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Consultative Wealth Management

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Q3

Global Market Review

Third Quarter 2015



Global Market Review

Third Quarter 2015

This report features world capital market performance and a timeline of events for the last quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the performance of globally diversified portfolios and features a quarterly topic.

Overview:

Market Summary

World Stock Market Performance

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Select Country Performance

Real Estate Investment Trusts (REITs)

Commodities

Fixed Income

Global Diversification

Quarterly Topic: Should Investors Sell after a “Correction”?

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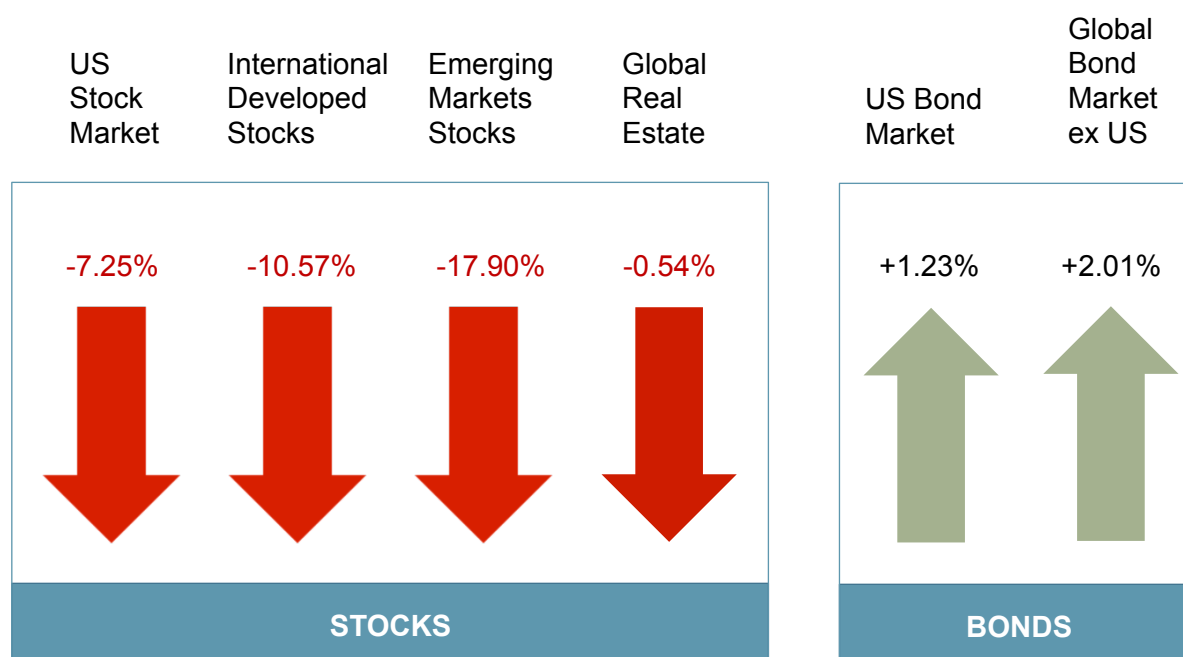
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Investing involves risks such as fluctuating values and potential loss of investment principal. Past performance may not be indicative of future results. Indexes used for benchmarking purposes are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Diversification does not insure a profit or protect against loss in a declining market. Moreover, no investor should assume that future performance of any specific investment, investment strategy, or product directly or indirectly referred to in any general informational materials, will be profitable or equal any corresponding indicated historical performance level(s). Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable for a client's retirement portfolio.



