Weekly Market Commentary
May 2, 2016

HORTER
Investment Management, LLC

Week in Review:

The Dow Jones Industrial Average dropped 230 points to close the week down -1.3% at 17,774. The S&P 500 Index fell 26 points to end the week with a loss of -1.3%, closing at 2,065.

The Nasdaq Composite was down -2.7% to end the week at 4,775. The S&P MidCap 400 Index closed the week at 1,462, for a loss of -1.0%. The Russell 2000 finished down -1.4% to end the week at 1,131.

The ETF "EFA", the proxy for developed international equity markets, finished down -1.9% for the week. Emerging markets, as represented by the ETF "EEM", closed out the week down -0.4%.

Domestic high yield corporate bonds gained 0.8% for the week, as measured by the Bank of America Merrill Lynch US High Yield Master II Index.

Markets turned south late in the week as investors responded to an unexpected policy decision from the Bank of Japan (BOJ) along with a disappointing US GDP reading. The benchmark US 10 Year Treasury note yield eased to 1.83%. Oil prices continued their ascent, with domestic West Texas Intermediate surging past the $45 mark to end the week trading at $45.59 and international Brent Crude inched closer to the key $50 level, at $47.90. A weaker US dollar may be the driving factor, as prices rose despite reports that domestic stockpiles hit another all-time high above 540 million barrels.

Domestic high yield bonds posted weekly gains, bringing the Effective Yield on the Bank of America Merrill Lynch US Master II (BAML HY) Index to 7.6%. The Effective Yield on CCC-rated bonds fell to just under 17%. High yield bond mutual funds and ETFs posted inflows of $296 million during the weekly period ended April 27th. Domestic weekly issuance was down from the week prior, at $2.35 billion across five new transactions.

In US economic news, the April Federal Open Market Committee (FOMC) meeting played out as anticipated, with the Fed once again pausing on interest rate policy changes. The Fed slightly modified the language in its policy statement, putting less emphasis on global risks but still coming off dovish in overall tone. Markets responded positively to the upside. GDP data may have given the Fed reason to pause, as the first quarter reading showed growth slowing to a crawl at 0.5%. Sluggish business spending may persist throughout the year as declining corporate profits prevent businesses from making substantial equipment investment, and poor sales data is driving many businesses to cut back on excess inventories.

In international news, the Japanese Yen surged to an 18-month high after the BOJ shocked financial markets by holding steady on interest rate policy despite recent poor inflation data. Investors were anticipating more aggressive action from the central bank, speculating that the BOJ would expand bond purchases, take rates further negative, or purchase exchange-traded funds (ETFs). In European markets, the Eurozone economy grew at a 0.6% rate in the first quarter, outpacing the US and the UK, which grew at 0.4% in Q1.

In corporate news, an earnings miss from Apple dragged down indices, while Amazon reported record earnings. The effect of low oil prices was evident in earnings from energy giants Exxon and Chevron, with the former reporting its lowest quarterly profits since 1999 and the latter posting a $725 million loss in Q1. Exxon was also stripped of its AAA credit rating this week, leaving just Microsoft and Johnson & Johnson as the only two US corporations holding the agency's highest rating.

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Current Model Allocations

Low Risk

HIM Model #7	100% short and intermediate-term bonds
HIM Model #2	95% municipal bonds/5% long treasuries
HIM Model #1	100% invested (15% core high yield/85% ATCSX)
HIM Model #6	100% high yield
HIM Model #3	15% alternative bond strategies/14% high yield/ 28% cash/29% dividend equities/ 14% convertibles
HIM Model #4	100% invested
HIM Model #5	100% invested

Moderate Risk

HIM Model #12	100% mid-caps
HIM Model #19	60% long NASDAQ/40% long S&P 500
HIM Model #8	100% cash
HIM Model #13	100% invested
HIM Model #14	100% short treasuries
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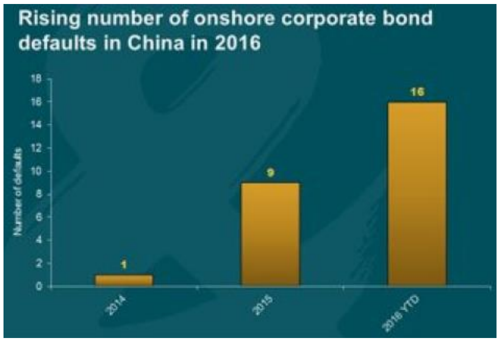
Taking a comprehensive look at the overall current stock market, you can see the chart below representing eight major indices and their returns through the week ending April 29, 2016. In a truly diversified portfolio, the portfolio's total return is determined by the performance of all of the individual positions in combination – not individually.

