCO on T-Bond Returns," *Investor Alert*, March 31, 2011; "Wall Street Strategists 'Predict' Last Year's Equity Performance Instead of Next Year's – Unlike IFI," *Investment Focus*, March 31, 2012; "Should Investors Trust Economic Data?," *Investment Focus*, December 20, 2013; "The Roots of Wall Street's Mistaken Bearishness," *Investment Focus*, March 8, 2013; and "Wall Street Strategists Again Lagging IFI," *Investor Alert*, September 12, 2014.

⁵ See "Exchange-Traded Funds: Asset Allocation Made Easy," *Investment Focus*, April 11, 2003.

⁶ Some forecasters dishonestly "cherry-pick" their track records so as to emphasize only their successes; IFI prides itself on presenting the *full* record, not a mere *partial* one. Of course, there's nothing magical about measuring forecasting success solely in the calendar year after December; it's merely a convention in the field. The reports we issue *during* the year also can be consulted for our subsequent forecasting success. Please contact IFI for full details.

Table One

Forecasted Variables and IFI's Success Rate in 2016

<u>Table</u>	<u>Page</u>	<u>Category</u>	<u># of Variables</u>	<u>Correctly Forecasted</u>	
				<u>Number</u>	<u>Percent</u>
3	5	Returns on IFI Model Portfolios	4	3	75%
5	6	U.S. Dollar & Commodities	44	17	39%
6	7	U.S. Money Market & Fixed Income	14	13	93%
7	8	U.S. Fixed Income Indexes	25	21	84%
8, 9	9, 10	U.S. Equities (Broad), Styles & Sectors	33	21	64%
10	11	International Currencies & Fixed Income	32	22	69%
11	12	International Equities	<u>31</u>	<u>14</u>	<u>45%</u>
Total			183	111	61%
IFI vs 12 Other Strategists			Out-Performed by IFI		
<u>Table</u>	<u>Page</u>	<u>Category</u>	<u># of Competitors</u>	<u>Number</u>	<u>Percent</u>
12	13	S&P 500 Price Index	10	2	20%
12	13	S&P 500 Earnings per Share	10	9	90%
12	13	10-Year U.S. Treasury Bond Yield	10	1	10%
12	13	U.S. Real GDP Growth	10	<u>10</u>	<u>100%</u>
Average				5.5	55%

Table Two

IFI'S Annual Track Records

2003 - 2016

<u>Year</u>	<u># of Variables</u>	<u>% Correct</u>	<u>Above/ Below Average</u>	<u>% of WS Peers Surpassed</u>
2001	68	70%	5%	64%
2002	100	60%	-5%	79%
2003	140	84%	19%	58%
2004	136	78%	13%	48%
2005	148	70%	5%	83%
2006	148	65%	0%	54%
2007	126	49%	-15%	72%
2008	126	48%	-17%	63%
2009	125	79%	15%	54%
2010	126	72%	8%	52%
2011	129	33%	-32%	40%
2012	129	80%	15%	65%
2013	129	67%	2%	63%
2014	185	56%	-8%	33%
2015	182	62%	-3%	55%
2016	183	61%	-4%	55%
AVG	136	65%		59%

For details on annual and cumulative returns on IFI's four model portfolios (2003-2016)—and relative to benchmarks—see pages 14-16.

Table Three

IFI's Asset Allocation Recommendations in 2016

Allocations Assume a One-year Time Horizon

	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	Jul 2016	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016
<u>Global Investor</u>													
U.S.	47%	47%	51%	50%	48%	44%	41%	39%	32%	33%	34%	33%	32%
Asia-Pacific/Japan	35%	35%	31%	29%	30%	29%	33%	33%	37%	39%	41%	42%	43%
Europe/U.K.	17%	17%	16%	17%	18%	16%	12%	10%	8%	8%	8%	9%	13%
Latin America/Canada	<u>1%</u>	<u>1%</u>	<u>2%</u>	<u>4%</u>	<u>4%</u>	<u>11%</u>	<u>14%</u>	<u>18%</u>	<u>23%</u>	<u>20%</u>	<u>17%</u>	<u>16%</u>	<u>12%</u>
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<u>U.S.-Specific Investor</u>													
Equities	75%	75%	65%	55%	50%	40%	30%	20%	15%	15%	10%	15%	20%
Bonds (U.S. & Corporate)	20%	20%	25%	30%	25%	30%	35%	45%	50%	50%	50%	40%	30%
Bills (T-Bills & Aaa C/P)	5%	5%	10%	15%	20%	20%	20%	15%	15%	15%	30%	35%	45%
Commodities/Gold	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>5%</u>	<u>10%</u>	<u>15%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>10%</u>	<u>10%</u>	<u>5%</u>
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<u>U.S.-Specific Fixed Income Investor</u>													
U.S. T-Bonds (Long Position) [ILH-ILT]	0%	0%	0%	5%	0%	0%	10%	20%	20%	15%	10%	0%	0%
U.S. T-Bonds (Short Position) [TBF]	5%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	10%	15%
Inflation-Indexed Bonds [IIP]	0%	0%	0%	0%	0%	5%	10%	10%	10%	10%	10%	10%	5%
Medium-Term T-Notes [IEI]	10%	10%	20%	25%	30%	35%	35%	30%	25%	30%	35%	40%	45%
Invest.-Grade Corp. Bonds [LQD]	5%	5%	15%	15%	25%	25%	30%	35%	40%	40%	40%	35%	30%
High Yield Corporate Bonds [HYG]	40%	40%	30%	25%	20%	20%	15%	5%	5%	5%	5%	5%	5%
Mortgage-Backed Bonds [MBB]	5%	5%	10%	15%	15%	10%	0%	0%	0%	0%	0%	0%	0%
Convertible Corp. Bonds [CWB]	<u>35%</u>	<u>35%</u>	<u>25%</u>	<u>15%</u>	<u>10%</u>	<u>5%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<u>U.S.-Specific Equity Investor</u>													
Large-Cap Growth [IVW]	40%	40%	35%	30%	30%	30%	25%	20%	20%	20%	20%	20%	25%
Large-Cap Value [IVE]	5%	5%	10%	20%	20%	20%	25%	30%	30%	30%	30%	30%	25%
Small-Cap Growth [IJT]	40%	40%	35%	30%	30%	30%	30%	30%	30%	30%	30%	30%	35%
Small-Cap Value [IJS]	<u>15%</u>	<u>15%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>15%</u>
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table Four