Market Summary

Third Quarter 2015 Index Returns

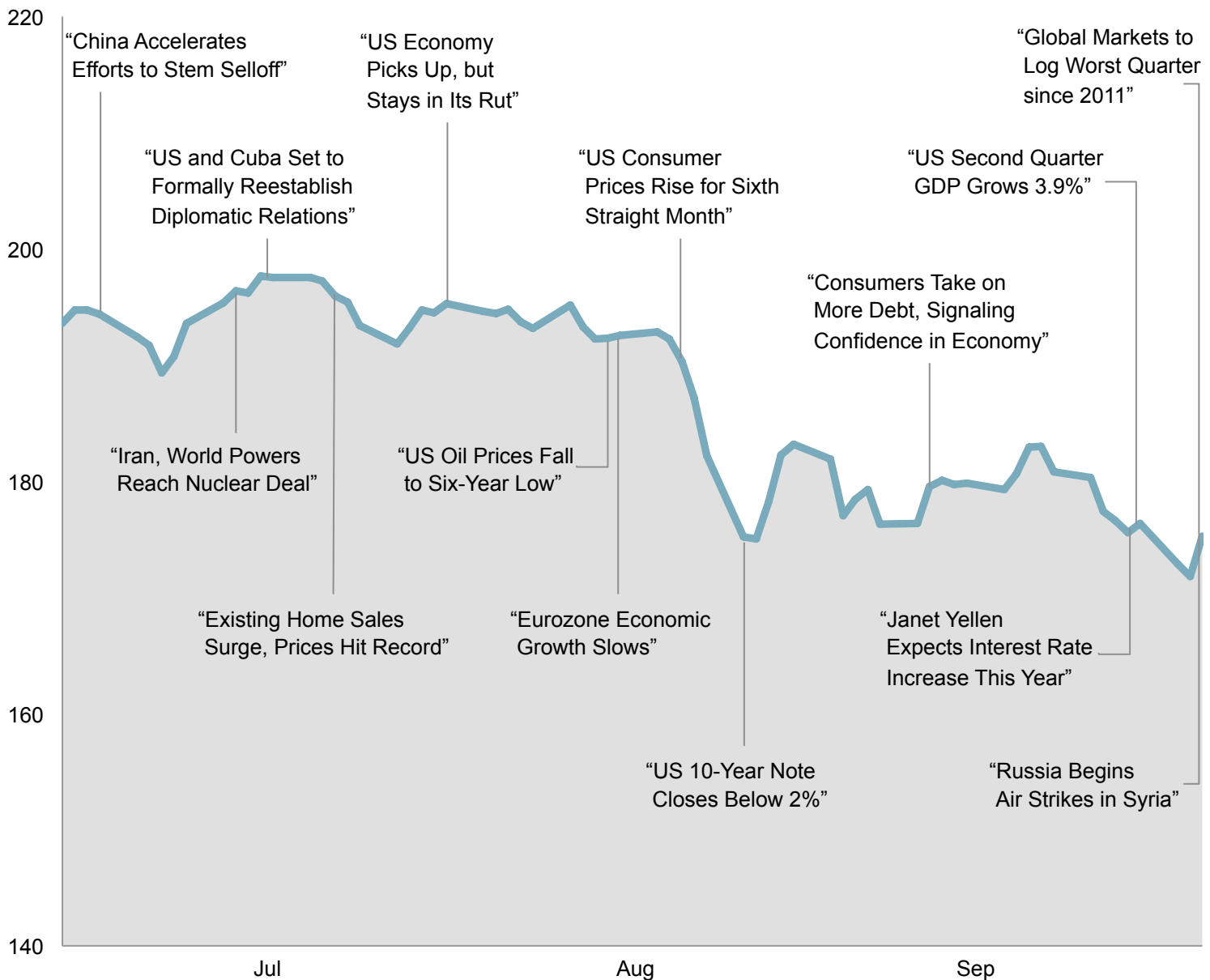


Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index), US Bond Market (Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citigroup WGBI ex USA 1-30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group. Russell data © Russell Investment Group 1995-2015, all rights reserved. MSCI data © MSCI 2015, all rights reserved. Barclays data provided by Barclays Bank PLC. Citigroup bond indices © 2014 by Citigroup.



World Stock Market Performance

MSCI All Country World Index with selected headlines from Q3 2015



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index. MSCI data © MSCI 2015, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

