Chapel Hill Investment Analysts, Inc.

Quarterly Update 1st Quarter 2016

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2015 & 2016

Retirement Account Maximum Contributions:

- **Traditional & ROTH IRA's**

  <50yrs old—$5,500

  >50yrs old—$6,500

ALL 2015 CONTRIBUTIONS MUST BE TO OUR OFFICE BY APRIL 13th AT 12 NOON—after that checks received will be coded for 2016.



From the Desk of Joseph S. Codrick, CFP®

Experience counts. When market volatility occurs, it typically evokes two reactions - logic and panic. So, which one wins? Obviously, logic will win in the long run, but panic rules the short term. In the past 34 years we have experienced several periods of extreme volatility: 1987, 2000, 2008, to name a few. Knowing this, what have we learned? First, you really can't time the market. In order to do that, you would have to know exactly when the values peak and be willing to buy in when things look bleak.



So, what strategy do we employ to offset the effects of extreme volatility? We base each of our clients' portfolios on their individual risk preference. Many of you opt for "Intermediate Volatility", which maintains 30% of their assets in bonds and cash. This provides capital in the event of an unforeseen need. Our "Increased Volatility" clients are fine with the swings because they understand that they don't really need to use the funds for a long time. Finally, our "Reduced Volatility" clients tend to be uneasy from the start, so the 70% fixed income gives them the feeling of security they need. How has that worked, you ask? Pretty darn well. We can tell by the number of phone calls we get when we have a period of extreme volatility (we can usually count them on one hand). Not bad, given the large client base! Along these same lines, we encountered a number of our newer clients who were not counseled by their previous advisor and ended up in the wrong risk preference.

A lot of people are asking "What are we dealing with this time around? End of the world (2008) or just another excuse to run for the woods and miss the next run?". To answer these questions, we always look at the underlying strength of the economy for clues:

1) How strong are the bank reserves? They're great!
2) How much cash are the corporations carrying on their books? A lot, to say the least – Apple has $216 billion!
3) What is the unemployment rate doing? 4.9% - we consider that, if not full, very close to it! And, no, there isn't this great big amount of people who can't find a job (look around at all of the "Help Wanted" signs).
4) The ISM or "Institute of Supply Chain Managers" report for the service sector is above 50, which means that the economy is expanding! Note: the ISM for manufacturing is flat due to the reduction in drilling for oil. But, the majority of the economy (the service sector) is doing very well.
5) The GDP is predicted to grow at 1.7% for 2016. Given the massive glut in oil, that's ok.

Then, what's all the fuss about?

Traders (those who buy and sell stock on a daily, if not minute-to-minute, basis) can't make money unless they have volatility. If the value of the stock doesn't go up and down, they can't make money. They use the global news stories (China, oil prices, refugees, etc.) to scare the little guy into a panic. If they panic and sell, it makes the market go down even further, at which point the trader (gambler) can take advantage. If no one panics, the swings are not that big, and the trader is unable to profit. That's not to say that the issues of the world don't matter. China does have growing pains, there really is a major glut of oil, and, yes, refugees are moving due to war. But that's all part of life. We deal with issues every day. You can take the pessimistic view - nothing will get resolved, everything will get worse and it's the end of the world all over again. Or, the optimistic view - the vast majority of people want to resolve the issues and want a better life for not only their family, but for everyone. And, guess what? That's exactly what has happened every time we have had volatility in the market. Remember how bad it looked in 2008? Well, the banks all have cash now, GM and *AIG* are back, unemployment is way down and everybody has extra money in their pockets from the low gasoline prices. In conclusion, we see no reason to panic. We are well-positioned for the future. You, our clients, have selected the appropriate risk preference. And we believe that the vast majority of people are optimists! On a side note, we think we have done a great job in building a client base of optimistic people who really do want a better world, and we thank you all for the bright and sunny attitude!

Joe & Ryan

Still have questions?(724) 830-2600 (Joe X114 or Ryan X116) or email us! jsc@chapelhillinvestment.com or rmc@chapelhillinvestment.com

Miss a market update? - Our Website has them all! Go to — www.chapelhillinvestment.com

INFORMATION CHANGED? NEW EMAIL? NEW ADDRESS? PLEASE LET US KNOW!

2015 Cost Basis & Tax Forms

All basis information is provided by TD Ameritrade on a Consolidated 1099. Consolidated 1099s have been mailed. If you have not received your Consolidated 1099 , please log on to www.advisorclient.com and visit the "Account Documents" section (under "Accounts") to retrieve a copy of your Consolidated 1099.

2016 Privacy Policy Statement

Protecting your privacy is very important to Chapel Hill Investment Analysts, Inc. We want you to understand what information we collect and how it is used. We collect and use "nonpublic personal information" in order to provide our customers with a broad range of financial products and services as effectively and conveniently as possible. We treat nonpublic personal information in accordance with our Privacy Policy.

Information We Collect and From Whom We Collect It We may collect nonpublic personal information about you from the following sources: Information we receive from you on applications or other forms; Information about your transactions with us, our affiliates, or others; Information we receive from you voluntarily, such as your email address and any information contained in your email messages. "Nonpublic personal information" is nonpublic information about you that we obtain in connection with providing a financial product or service to you. This information may be collected in person, by mail, fax, telephone, or by other electronic means as permitted by law or in accordance with express authorization from you.

What Information We Disclose and to Whom We Disclose It We do not disclose any nonpublic personal information about you to anyone without your express consent, except as permitted or required by law. We may disclose the nonpublic personal information we collect, as described above, to persons or companies that perform services on our behalf.

Your Right to Verify Accuracy of Information We Collect Keeping your information accurate and up to date is very important to us. You may access and correct nonpublic personal information about you that we collect except for information relating to or in anticipation of a claim or a criminal or civil proceeding.

Our Security Procedures We restrict access to the nonpublic personal information about you and allow disclosure only to those employees or persons and companies as permitted by law to assist in providing products or services to you. We maintain physical, electronic, and procedural safeguards to protect the nonpublic personal information about you. Should your relationship with us end, we will maintain and only disclose nonpublic personal information that we have about you in accordance with this Privacy Policy.

Please contact Joseph S. Codrick at (724) 830-2600 x114 for any questions or concerns.