Returns on Major Asset Classes & IFI's Model Portfolios

Based on Advised Portfolio Weightings at the Beginning of 2016 *

<u>Portfolio #1: Global Equity Investor</u>	Advised	<u>Total Returns per Asset Class</u>	
	<u>Weighting</u>	<u>Absolute</u>	<u>Weighted Avg.</u>
U.S. (S&P 500)	47%	11.96%	5.62%
Asia-Pacific/Japan	35%	7.03%	2.46%
Europe/U.K.	17%	1.11%	0.19%
Latin America/Canada	1%	26.13%	0.26%
Sum of Weighted-Average Returns (in US\$):			8.53%
Benchmark Return (MSCI World AC, in US\$):			5.00%
Excess/Deficient Return, IFI Portfolio vs. Benchmark:			3.53%

<u>Portfolio #2: U.S.-Specific Investor</u>	Advised	<u>Total Returns per Asset Class</u>	
	<u>Weighting</u>	<u>Absolute</u>	<u>Weighted Avg.</u>
Equities (1)	75%	15.48%	11.61%
Bonds (Treas. & Corp.) (2)	20%	4.46%	0.89%
3-Month Treasury Bills	5%	0.04%	0.00%
Commodities/Gold (3)	0%	8.96%	0.00%
Sum of Weighted-Average Returns:			12.50%
Benchmark Return (4):			7.79%
Excess/Deficient Return, IFI Portfolio vs. Benchmark:			4.71%

1. See weighted-average calculation from "U.S.-Specific Equity Investor"
2. See weighted-average calculation from "U.S.-Specific Bond Investor"
3. Half from the Goldman Sachs Commodity Index (GSCI) and half from gold
4. Benchmark: 65% Equities (S&P 500) + 30% Bonds (Barclays-AGG) + 5% T-Bills = 100%

<u>Portfolio #3: U.S.-Specific Equity Investor</u>	Advised	<u>Total Returns per Asset Class</u>	
	<u>Weighting</u>	<u>Absolute</u>	<u>Weighted Avg.</u>
Large-Cap Growth (in S&P 500) [IVW]	40%	5.17%	2.07%
Small-Cap Growth (in S&P 600) [IJT]	40%	20.67%	8.27%
Small-Cap Value (in S&P 600) [IJS]	15%	29.45%	4.42%
Large-Cap Value (in S&P 500) [IVE]	5%	14.51%	0.73%
Sum of Weighted-Average Returns:			15.48%
Benchmark Return (50% in S&P 500, 50% in S&P 600):			17.01%
Excess/Deficient Return, IFI Portfolio vs. Benchmark:			-1.53%

<u>Portfolio #4: U.S.-Specific Bond Investor</u>	Advised	<u>Total Returns per Asset Class</u>	
	<u>Weighting</u>	<u>Absolute</u>	<u>Weighted Avg.</u>
High Yield Corporate Bonds [HYG]	40%	6.90%	2.76%
Convertible Corp. Bonds [CWB]	35%	5.19%	1.82%
Medium-Term T-Notes [IEI]	10%	-0.08%	-0.01%
Invest.-Grade Corp. Bonds [LQD]	5%	2.71%	0.14%
U.S. T-Bonds (Short Position) [TBF]	5%	-3.52%	-0.18%
Mortgage-Backed Bonds [MBB]	5%	-1.28%	-0.06%
U.S. T-Bonds (Long Position) [ILH-ILT]	0%	-1.09%	0.00%
Inflation-Indexed Bonds [TIP]	0%	2.92%	0.00%
Sum of Weighted-Average Returns:			4.46%
Benchmark Return (Barclays Aggregate Bond Index):			0.05%
Excess/Deficient Return, IFI Portfolio vs. Benchmark:			4.42%

* "Outlook 2016," January 22, 2016.

For details on annual and cumulative returns on IFI's four model portfolios (2003-2016)—and relative to benchmarks—see pages 14-16.

Table Five

The U.S. Dollar & Commodities

IFI Forecasts versus Actual Results, Dec. 2015 - Dec. 2016

<u>U.S. Dollar in Foreign Exchange</u>	<u>% Changes in 2016</u>		<u>Directionally</u>
	<u>Forecasted</u>	<u>Actual</u>	<u>Correct?</u>
Dollar Index	4.5%	3.7%	yes
in Euro	4.9%	3.3%	yes
in JapaneseYen	5.0%	-4.6%	no
in Swiss Franc	4.3%	2.4%	yes
in British Pound	4.8%	20.0%	yes
in Canadian Dollar	1.5%	-2.7%	no
in Australian Dollar	5.4%	-1.3%	no
in Mexican Peso	5.7%	20.1%	yes
in Brazilian Real	8.7%	-13.6%	no
<u>Broad Commodity Indexes</u>	<u>% Changes in 2016</u>		<u>Directionally</u>
	<u>Forecasted</u>	<u>Actual</u>	<u>Correct?</u>
CRB Index: Spot Prices (All Commodities)	-5.8%	11.8%	no
Diversified Basket of Commodities [DBC]	-3.7%	14.9%	no
Precious Metals [DBP]	-9.9%	7.7%	no
Base Metals [DBB]	-6.7%	32.1%	no
Energy Products [DBE]	2.9%	16.9%	yes
Agricultural Goods [DBA]	-6.4%	-2.8%	yes
Goldman Sachs Commodity Index [GSP]	0.5%	6.7%	yes
<u>Specific Commodities</u>	<u>% Changes in 2016</u>		<u>Directionally</u>
	<u>Forecasted</u>	<u>Actual</u>	<u>Correct?</u>
Aluminum	-6.2%	15.0%	no
Coal	-5.2%	6.4%	no
Cocoa	-9.8%	-29.1%	yes
Coffee	-6.0%	15.9%	no
Copper	-7.9%	21.6%	no
Corn	-1.3%	-3.1%	yes
Cotton	-5.9%	12.7%	no
Crude Oil	4.3%	39.7%	yes
Electricity	10.4%	2.5%	yes
Gasoline	1.1%	19.1%	yes
Gold	-10.2%	7.8%	no
Heating Oil	-3.8%	40.6%	no
Lead	-10.3%	26.7%	no
Lean Hogs	-1.7%	3.1%	no
Live Cattle	-4.6%	-14.2%	yes
Natural Gas	2.4%	67.0%	yes
Nickel	-4.5%	28.7%	no
Oats	-9.1%	-0.3%	yes
Orange Juice	-12.2%	33.3%	no
Palladium	-11.1%	27.4%	no
Platinum	-5.9%	6.6%	no
Silver	-12.6%	17.2%	no
Soybeans	-5.1%	17.2%	no
Steel	-2.9%	76.5%	no
Sugar	-8.7%	24.3%	no
Tin	-9.4%	44.7%	no
Wheat	-5.7%	-14.1%	yes
Zinc	-5.3%	74.4%	no