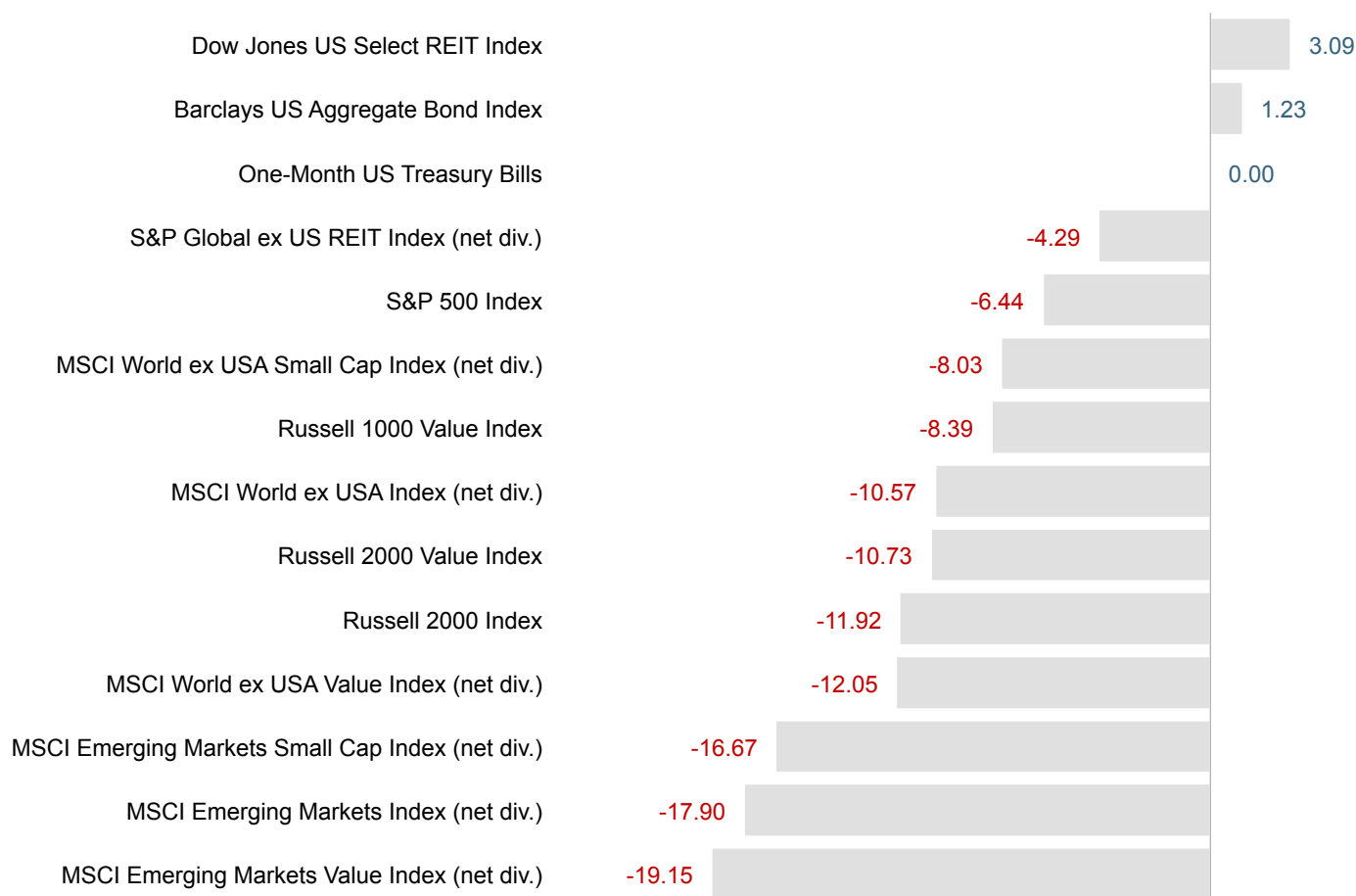


World Asset Classes

Third Quarter 2015 Index Returns

Looking at broad market indices, the US equity market outperformed both developed ex US and emerging markets during the third quarter. US REITs recorded the highest returns, outperforming equity markets.

The value effect was negative in the US, developed ex US, and emerging markets. Small caps outperformed large caps in the non-US and emerging markets but underperformed in the US. The US dollar appreciated against most currencies.





US Stocks

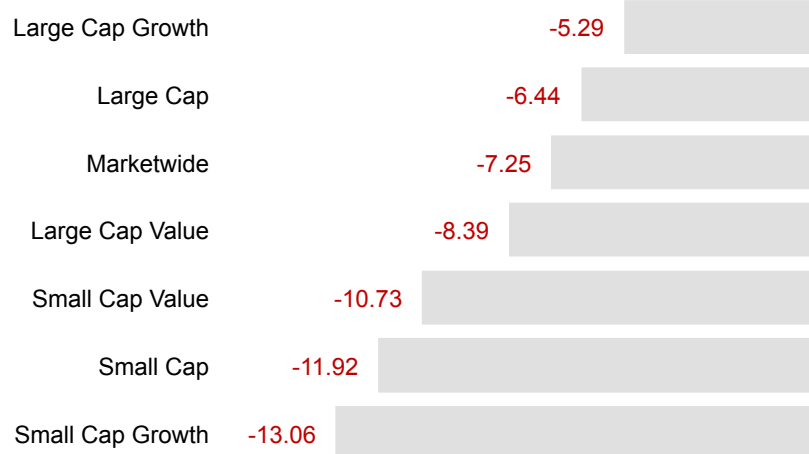
Third Quarter 2015 Index Returns

The US equity market recorded negative performance for the third quarter.

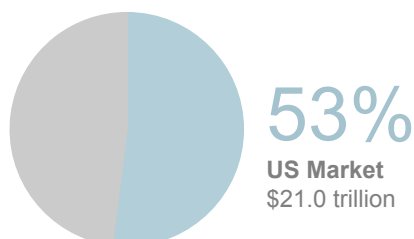
Small caps underperformed large caps.