So, understanding the combined overall performance of the indices below, simply average the 8 indices (excluding the BofA MerrillLynch US High Yield Master II Index) to get a better overall picture of the market. The combined average of all 8 indices is 1.25% year to date.

Did You Know . . .

Rising number of onshore corporate bond defaults in China in 2016. All investment grade at issue.



Weekly Update for the Week Ending April 29, 2016

Index	Last Week			One Month		Year-to-Date	
	Close	Net Change	% Change	Net Change	% Change	Net Change	% Change
Dow Jones Global Index	311.58	-2.41	-0.77%	7.13	2.34%	3.61	1.17%
Dow Jones Industrial Average	17773.64	-230.11	-1.28%	140.53	0.80%	348.61	2.00%
S&P 500 Index	2065.30	-26.28	-1.26%	10.29	0.50%	21.36	1.05%
Nasdaq Composite Index	4775.36	-130.87	-2.67%	-71.26	-1.47%	-232.05	-4.63%
S&P MidCap 400 Index	1461.65	-15.40	-1.04%	18.21	1.26%	63.07	4.51%
Russell 2000 Index	1130.85	-15.84	-1.38%	21.77	1.96%	-5.04	-0.44%
MSCI EAFE Index (EFA)	58.43	-1.11	-1.86%	1.13	1.97%	-0.29	-0.49%
MSCI Emerging Markets Index (EEM)	34.39	-0.15	-0.43%	0.46	1.36%	2.20	6.83%
BAML US High Yield Master II Index	1072.96	8.09	0.76%	48.61	4.75%	73.44	7.35%

Above returns exclude dividends.
Data Source: Investors FastTrack

For a complete report on all the indices, we recommend that you go to www.HanlonInvest.com and click on the Financial Professionals tab, then click on Index Performance Report on the left-hand side under the Resources section.

QUOTE OF THE WEEK

"Success is where preparation and opportunity meet."
-Bobby Unser

Market Perspectives (through 4/29/2016)

60/40 Allocation: 2.00% YTD
(60% S&P 500/40% Barclays US Aggregate Bond Index)

S&P 500: 1.05% YTD **Barclays Agg:** 3.43% YTD

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Summary

In utilizing an approach that seeks to limit volatility, it is important to keep perspective of the activity in multiple asset classes. At Horter Investment Management we seek to achieve lower risk with higher returns. More specifically, we seek to achieve superior risk-adjusted returns over a full market cycle to a traditional 60% equities / 40% bonds asset allocation. We do this by implementing global mandates of several tactical managers within different risk buckets.

For those investors who are unwilling to stomach anything more than minimal downside risk, our goal is to provide a satisfying return over a full market cycle compared to the Barclays Aggregate Bond Index.

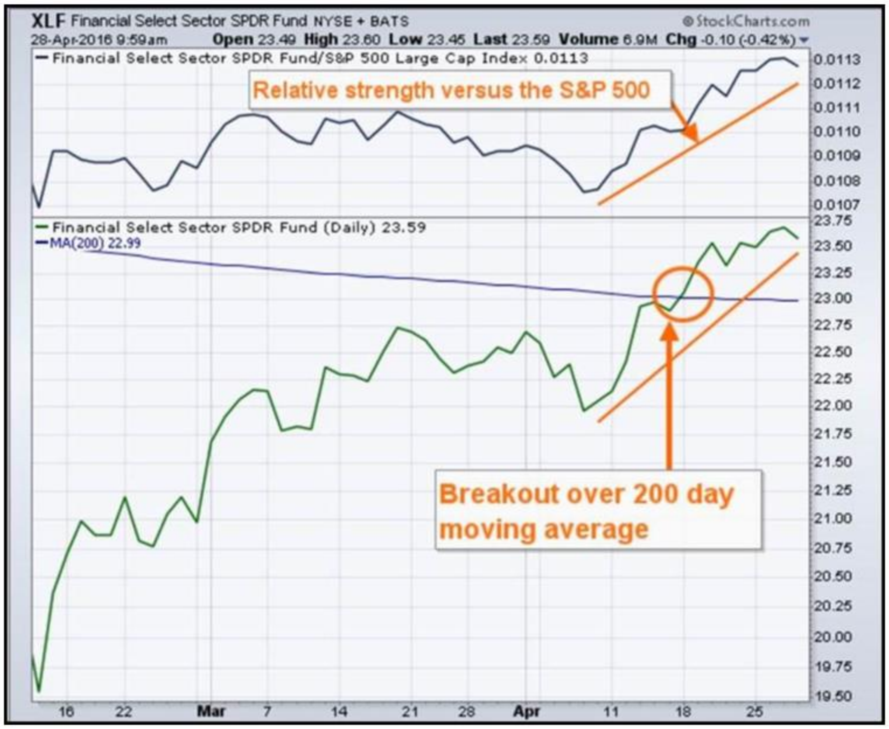
At Horter Investment Management we realize how confusing the financial markets can be. It is important to keep our clients up-to-date on what it all means, especially with how it relates to our private wealth managers and their models.

