GUIDING CLIENTS TO FINANCIAL SECURITY

KEMP Financial Management, LLC

4th Quarter 2015

Job Well Done

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In a recent popular movie, the main character ate dessert first at every meal because that was her favorite part of the meal and she wanted to make sure she had room to eat dessert. While this sounds like a great idea to make sure you are always satisfied, it's not a great idea if it means missing the needed ingredients to keep your body healthy. The same is true with long-term investing. We would all like nothing more than to just make money and earn higher returns from the stock market without having to stomach the declines that come from being a long-term investor. In order to be healthy, we must have a balanced meal to satisfy all of the needs of the body. In order to be financial secure, we must also take that approach with a well-diversified portfolio.

Over the past 6 years, we have watched the market continue its rebound from the declines of 2008 and 2009. It has been relatively easy to be a long-term investor. However, in the last 6 weeks it you might be asking yourself if you have the right mix of assets to help you remain "healthy". While we feel this conversation has been had with only a few of our clients whom have shared that concern, we want to make sure that all of our clients understand these feelings are normal while the current market environment is also normal.

Having spent the last several days with colleagues from all over the country, we can share with you that we are greatly impressed by each and every one of you as to how you are handling the short-term volatility. In short, it appears the years of advice from Kemp Financial Management, combined with the long-term approach you have taken to reach your goals, has allowed you to be calm during times like this. The majority of our peers are not having the same kind of successes we share with our clients.

The face-to-face and phone meetings we have held throughout the calendar year of 2015 have been business as usual for each of you. Rather than focusing on the day-to-day volatility, your focus has been on living your life and the things around you that matter most. Regardless of market conditions, you continue to look forward, knowing you have a game plan in place that considers market volatility like we are experiencing today.

Over the past 45 years, we survived the energy crisis of 1974 and 1975. We survived "Black Monday" where the market dropped 21% in one day, due to program trading in October of 1987. (Today this would have been called a "flash" crash due to excessive rapid trading.) We survived the technology bubble where more than 450 businesses failed during the market declines of 2000-2002. We are also survivors of the great recession created by the real estate equity and finance bubble of 2008 and 2009. All of these significant created a cumulative decline of over -178%. You are survivors because you remained calm and did not panic nor did you make "ad hoc" revisions to your investment policy during these periods of time. By remaining committed to your long-term policy, you remained financially healthy taking advantage of your diversified portfolio to see you through.

Check out "The Best Time to Invest (1927 – 2014)" on YouTube.com. It shows us a great review of historical events that surely should have caused capital markets to decline according to the media, yet the capital markets keep rolling along despite the adversity. You'll love it!
https://www.youtube.com/watch?v=CsT8LkPDEzU

The day-to-day volatility of the last 24 months is enough to drive a sane person crazy. With the close of the quarter ending just last week with a very volatile September, you might be surprised to learn this is "normal". Historically, September is the worst performing month as measured by the S&P 500 since 1926. Please understand with that statistic, there were 45 positive Septembers while 44 were negative. The average historical return in

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September alone has been less than -1% at -0.73%. (Source: DFA Returns) However, from the peak of the current bull market, stocks have declined more than -10%, putting us into "correction" territory for the quarter ending September 2015. But put in proper perspective, this volatility is normal for stock investors and should not be seen as an indicator for the long-term future or that we are slipping back into an environment like we experienced as described earlier.

The last time we had volatility like we have recently witnessed was the third quarter of 2011. If you are like us, we hardly remember the declines as well as the reason. But it was due to the US credit rating being lowered from AAA to AA+, however it was very short-lived and nothing of concern to stock investors today. It is a good reminder that "good times" tend to last much longer than the "bad".

So far this year, volatility has been the key word. First quarter volatility stemmed from declines in commodities, specifically oil. As oil declined in prices, so did stocks. While this is still somewhat of an anomaly, since lower fuel prices are good for consumers as well as corporations that consume a tremendous amount of energy for goods and services, this was seen as negative for equity investors. These declines however were quickly made up once logic and fundamentals prevailed and equity markets returned to their bull market status.

Second quarter volatility was due to the continued problems in Greece, with the potential contagion into Portugal, Italy and Spain. Once again, the threat of default and turmoil in the European Union was quickly dismissed and the capital markets regained their momentum.

Most recently in the third quarter, China's economic decline in growth has caused equity markets to reach "correction" territory. While China struggles to find the right combination of stimulus to aide their economy, we are yet to see the capital markets regroup to reach new highs obtained earlier in 2015. And as we await the "Fed" as to see if and when interest rates will increase, we expect to see more of the same of what we witnessed throughout the year: volatility.

What we can control is how we react to these events and periods of time. You continue to show us that leading your normal lives is the solution. Whether it be working, traveling, volunteering your time or spending time with family and friends, you do this without the worry and concern of the daily volatility.

While we can point to specific events for 2015, as well as for the declines noted earlier, today just like every other period of time, fundamentals of long-term investing will always win over emotional reactions to specific events. Despite the day-to-day volatility, capitalism is alive and well in the US and throughout the world. We are not slipping back into market environments of the past. We are simply moving through yet another period of time where markets are actually behaving normal. Just like we have already, we continue to stay positive. Continue to pursue what matters most. Continue to be an example for those that have not figured out "there is a better way."

Thanks again for being such a great example to all of those around you. You really should be proud of yourselves. We are! We look forward to meeting with many of you in the weeks and months ahead. As always, if you have any changes in your financial situation, please let us know. In the interim, we look forward to speaking with you soon!