Value stocks underperformed growth stocks among marketwide indices. However, in small caps, the effect was reversed with small cap value outperforming small cap growth.

Ranked Returns for the Quarter (%)



World Market Capitalization—US



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	-5.45	-0.05	12.53	13.28	6.92
Large Cap	-5.29	-0.61	12.40	13.34	6.80
Large Cap Value	-8.96	-4.42	11.59	12.29	5.71
Large Cap Growth	-1.54	3.17	13.61	14.47	8.09
Small Cap	-7.73	1.25	11.02	11.73	6.55
Small Cap Value	-10.06	-1.60	9.18	10.17	5.35
Small Cap Growth	-5.47	4.04	12.85	13.26	7.67

* Annualized

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (S&P 500 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Russell data © Russell Investment Group 1995–2015, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group.



International Developed Stocks

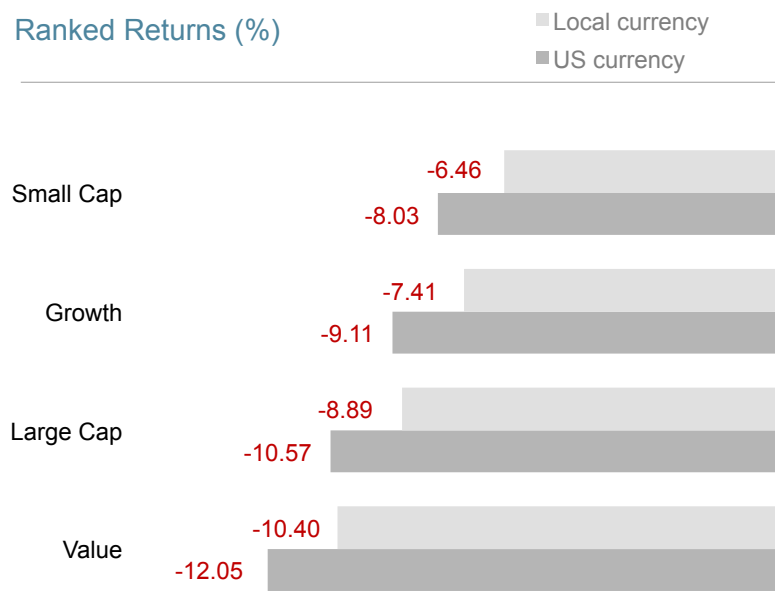
Third Quarter 2015 Index Returns

Developed markets outside the US underperformed the US equity market but outperformed emerging markets indices in US dollar terms.

Small caps outperformed large caps.

Value underperformed growth indices across all size ranges.

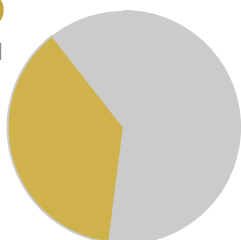
Ranked Returns (%)



World Market Capitalization— International Developed

37%

International
Developed
Markets
\$14.7 trillion



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	-6.69	-10.14	4.60	3.42	2.92
Small Cap	-0.34	-3.71	7.48	5.74	4.23
Value	-9.65	-14.32	3.56	2.61	2.12
Growth	-3.75	-5.88	5.59	4.18	3.65

* Annualized



Emerging Markets Stocks

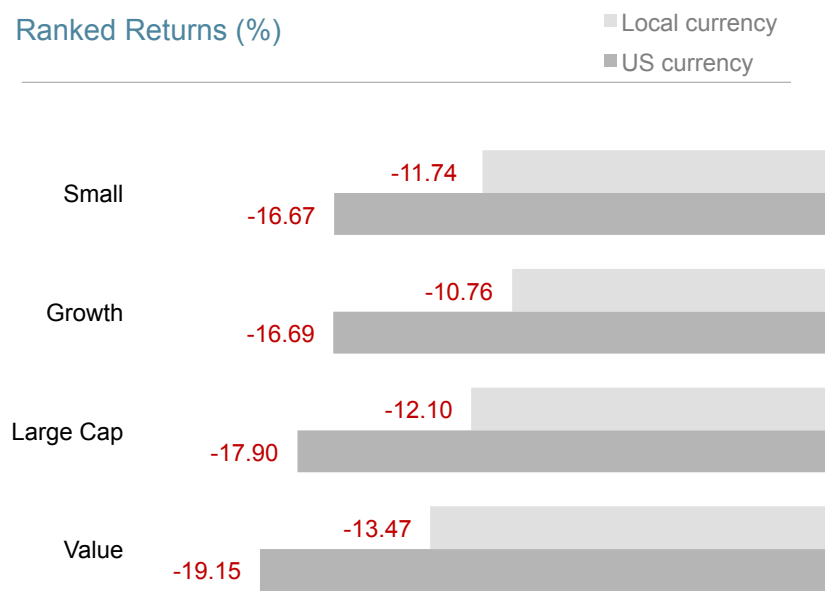
Third Quarter 2015 Index Returns

Emerging markets indices underperformed developed markets indices (including the US) in US dollar terms during the third quarter.