Table Six

U.S. Money Market & Fixed Income

IFI Forecasts versus Actual Results, Dec. 2015 - Dec 2016

	<u>Yield Levels (averages in %)</u>				Forecasted	Actual	Directionally <u>Correct?</u>
	<u>Actual</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Actual</u>	Change in	Change in	
	<u>Dec 15</u>	<u>Jun 16</u>	<u>Dec 16</u>	<u>Dec 16</u>	<u>2016 (bps)</u>	<u>2016 (bps)</u>	
<u>U.S. Treasury Yield Curve</u>							
Fed Funds Rate	0.24	0.50	0.75	0.54	51	30	yes
3 mo. T-Bill Rate	0.23	0.48	1.10	0.51	87	28	yes
2 yr. U.S. Treasury Note Yield	0.98	1.36	1.74	1.20	76	22	yes
5 yr. U.S. Treasury Note Yield	1.70	1.99	2.27	1.96	57	26	yes
10 yr. U.S. Treasury Note Yield	2.24	2.63	3.02	2.49	78	25	yes
30 yr. U.S. Treasury Note Yield	2.97	3.31	3.64	3.11	67	14	yes
					<u>Forecasted</u>	<u>Actual</u>	
Long-Term U.S. Treasury Bonds (absolute):					-6.35%	-1.09%	yes
Long-Term U.S. Treasury Bonds Relative to U.S. Treasury Bills:					-6.95%	-1.13%	yes
	<u>Yield Levels (averages in %)</u>				Forecasted	Actual	Directionally <u>Correct?</u>
	<u>Actual</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Actual</u>	Change in	Change in	
	<u>Dec 15</u>	<u>Jun 16</u>	<u>Dec 16</u>	<u>Dec 16</u>	<u>2016 (bps)</u>	<u>2016 (bps)</u>	
<u>U.S. Corporate Bond Yields (%)</u>							
Non-Investment Grade	8.63	8.33	7.99	6.28	-64	-235	yes
Investment-Grade (Baa-rated)	5.46	5.40	5.35	4.40	-11	-106	yes
Investment-Grade (Aaa-rated)	3.97	4.02	4.07	3.63	10	-34	no
<u>U.S. Corp. Yield Spreads to 10-yr T-Bond (bps)</u>							
Non-Investment Grade	639	570	497	379	-142	-260	yes
Investment-Grade (Baa-rated)	322	277	233	191	-89	-131	yes
Investment-Grade (Aaa-rated)	173	139	105	114	-68	-59	yes

Table Seven

U.S. Fixed Income Indexes: Government, Corporate & MBS

IFI Forecasts versus Actual Results, Dec. 2015 - Dec 2016

<u>Composite Bond Indexes</u>	<u>ETF</u>	<u>% Changes in 2016</u>		<u>Directionally</u>
		<u>Forecasted</u>	<u>Actual</u>	<u>Correct?</u>
Total U.S. IG Bonds	AGG	-2.5%	-0.5%	yes
Total U.S. IG Bonds (Float-Adj.)	BND	-1.4%	-0.6%	yes
<u>U.S. Govt. Bills, Notes & Bonds</u>				
3 Month U.S. Treasury Bill	BIL	0.2%	0.1%	yes
1-3 Year U.S. Treasury Notes	SHY	0.0%	0.0%	yes
3-7 Year U.S. Treasury Notes	IEI	-1.1%	-0.6%	yes
7-10 Year U.S. Treasury Notes	IEF	-2.3%	-1.5%	yes
10-20 Year U.S. Treasury Bonds	TLH	-5.2%	-1.9%	yes
20+ Year U.S. Treasury Bonds	TLT	-7.0%	-2.8%	yes
U.S. Inflation-Protected T-Bond	TIP	1.2%	2.3%	yes
Short: 20+ Yr. U.S. T-Bonds	TBF	7.0%	-1.8%	no
<u>U.S. Agency, MBS, & Municipals</u>				
GSE Mortgage Agency Bonds	AGZ	1.5%	-0.6%	no
Residential MBS	MBB	4.8%	-1.6%	no
Commercial MBS	CMBS	7.0%	0.9%	yes
Res. & Comm. Mortgage REITS	REM	12.5%	8.7%	yes
National AMT-Free Muni Bond	MUB	4.0%	-2.4%	no
<u>U.S. Corporate Bonds & FRNs</u>				
Short-Term Commercial Paper	MINT	1.1%	0.6%	yes
Invest.-Grade Floating Rate Notes	FLRN	4.0%	0.7%	yes
Bank Senior Loan Portfolio	BKLN	10.8%	4.0%	yes
1-3 Year Corporate Bond	CSJ	2.1%	0.1%	yes
Invest.-Grade LT Corporate Bond	LQD	7.5%	1.4%	yes
Aaa - A Rated LT Corporate Bond	QLTA	3.2%	0.4%	yes
Baa - Ba Rated LT Corporate Bond	QLTB	11.8%	7.7%	yes
B - Ca Rated LT Corporate Bond	QLTC	17.5%	23.2%	yes
High-Yield LT Corporate Bond	HYG	11.7%	6.6%	yes
Convertible Bond	CWB	8.1%	1.7%	yes