We are now in year 7 of the most recent bull market, one of the longest bull markets in U.S. history. At this late stage of the market cycle, it is extremely common for hedged managers to underperform, as they are seeking to limit risk. While none of us know when a market correction will come, even though the movement and volatility sure are starting to act like a correction, our managers have been hired based on our belief that they can accomplish a satisfying return over a full market cycle, -- while limiting risk in comparison to a traditional asset allocation approach.

At Horter we continue to monitor all of the markets and how our managers are actively managing their portfolios. We remind you there are opportunities to consider with all of our managers. Hopefully this recent market commentary is helpful and thanks for your continued trust and loyalty.

Chart of the Week:

The SPDR Financial Select Sector ETF (XLF) has been appreciating and recently began to outperform the S&P 500 index, as we can see in the top panel below. In the bottom panel we can see that XLF has had a breakout over its 200 day moving average which bodes well for the financial sector.



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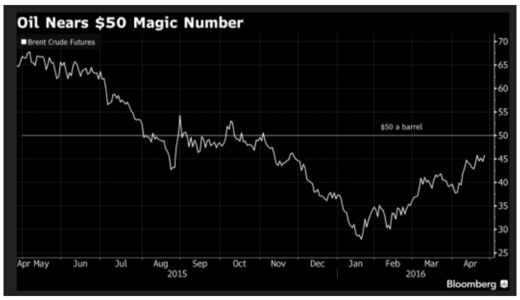
Articles of Interest

Oil's Magic Number Becomes $50 a Barrel for Promise of Recovery

The new magic number in the oil industry is $50.
BP Plc, rig-owner Nabors Industries Ltd. and explorer Pioneer Natural Resources Co. all said in the past 24 hours that prices above $50 will encourage more drilling or provide the needed boost to cash flow. With oil bouncing close to $45 a barrel, an industry that has been shaving costs to stay competitive is ready for signs of stability at a price level less than half of 2014's average.



[Click here to read more]

Negative Interest Rates Are An Opportunity

Think negative interest rates can't happen in the US? Wrong!

Janet Yellen, Vice-Chairman Stanley Fischer, and New York Fed President Bill Dudley have all said that negative interest rates are something they are considering.

The world isn't waiting for the Fed, though; a staggering $5 trillion of sovereign debt has already dropped into negative-yield territory. So the traditional fixed-income investors who invest in bonds and CDs are finding it harder than ever to get a decent return on their money.

[Click here to read more]

How Share Repurchases Boost Earnings Without Improving Returns

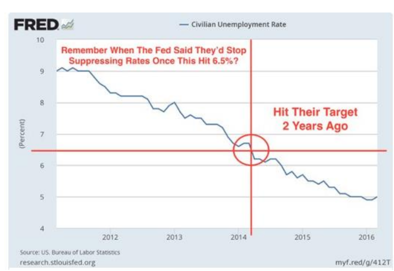
Of all the measures of a company's performance, its earnings per share (EPS) may be the most visible. It's quite literally the "bottom line" on a company's income statement. It's the number that business journalists focus on more often than any other, and it's usually the first or second item in any company press release about quarterly or annual performance. It's also often a key factor in executive compensation.

But for all the attention EPS receives, it is highly overrated as a barometer of value creation. In fact, over the past ten years, 36 percent of large companies with higher-than-average EPS under-performed on average total return to shareholders (TRS). And while it's true that EPS growth and shareholder returns are strongly correlated, executives and naïve investors sometimes take that relationship too seriously. If improving EPS is good, they assume, then companies should increase it by any means possible.

[Click here to read more]

What Hath The Fed Wrought?

It's Fed week once again and once again the group has decided to leave interest rates unchanged. This, despite the fact that, with core inflation running at just over 2% and jobless claims at their best levels of my lifetime, they have clearly met their dual mandate. In fact, they met these targets a long time ago. By any measure, the jobs market is very strong and, with core inflation rising, it's hard to argue deflation poses any real threat whatsoever.



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