Small cap indices outperformed large cap indices.

Value underperformed growth indices across all size ranges.

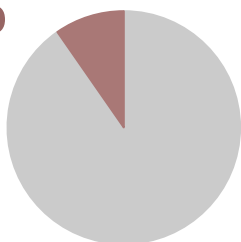
Ranked Returns (%)



World Market Capitalization— Emerging Markets

10%

Emerging
Markets
\$3.8 trillion



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	-15.48	-19.28	-5.27	-3.58	4.27
Small Cap	-9.80	-15.23	-1.09	-2.43	6.72
Value	-17.38	-22.70	-7.66	-5.09	4.12
Growth	-13.63	-15.89	-2.95	-2.12	4.35

* Annualized

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI Emerging Markets Index), Small Cap (MSCI Emerging Markets Small Cap Index), Value (MSCI Emerging Markets Value Index), and Growth (MSCI Emerging Markets Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI Emerging Markets IMI Index used as the proxy for the emerging market portion of the market. MSCI data © MSCI 2015, all rights reserved.



Select Country Performance

Third Quarter 2015 Index Returns

Ireland again recorded the highest country performance in developed markets and Singapore and Hong Kong the lowest for the third quarter. In emerging markets, Hungary and the Czech Republic posted the highest returns, while China's equity performance dominated news headlines as its market recorded one of the lowest country returns.

Ranked Developed Markets Returns (%)

Ireland	-1.12
Denmark	-1.86
Italy	-4.17
Israel	-5.43
France	-6.30
Finland	-6.36
Austria	-6.60
Switzerland	-6.97
Sweden	-7.12
US	-7.25
Belgium	-7.38
New Zealand	-7.46
Netherlands	-8.77
Portugal	-9.31
UK	-9.58
Germany	-9.97
Japan	-11.06
Spain	-11.24
Canada	-14.92
Australia	-14.98
Norway	-16.54
Hong Kong	-16.93
Singapore	-18.79

Ranked Emerging Markets Returns (%)

Hungary	-3.10
Czech Republic	-5.51
India	-5.96
Qatar	-6.81
Poland	-9.62
UAE	-10.14
Philippines	-11.40
Mexico	-11.45
Korea	-11.90
Chile	-13.44
Russia	-14.83
Egypt	-15.28
Taiwan	-16.59
Thailand	-17.08
Malaysia	-18.01
South Africa	-18.45
Turkey	-19.95
Peru	-21.26
China	-23.28
Colombia	-23.76
Indonesia	-24.88
Greece	-26.20
Brazil	-33.66

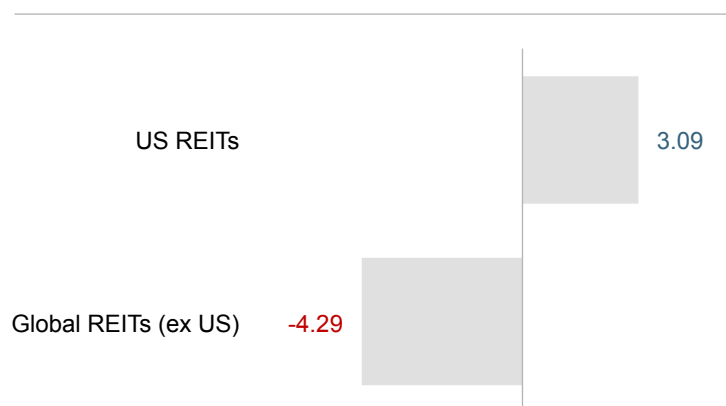


Real Estate Investment Trusts (REITs)

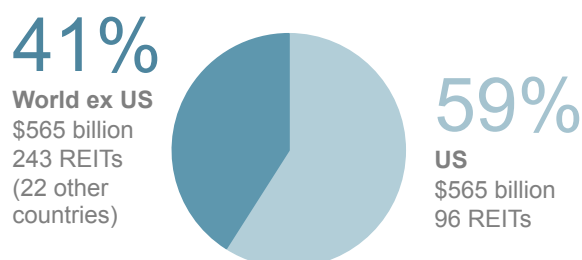
Third Quarter 2015 Index Returns

US REITs were one of the best-performing asset classes during the third quarter, outperforming equities. Although REITs outside the US produced negative absolute returns, global REITs outside the US outperformed broad market equity indices.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITs	-2.84	11.82	9.92	12.31	6.69
Global REITs (ex US)	-5.30	-2.47	4.53	6.64	3.11

* Annualized

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones US Select REIT Index data provided by Dow Jones ©. S&P Global ex US REIT Index data provided by Standard and Poor's Index Services Group © 2014.