Table Eight

U.S. Equities (Broad), Styles & Sectors

IFI Forecasts versus Actual Results, Dec. 2015 - Dec 2016

U.S. Equities and Style Bets	% Changes in 2016		Directionally Correct?
	Forecasted	Actual	
DJIA 30	3.6%	12.4%	yes
NASDAQ Composite	3.5%	7.4%	yes
Large-Cap (S&P 500)	4.4%	9.4%	yes
Large-Cap Value (S&P 500)	0.6%	14.3%	yes
<u>Large-Cap Growth (S&P 500)</u>	<u>8.2%</u>	<u>4.7%</u>	yes
Large-Cap Value vs Large-Cap Growth (% pts)	-7.6%	9.5%	no
Super-Cap (S&P 100)	3.7%	8.3%	yes
Small-Cap (S&P 600)	6.0%	23.1%	yes
Small-Cap Value (S&P 600)	2.4%	28.5%	yes
<u>Small-Cap Growth (S&P 600)</u>	<u>9.7%</u>	<u>18.8%</u>	yes
Small-Cap Value vs Small-Cap Growth (% pts)	-7.4%	9.7%	no
<u>Small-Cap (Russell 2000)</u>	<u>8.2%</u>	<u>18.5%</u>	yes
Large-Cap 500 vs. Small Cap 600 (% pts)	-1.5%	-13.7%	yes
S&P 500 Sectors: Absolute Change (%)	% Changes in 2016		Directionally Correct?
	Forecasted	Actual	
Consumer Discretionary	1.7%	4.9%	yes
Consumer Staples	2.5%	3.1%	yes
Energy	4.6%	22.2%	yes
Financials	4.4%	20.0%	yes
Health Care	10.1%	-3.7%	no
Industrials	0.7%	17.1%	yes
Information Technology	7.2%	11.1%	yes
Materials	-2.3%	14.3%	no
Telecommunications Services	-1.2%	16.0%	no
Utilities	0.0%	12.5%	no
S&P 500 Sectors vs. S&P 500 (% pts)	% Changes in 2016		Directionally Correct?
	Forecasted	Actual	
Consumer Discretionary	-2.7%	-4.5%	yes
Consumer Staples	-2.0%	-6.3%	yes
Energy	0.1%	12.8%	yes
Financials	-0.1%	10.7%	no
Health Care	5.7%	-13.0%	no
Industrials	-3.8%	7.7%	no
Information Technology	2.8%	1.7%	yes
Materials	-6.7%	4.9%	no
Telecommunications Services	-5.6%	6.7%	no
Utilities	-4.4%	3.2%	no

Table Nine

Absolute & Relative Price Performance of S&P 500 Sectors

Ranked by IFI's Advised Weightings at the Beginning of 2016 *

Changes in averages: Dec 2015 to Dec 2016

Sectors	IFI's Advised Weighting	Over-weight/ Under-weight	Absolute Changes		Relative to S&P 500	
			Simple	Weighted	Simple	Weighted
Health Care	30%	15%	-3.7%	-1.1%	-13.0%	-3.9%
Information Technology	27%	6%	11.1%	3.0%	1.7%	0.5%
Energy	16%	-6%	22.2%	3.5%	12.8%	2.0%
Financials	10%	9%	20.0%	2.0%	10.7%	1.1%
Consumer Staples	8%	-6%	3.1%	0.2%	-6.3%	-0.5%
Consumer Discretionary	7%	-2%	4.9%	0.3%	-4.5%	-0.3%
Industrials	2%	-8%	17.1%	0.3%	7.7%	0.2%
Materials	0%	-3%	14.3%	0.0%	4.9%	0.0%
Telecomm Services	0%	-2%	16.0%	0.0%	6.7%	0.0%
Utilities	0%	-3%	12.5%	0.0%	3.2%	0.0%
Change in S&P 500: +9.4%		IFI Sector Portfolio:		8.4%		-1.0%
Performance of IFI's 5 Most-Favored Sectors:			10.5%	7.7%	1.2%	-0.8%
Performance of IFI's 5 Least-Favored Sectors:			13.0%	0.7%	3.6%	-0.2%
Relative Performance, Most-Favored minus Least-Favored:			-2.4%	7.0%	-2.4%	-0.7%
			(average)	(sum)	(average)	(sum)

* "Outlook 2016," January 22, 2016.

Table Ten

International Currencies & Fixed Income

IFI Forecasts versus Actual Results, Dec. 2015 - Dec 2016

		<u>% Changes in 2016</u>		<u>Directionally</u>
<u>Foreign Currencies vs. U.S. \$</u>	<u>ETFs</u>	<u>Forecasted</u>	<u>Actual</u>	<u>Correct?</u>
See Table 4, page 6 (the inverse of these currency forecasts and performances)				
<u>Total Return on Foreign Govt. Bonds (Broad)</u>		<u>% Changes in 2016</u>		<u>Directionally</u>
<u>Developed Markets (IG)</u>	<u>ETFs</u>	<u>Forecasted</u>	<u>Actual</u>	<u>Correct?</u>
Short-Term 1-3 Year Int'l Govt. Note	BWZ	-0.2%	-0.9%	yes
Long-Term Int'l Govt. Bond	BWX	0.7%	0.5%	yes
Inflation-Protected Int'l. Govt. Bond	WIP	1.4%	1.5%	yes
<u>Emerging Markets (NIG)</u>				
	<u>ETFs</u>			
JPM Emerging Markets Bond (in US\$)	EMB	8.0%	3.0%	yes
Emerging Markets Govt. Debt (in US\$)	PCY	5.8%	2.4%	yes
Emerging Markets Govt. Bond (local FX)	LEMB	3.6%	5.8%	yes
<u>Change in Foreign Govt. Bond Yields (bp)</u>				
	Australia	23	-6	no
	Brazil	90	-418	no
	Britain	29	-49	no
	Canada	42	27	yes
	France	18	-18	no
	Germany	20	-30	no
	Greece	-108	-127	yes
	Italy	30	31	yes
	Japan	-12	-23	yes
	Mexico	37	100	yes
	Russia	-101	-187	yes
	Spain	50	-25	no
	Switzerland	-20	-10	yes
<u>Total Return on Foreign Govt. Bonds (%)*</u>				
	Australia	1.0%	3.0%	yes
	Britain	-0.4%	8.4%	no
	Canada	-1.9%	-0.1%	yes
	France	-0.6%	2.6%	no
	Germany	-1.3%	3.1%	no
	Greece	16.2%	13.7%	yes
	Italy	-0.9%	-0.2%	yes
	Japan	1.4%	3.5%	yes
	Spain	-2.3%	3.5%	no
	Switzerland	1.8%	1.6%	yes
<i>* JP Morgan Indexes, in local currency</i>				
<u>Total Return on Foreign Govt. Bonds (%)**</u>				
	Brazil	12.1%	19.2%	yes
	Mexico	3.7%	3.8%	yes
	Russia	15.3%	7.8%	yes
<i>** JP Morgan Indexes, in external FX (U.S.\$)</i>				