Commodities

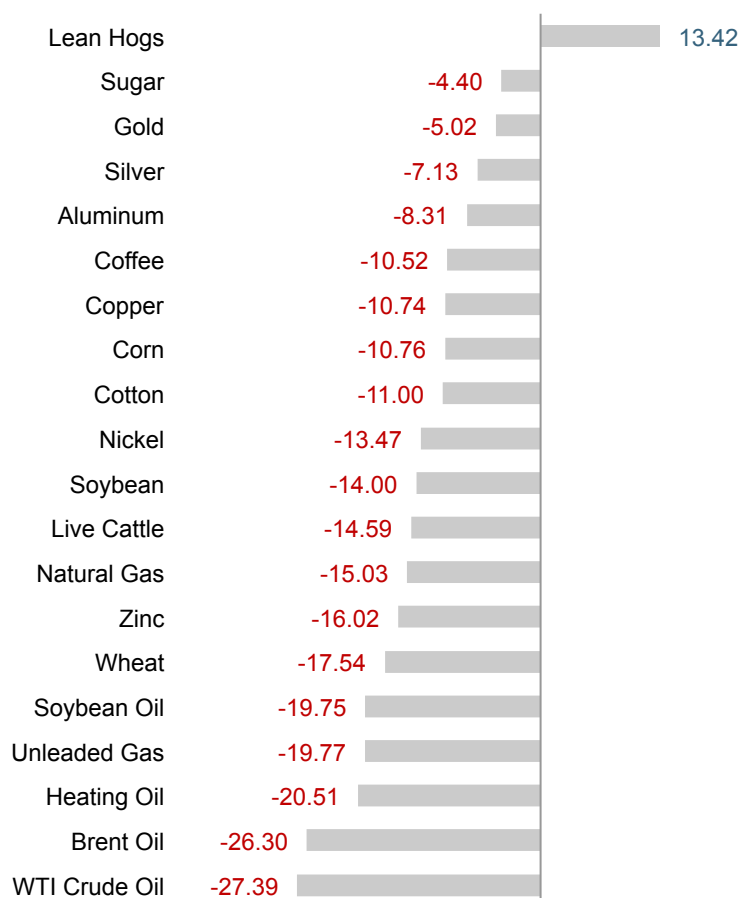
Third Quarter 2015 Index Returns

Commodities were broadly negative during the third quarter. The Bloomberg Commodity Index Total Return fell 14.47%. The energy complex led the decline with WTI crude oil dropping 27.39% and natural gas shedding 15.03%.

Grains also posted negative returns; Chicago wheat lost 17.54%, while soybeans dropped 14%.

Livestock was mixed with lean hogs up 13.42% and live cattle falling 14.59%.

Ranked Returns for Individual Commodities (%)



Period Returns (%)

Asset Class	YTD	Q3	1 Year	3 Years*	5 Years*	10 Years*
Commodities	-15.80	-14.47	-25.99	-16.02	-8.89	-5.67
* Annualized						



Fixed Income

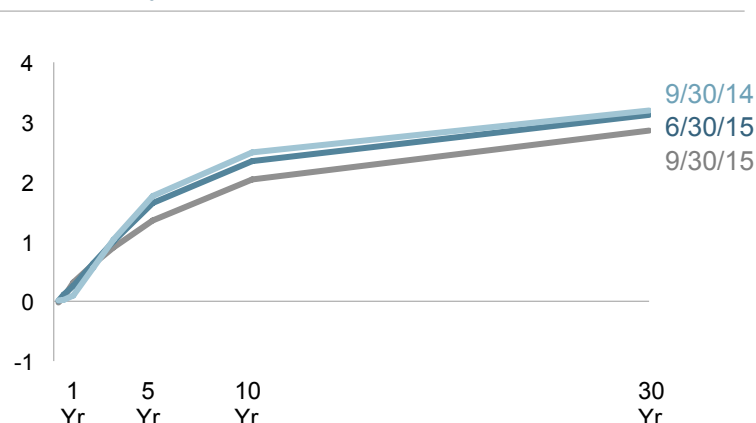
Third Quarter 2015 Index Returns

Interest rates across the US fixed income markets generally decreased during the third quarter. The yield on the 5-year Treasury note dropped 25 basis points to end the period at 1.38%. The yield on the 10-year Treasury note decreased 27 basis points to end the quarter at 2.06%. The 30-year Treasury bond fell 22 basis points to finish with a yield of 2.88%. Yields on the short end of the curve were relatively unchanged.