Table Eleven

International Equities

IFI Forecasts versus Actual Results, Dec 2015 - Dec 2016

<u>Foreign Equities: Broad</u>	<u>ETFs</u>	<u>% Changes in 2016</u>		<u>Directionally</u>
		<u>Forecasted</u>	<u>Actual</u>	<u>Correct?</u>
EAFE	EFA	2.9%	-2.6%	no
Asia-Pacific ex-Japan	ADRA	3.6%	3.7%	yes
Europe ex-Britain	IEV	0.9%	-5.4%	no
Americas ex-Canada	ILF	-10.5%	23.8%	no
Emerging Markets	EEM	2.2%	7.2%	yes
BRIC Countries	BKF	-4.0%	7.5%	no
<u>Foreign Equities: Asia-Pacific</u>				
Australia	EWA	-2.4%	10.1%	no
China	FXI	-10.4%	-0.4%	yes
Hong Kong	EWH	2.5%	0.9%	yes
India	EPI	11.2%	-0.9%	no
Japan	EWJ	3.1%	2.4%	yes
Malaysia	EWM	15.3%	-23.1%	no
Singapore	EWS	8.4%	0.4%	yes
South Korea	EWY	2.4%	5.6%	yes
Taiwan	EWT	7.0%	15.0%	yes
Thailand	THD	5.9%	18.9%	yes
<u>Foreign Equities: Europe</u>				
Austria	EWO	-0.6%	4.8%	no
Britain	EWU	2.7%	-6.5%	no
France	EWQ	0.9%	-1.1%	no
Germany	EWG	-0.7%	-2.0%	yes
Italy	EWI	0.1%	-15.8%	no
Netherlands	EWN	2.4%	-0.6%	no
Russia	RSX	2.7%	36.2%	yes
Spain	EWP	3.0%	-10.3%	no
Sweden	EWD	1.1%	-3.5%	no
Switzerland	EWL	1.2%	-6.6%	no
<u>Foreign Equities: Americas</u>				
Canada	EWC	3.0%	19.9%	yes
Brazil	EWZ	-19.6%	45.0%	no
Chile	ECH	-6.9%	18.8%	no
Mexico	EWW	-4.9%	-13.4%	yes
<u>Averages for Countries</u>				
Top 12 Forecasted Returns:		<u>5.6%</u>	<u>4.9%</u>	-0.7%
Average Return:		1.1%	3.9%	2.8%
Bottom 12 Forecasted Returns:		<u>-3.3%</u>	<u>2.9%</u>	<u>6.3%</u>
Difference: Top 12 vs. Bottom 12:		8.9%	1.9%	-7.0%

Table Twelve

IFI's Forecasts for 2016 Compared to Wall Street Strategists

Source: "Outlook 2016," Barron's, December 12, 2015

<u>S&P 500 Price Index</u>				
<u>Forecaster/Firm</u>	<u>Actual</u> <u>Dec. 2015</u>	<u>Forecasted</u> <u>Dec. 2016</u>	<u>Forecasted</u> <u>% Change</u>	<u>Actual</u> <u>Change (%)</u>
Stephen Auth/Federated Investors		2,500	21.7%	
John Praveen/Prudential International		2,250	9.5%	
Dubravko Lakos-Bujas/J.P. Morgan		2,200	7.1%	
Tobias Levkovich/Citi Research		2,200	7.1%	
Savita Subramanian/BofA Merrill Lynch		2,200	7.1%	
Jeffrey Knight/Columbia Threadneedle		2,200	7.1%	
Jonathan Glionna/Barclays Capital		2,200	7.1%	
Adam Parker/Morgan Stanley		2,175	5.9%	
Russ Koesterich/BlackRock		2,175	5.9%	
Richard Salsman/InterMarket Forecasting		2,145	4.4%	
David Kostin/Goldman Sachs		2,100	2.2%	
S&P 500 Price Index (actual)	2,054	2,247		9.4%
<u>S&P 500 Operating Earnings per share</u>				
<u>Forecaster/Firm</u>	<u>Actual</u> <u>2015</u>	<u>Forecasted</u> <u>2016</u>	<u>Forecasted</u> <u>% Change</u>	<u>Actual</u> <u>Change (%)</u>
Tobias Levkovich/Citi Research		\$132.5	31.9%	
Jeffrey Knight/Columbia Threadneedle		\$126.0	25.4%	
Adam Parker/Morgan Stanley		\$125.9	25.3%	
Russ Koesterich/BlackRock		\$125.0	24.4%	
Savita Subramanian/BofA Merrill Lynch		\$125.0	24.4%	
Stephen Auth/Federated Investors		\$125.0	24.4%	
Dubravko Lakos-Bujas/J.P. Morgan		\$123.0	22.4%	
John Praveen/Prudential International		\$122.0	21.5%	
David Kostin/Goldman Sachs		\$120.0	19.5%	
Richard Salsman/InterMarket Forecasting		\$114.0	13.5%	
Jonathan Glionna/Barclays Capital		\$111.0	10.5%	
S&P 500 OPS (actual - Full Year)	\$100.5	\$106.3		5.8%
<u>10-Year U.S. Treasury Bond Yield</u>				
<u>Forecaster/Firm</u>	<u>Actual</u> <u>Dec. 2015</u>	<u>Forecasted</u> <u>Dec. 2016</u>	<u>Forecasted</u> <u>Change (bps)</u>	<u>Actual</u> <u>Change (bp)</u>
John Praveen/Prudential International		3.25%	101	
Richard Salsman/InterMarket Forecasting		3.02%	78	
David Kostin/Goldman Sachs		3.00%	76	
Dubravko Lakos-Bujas/J.P. Morgan		2.75%	51	
Russ Koesterich/BlackRock		2.75%	51	
Adam Parker/Morgan Stanley		2.70%	46	
Savita Subramanian/BofA Merrill Lynch		2.65%	41	
Jonathan Glionna/Barclays Capital		2.60%	36	
Stephen Auth/Federated Investors		2.50%	26	
Tobias Levkovich/Citi Research		2.50%	26	
Jeffrey Knight/Columbia Threadneedle		2.50%	26	
10-Year U.S. Treasury Bond Yield (actual)	2.24%	2.49%		25
<u>Growth Rate of U.S. Real GDP</u>				
<u>Forecaster/Firm</u>	<u>Actual</u> <u>2015</u>	<u>Forecasted</u> <u>2016</u>	<u>Forecasted</u> <u>Change (% pts)</u>	<u>Actual</u> <u>Change (% pts)</u>
John Praveen/Prudential International		2.8%	0.9%	
Russ Koesterich/BlackRock		2.6%	0.7%	
Stephen Auth/Federated Investors		2.6%	0.7%	
Jeffrey Knight/Columbia Threadneedle		2.5%	0.6%	
Savita Subramanian/BofA Merrill Lynch		2.5%	0.6%	
Tobias Levkovich/Citi Research		2.5%	0.6%	
Jonathan Glionna/Barclays Capital		2.5%	0.6%	
David Kostin/Goldman Sachs		2.3%	0.4%	
Dubravko Lakos-Bujas/J.P. Morgan		2.3%	0.4%	
Richard Salsman/InterMarket Forecasting		2.0%	0.1%	
Adam Parker/Morgan Stanley		1.9%	0.0%	
Growth, U.S. Real GDP (actual, 2016 vs 2015)	1.9%	2.0%		0.1%

Table Thirteen
Annual & Compounded Returns on IFI's Model Portfolios vs. Benchmarks, 2003-2016

IFI Model Portfolio #1: Global Equity Investor				"CAGR" = Compounded Annual Growth Rate	IFI Model Portfolio #2: U.S.-Specific Investor		
Year	IFI Model Returns	Benchmark Returns	IFI versus Benchmark	Year	IFI Model Returns	Benchmark Returns	IFI versus Benchmark
2003	30.00%	25.40%	4.60%	2003	25.50%	19.90%	5.60%
2004	15.50%	14.50%	1.00%	2004	18.60%	9.40%	9.20%
2005	12.80%	9.80%	3.00%	2005	7.02%	6.10%	0.92%
2006	18.00%	12.00%	6.00%	2006	5.65%	10.60%	-4.95%
2007	10.20%	10.01%	0.19%	2007	6.79%	6.50%	0.29%
2008	-42.93%	-42.16%	-0.77%	2008	-8.82%	-20.10%	11.28%
2009	30.88%	30.37%	0.51%	2009	24.38%	11.80%	12.58%
2010	14.44%	11.07%	3.37%	2010	18.09%	12.15%	5.94%
2011	-11.65%	-4.95%	-6.70%	2011	4.09%	12.63%	-8.54%
2012	12.91%	12.72%	0.19%	2012	12.37%	11.65%	0.72%
2013	25.98%	20.25%	5.73%	2013	27.92%	17.94%	9.98%
2014	5.09%	4.37%	0.72%	2014	8.60%	10.60%	-2.00%
2015	-1.00%	-2.18%	1.18%	2015	1.55%	1.04%	0.51%
2016	8.53%	5.00%	3.53%	2016	12.50%	7.79%	4.71%
Year End	IFI Model Value	Benchmark Value	Multiple	Year End	IFI Model Value	Benchmark Value	Multiple
2002	\$1.00	\$1.00	1.00	2002	\$1.00	\$1.00	1.00
2003	\$1.30	\$1.25	1.04	2003	\$1.26	\$1.20	1.05
2004	\$1.50	\$1.44	1.05	2004	\$1.49	\$1.31	1.13
2005	\$1.69	\$1.58	1.07	2005	\$1.59	\$1.39	1.14
2006	\$2.00	\$1.77	1.13	2006	\$1.68	\$1.54	1.09
2007	\$2.20	\$1.94	1.13	2007	\$1.80	\$1.64	1.10
2008	\$1.26	\$1.12	1.12	2008	\$1.64	\$1.31	1.25
2009	\$1.65	\$1.46	1.12	2009	\$2.04	\$1.46	1.39
2010	\$1.88	\$1.63	1.16	2010	\$2.41	\$1.64	1.47
2011	\$1.66	\$1.55	1.08	2011	\$2.51	\$1.85	1.35
2012	\$1.88	\$1.74	1.08	2012	\$2.82	\$2.07	1.36
2013	\$2.37	\$2.10	1.13	2013	\$3.60	\$2.44	1.48
2014	\$2.49	\$2.19	1.14	2014	\$3.91	\$2.69	1.45
2015	\$2.46	\$2.14	1.15	2015	\$3.97	\$2.72	1.46
2016	\$2.67	\$2.25	1.19	2016	\$4.47	\$2.93	1.52
CAGR:	7.27%	5.95%		CAGR:	11.29%	7.99%	
IFI advantage (% pts p.a.):		1.32%		IFI advantage (% pts p.a.):		3.29%	
% of years IFI has out-performed benchmark:			86%	% of years IFI has out-performed benchmark:			79%