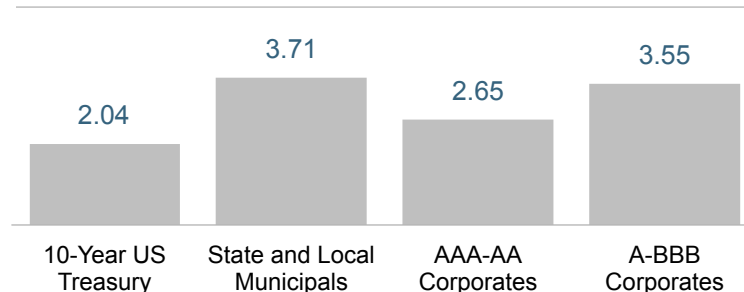
Short-term corporate bonds returned 0.30%, while intermediate-term corporate bonds returned 0.71%.

Short-term municipal bonds returned 0.74%, while intermediate-term municipal bonds returned 1.68%. Municipal general obligation and revenue bonds experienced similar returns.

US Treasury Yield Curve



Bond Yields across Issuers



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.02	0.02	0.06	0.08	1.33
BofA Merrill Lynch 1-Year US Treasury Note Index	0.32	0.25	0.27	0.33	1.88
Citigroup WGBI 1-5 Years (hedged to USD)	1.09	1.57	1.34	1.50	2.97
Barclays Long US Government Bond Index	0.22	8.62	2.78	6.18	6.92
Barclays US Aggregate Bond Index	1.13	2.94	1.71	3.10	4.64
Barclays US Corporate High Yield Index	-2.45	-3.43	3.51	6.15	7.25
Barclays Municipal Bond Index	1.77	3.16	2.88	4.14	4.64
Barclays US TIPS Index	-0.80	-0.83	-1.83	2.55	4.02

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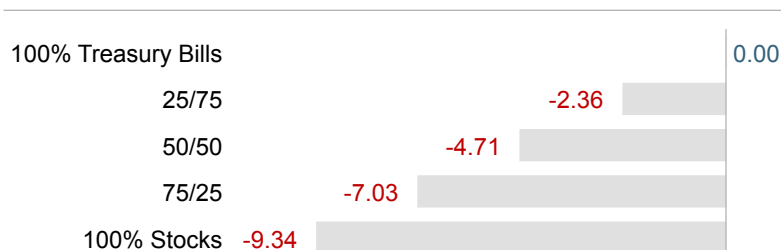


Global Diversification

Third Quarter 2015 Index Returns

These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Ranked Returns (%)

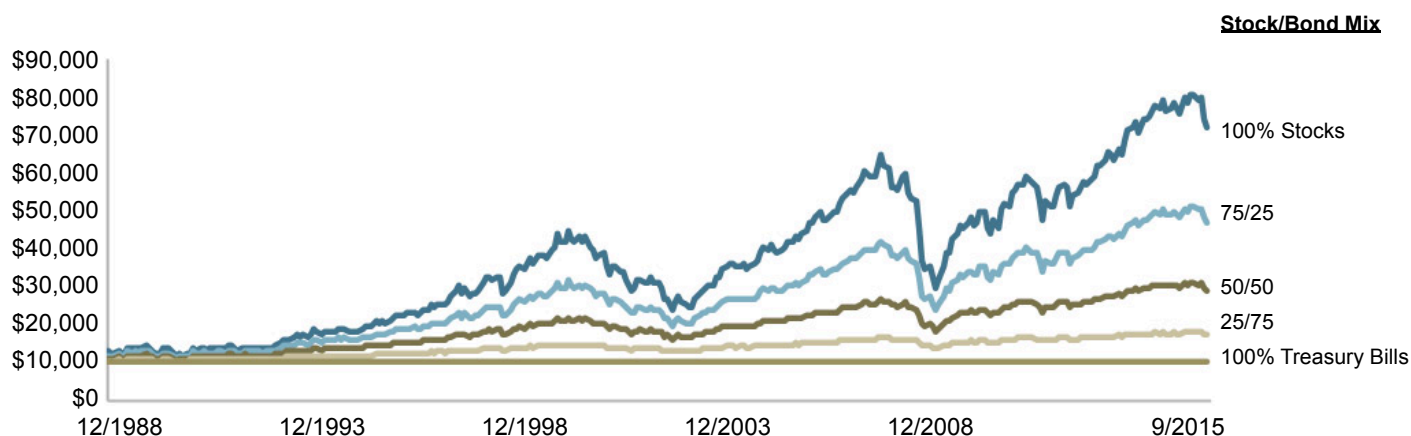


Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
100% Stocks	-6.65	-6.16	7.52	7.39	5.14
75/25	-4.93	-4.55	5.69	5.67	4.12
50/50	-3.24	-2.98	3.82	3.85	2.92
25/75	-1.60	-1.47	1.93	1.96	1.54
100% Treasury Bills	0.00	0.00	0.00	0.00	0.01

Growth of Wealth: The Relationship between Risk and Return



Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio.** Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2015, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).