Table Fourteen

Annual & Compounded Returns on IFI's Model Portfolios vs. Benchmarks, 2003-2016

IFI Model Portfolio #3: U.S.-Specific Equity Investor		"CAGR" = Compounded Annual Growth Rate		IFI Model Portfolio #4: U.S.-Specific Bond Investor			
Year	IFI Model Returns	Benchmark Returns	IFI versus Benchmark	Year	IFI Model Returns	Benchmark Returns	IFI versus Benchmark
2003	32.30%	30.60%	1.70%	2003	16.50%	11.46%	5.04%
2004	20.50%	15.90%	4.60%	2004	9.10%	4.10%	5.00%
2005	7.32%	7.10%	0.22%	2005	4.08%	2.50%	1.58%
2006	15.80%	13.80%	2.00%	2006	2.44%	3.80%	-1.36%
2007	3.53%	2.60%	0.93%	2007	6.63%	5.62%	1.01%
2008	-38.23%	-39.74%	1.51%	2008	15.20%	-7.06%	22.26%
2009	22.81%	26.02%	-3.21%	2009	39.97%	5.76%	34.21%
2010	20.39%	20.68%	-0.29%	2010	12.81%	6.36%	6.45%
2011	2.56%	1.56%	1.00%	2011	10.57%	22.95%	-12.38%
2012	14.48%	15.85%	-1.37%	2012	12.98%	3.75%	9.23%
2013	38.51%	37.66%	0.85%	2013	3.47%	-2.06%	5.53%
2014	9.69%	9.61%	0.08%	2014	2.43%	5.66%	-3.23%
2015	3.11%	-0.23%	3.34%	2015	-2.49%	0.48%	-2.98%
2016	15.48%	17.01%	-1.53%	2016	4.46%	0.05%	4.42%
Year End	IFI Model Value	Benchmark Value	Multiple	Year End	IFI Model Value	Benchmark Value	Multiple
2002	\$1.00	\$1.00	1.00	2002	\$1.00	\$1.00	1.00
2003	\$1.32	\$1.31	1.01	2003	\$1.17	\$1.11	1.05
2004	\$1.59	\$1.51	1.05	2004	\$1.27	\$1.16	1.10
2005	\$1.71	\$1.62	1.06	2005	\$1.32	\$1.19	1.11
2006	\$1.98	\$1.84	1.07	2006	\$1.36	\$1.23	1.10
2007	\$2.05	\$1.89	1.08	2007	\$1.44	\$1.30	1.11
2008	\$1.27	\$1.14	1.11	2008	\$1.66	\$1.21	1.37
2009	\$1.56	\$1.44	1.08	2009	\$2.33	\$1.28	1.82
2010	\$1.87	\$1.73	1.08	2010	\$2.63	\$1.36	1.93
2011	\$1.92	\$1.76	1.09	2011	\$2.91	\$1.68	1.73
2012	\$2.20	\$2.04	1.08	2012	\$3.28	\$1.74	1.89
2013	\$3.05	\$2.81	1.08	2013	\$3.40	\$1.70	1.99
2014	\$3.34	\$3.08	1.09	2014	\$3.48	\$1.80	1.93
2015	\$3.45	\$3.07	1.12	2015	\$3.39	\$1.81	1.88
2016	\$3.98	\$3.60	1.11	2016	\$3.54	\$1.81	1.96
CAGR:	10.37%	9.57%		CAGR:	9.46%	4.32%	
IFI advantage (% pts p.a.):		0.80%		IFI advantage (% pts p.a.):		5.14%	
% of years IFI has out-performed benchmark:			71%	% of years IFI has out-performed benchmark:			71%

Table Fifteen

Source: Tables Thirteen and Fourteen

4 IFI Model Portfolios vs Benchmarks: 2002-16

Invest \$1 million @ 12/31/02... thru 12/31/16

	IFI #1	Bench #1	
2002	\$1,000,000	\$1,000,000	IFI Edge
2016	\$2,671,431	\$2,246,928	\$424,504
	IFI #2	Bench #2	
2002	\$1,000,000	\$1,000,000	IFI Edge
2016	\$4,468,038	\$2,933,900	\$1,534,137
	IFI #3	Bench #3	
2002	\$1,000,000	\$1,000,000	IFI Edge
2016	\$3,978,940	\$3,595,086	\$383,855
	IFI #4	Bench #4	
2002	\$1,000,000	\$1,000,000	IFI Edge
2016	\$3,544,708	\$1,808,901	\$1,735,807

4 IFI Model Portfolios vs Benchmarks: 2002-09

Invest \$1 million @ 12/31/02... thru 12/31/09

	IFI #1	Bench #1	
2002	\$1,000,000	\$1,000,000	IFI Edge
2009	\$1,645,050	\$1,464,743	\$180,307
	IFI #2	Bench #2	
2002	\$1,000,000	\$1,000,000	IFI Edge
2009	\$2,038,185	\$1,464,351	\$573,834
	IFI #3	Bench #3	
2002	\$1,000,000	\$1,000,000	IFI Edge
2009	\$1,556,015	\$1,437,389	\$118,626
	IFI #4	Bench #4	
2002	\$1,000,000	\$1,000,000	IFI Edge
2009	\$2,329,992	\$1,281,626	\$1,048,366

4 IFI Model Portfolios vs Benchmarks: 2009-16

Invest \$1 million @ 12/31/09... thru 12/31/16

	IFI #1	Bench #1	
2009	\$1,000,000	\$1,000,000	IFI Edge
2016	\$1,623,921	\$1,534,008	\$89,913
	IFI #2	Bench #2	
2009	\$1,000,000	\$1,000,000	IFI Edge
2016	\$2,192,165	\$2,003,550	\$188,615
	IFI #3	Bench #3	
2009	\$1,000,000	\$1,000,000	IFI Edge
2016	\$2,557,136	\$2,501,122	\$56,013
	IFI #4	Bench #4	
2009	\$1,000,000	\$1,000,000	IFI Edge
2016	\$1,521,339	\$1,411,412	\$109,928

Table Sixteen

Source: Tables Thirteen and Fourteen

Year	Average IFI Relative Performance versus all 4 Benchmarks
2003	4.24%
2004	4.95%
2005	1.43%
2006	0.42%
2007	0.61%
2008	8.57%
2009	11.02%
2010	3.87%
2011	-6.66%
2012	2.19%
2013	5.52%
2014	-1.11%
2015	0.51%
2016	2.78%

% of years IFI has out-performed: **86%**
 IFI's average annual out-performance: **2.74 % pts**

Appendix
IFI Research Reports in 2016

1. "Looking for Stock-Market Correction Culprits in All the Wrong Places" (John Tamny), *Investor Alert*, January 11, 2016.
2. "January as a Predictor of Full-Year Equity Performance," *Investment Focus*, January 15, 2016.
3. **"Outlook 2016," January 22, 2016.**
4. "Junk Bonds: Tenuous Forecasters of Equities & the Economy," *Investment Focus*, January 31, 2016.
5. "Populism vs. Prosperity: The American Elections of 2016," *The Capitalist Advisor*, February 10, 2016.
6. "Are U.S. Equities More Volatile in Presidential Election Years?" *The Capitalist Advisor*, February 16, 2016.
7. ***The InterMarket Forecaster*, February 26, 2016.**
8. "Oil & Equities: A Reminder," *Investor Alert*, February 29, 2016.
9. "Secular Economic Stagnation and the Welfare-Regulatory State," *The Capitalist Advisor*, March 7, 2016.
10. **"Track Record 2015," March 15, 2016.**
11. ***The InterMarket Forecaster*, March 24, 2016.**
12. "'Dr. Copper' and the U.S. Business Cycle," *Investment Focus*, March 31, 2016.
13. "Cruz Gains on Trump But Prediction Markets Still Foresee a President Hillary and Shift to Democrat-Controlled Senate," *The Capitalist Advisor*, April 7, 2016.
14. "The Disproportionate Burden of U.S. Corporate Taxation," *The Capitalist Advisor*, April 15, 2016.
15. ***The InterMarket Forecaster*, April 25, 2016.**
16. "The Meaningless Saudi Threat to Dump U.S. Treasuries," *Investor Alert*, April 30, 2016.
17. "Implications of Puerto's Rico's Debt Crisis – Part I," *The Capitalist Advisor*, May 7, 2016.
18. "Implications of Puerto's Rico's Debt Crisis – Part II," *The Capitalist Advisor*, May 14, 2016.
19. ***The InterMarket Forecaster*, May 25, 2016.**
20. "U.S. Regulation and the Growth Slowdown," *The Capitalist Advisor*, May 31, 2016.
21. "Negative Growth Consequences of ECB Bond Purchases," *Investor Alert*, June 8, 2016.
22. "The Paradox of Fiscal Profligacy in Japan," *Investment Focus*, June 17, 2016.
23. "Buying Britain on Brexit," *The Capitalist Advisor*, June 24, 2016.
24. ***The InterMarket Forecaster*, June 28, 2016.**

Appendix
IFI Research Reports in 2016
(continued from page 15)

25. "The U.S. Profit Problem," *The Capitalist Advisor*, July 7, 2016.
26. "Where Oh Where is the Brexit Bear?" *The Capitalist Advisor*, July 14, 2016.
27. ***The InterMarket Forecaster*, July 25, 2016.**
28. "High Correlations Among High Yield Bonds Globally," *Investor Alert*, July 31, 2016.
29. "Negative Yields and the Range of Future Bond Returns," *Investor Alert*, August 8, 2016.
30. "What If USTBs Follow the Path of JGBs?" *Investment Focus*, August 15, 2016.
31. ***The InterMarket Forecaster*, August 22, 2016.**
32. "From Democracy to Kakistocracy: Preparing for Another President Clinton," *The Capitalist Advisor*, August 31, 2016.
33. "Beware a Widening Default-Recovery Gap on U.S. Junk Bonds," *Investment Focus*, September 7, 2016.
34. "The 'Resource Curse' and Latin American Equities," *Investment Focus*, September 14, 2016.
35. ***The InterMarket Forecaster*, September 23, 2016.**
36. "Implications of Deutsche Bank's Unremitting Plunge," *Investor Alert*, September 30, 2016.
37. "The U.S. Profit Problem: Not Only in Energy Sector," *Investment Focus*, October 7, 2016.
38. "The U.S. Bond Yield and Nominal GDP Growth," *Investment Focus*, October 14, 2016.
39. ***The InterMarket Forecaster*, October 26, 2016.**
40. "U.S. Equities When Industrial Output Contracts," *Investor Alert*, October 31, 2016.
41. "Highly Unlikely Yet Highly Likely: The Next President Clinton (II) and a Democrat-Controlled Senate," *The Capitalist Advisor*, November 7, 2016.
42. "Good Trump, Bad Trump, Likely Trump," *The Capitalist Advisor*, November 17, 2016.
43. ***The InterMarket Forecaster*, November 29, 2016.**
44. "A Brief History of U.S. Tariffs & Protectionism," *The Capitalist Advisor*, November 30, 2016.
45. "Trade Trends & Trump's Tariffs," *The Capitalist Advisor*, December 7, 2016.
46. "The Myth of Decay in American Manufacturing," *The Capitalist Advisor*, December 15, 2016.
47. ***The InterMarket Forecaster*, December 26, 2016.**
48. "Walls," *The Capitalist Advisor*, December 29, 2016.

INTERMARKET FORECASTING

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InterMarket Forecasting, Inc. (IFI) is an independent investment research and forecasting firm that quantifies market-price signals to guide the asset allocation decisions and trading strategies of investment advisors, pension plans, asset managers, financial institutions and hedge funds. Since its founding in 2000 IFI has provided objective research and specific, practical advice to help investment managers maximize risk-adjusted returns and out-perform their benchmarks.

IFI's investment advice flows directly from its regression-based proprietary models, which are based on a careful scrutiny of long-term market data and historical patterns. Markets are inter-connected such that price changes have forecasting power. IFI identifies the quantitative links and distinct causal patterns of market history and uses these to signal portfolio outcomes. IFI's service and forecasts address the five major asset classes – currencies, commodities, stocks, bonds and bills – as well as sub-classes, including: large-cap vs. small-cap stocks, value stocks vs. growth stocks, stocks by sector, government bonds vs. corporate bonds, credit spreads and shifts in the yield curve. IFI's time horizon is six and twelve months ahead. Clients receive the following four reports each month by e-mail (an interactive, web-based archive is also available):

- **The InterMarket Forecaster** – comprehensive forecasts, analyses and AA advice for over 150 assets
- **Investment Focus** – in-depth, historical analyses of the factors which drive a specific asset or asset class
- **Investor Alert** – brief but timely analyses of recent market developments that might alter our forecasts
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Richard M. Salsman, Ph.D., CFA®

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