Should Investors Sell After a "Correction"?

Third Quarter 2015

Stock prices in markets around the world fluctuated dramatically for the week ended August 27. On Monday, August 24, the Dow Jones Industrial Average fell 1,089 points—a larger loss than the “Flash Crash” in May 2010—before rallying to close down 588. Prices fell further on Tuesday before recovering sharply on Wednesday, Thursday, and Friday. Although the S&P 500 and Dow Jones Industrial Average rose 0.9% and 1.1%, respectively, for the week, many investors found the dramatic day-to-day fluctuations unsettling.

Based on closing prices, the S&P 500 Index declined 12.35% from its record high of 2130.82 on May 21 through August 24. Financial professionals generally describe any decline of 10% or more from a previous peak as a “correction,” although it is unclear what investors should do with this information. Should they seek to protect themselves from further declines by selling, or should they consider it an opportunity to purchase stocks at more favorable prices?

Based on S&P 500 data, stock prices have declined 10% or more on 28 occasions between January 1926 and June 2015. Obviously, every decline of 20% or 30% or 40% began with a decline of 10%. As a

result, some investors believe that avoiding large losses can be accomplished easily by eliminating equity exposure entirely once the 10% threshold has been breached.

Market timing is a seductive strategy. If we could sell stocks prior to a substantial decline and hold cash instead, our long-run returns could be exponentially higher. But successful market timing is a two-step process: determining when to sell stocks and when to buy them back. Avoiding short-term losses runs the risk of avoiding even larger long-term gains. Regardless of whether stock prices have advanced 10% or declined 10% from a previous level, they always reflect (1) the collective assessment of the future by millions of market participants and (2) the expectation that equities in both the US and markets around the world have positive expected returns.

Our research shows that US stocks have typically delivered above-average returns over one, three, and five years following consecutive negative return days resulting in a 10% or more decline. Results from non-US markets are similar. Contrary to the beliefs of some investors, dramatic changes in security prices are not a sign that the

financial system is broken but rather what we would expect to see if markets are working properly.

The world is an uncertain place. The role of securities markets is to reflect new developments—both positive and negative—in security prices as quickly as possible. Investors who accept dramatic price fluctuations as a characteristic of liquid markets may have a distinct advantage over those who are easily frightened or confused by day-to-day events and may be more likely to achieve long-run investing success.

References

“Wild Ride Leaves Investors Grasping,” Wall Street Journal, August 25, 2015.

“Investors Scramble as Stocks Swing,” Wall Street Journal, August 25, 2015.

Adapted from “Should Investors Sell After a Correction?” by Weston Wellington, *Down to the Wire* column, September 2015.

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Exclusively for friends, family and colleagues
of our valued clients



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Consultative Wealth Management

In these volatile times, you probably know a friend, family member or colleague who may have a complicated situation, or who wonders whether they have the right financial advisor, or who just needs help, but doesn't get it. That's not uncommon. Studies suggest that over 80 percent of affluent investors would value a second opinion.*

In order to help those you care about achieve their financial goals, we have created our complimentary **Second Opinion Service**. We're pleased to offer your friends, family and colleagues the same expertise and guidance that you've come to expect as a valued client of Professional Financial.

Working with a team that redefines wealth management

Ask ten investors to define wealth management. Rather, ask ten typical "wealth managers" to do so. You'll almost certainly get ten different answers, and most replies will primarily focus only on investing. As a client of Professional Financial, however, you benefit from a team of

CFPs® with a network of specialists having a clear and comprehensive vision of true wealth management.

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At Professional Financial we approach each new engagement with a time-tested, collaborative process. This allows us to have an open dialogue with you so we can learn about your values and goals. This proven process enables us to work with you to tailor a plan that helps you meet your essential goals. As a valued client, you'll recognize each of the five steps below. As part of our **Second Opinion Service**, we offer a portion of our consultative service, complimentary, to you friends, family and colleagues.

WEALTH MANAGEMENT CONSULTING PROCESS

Step 1

**Discovery
meeting**

Step 2

**Investment
planning
meeting**

Step 3

**Mutual
commitment
meeting**

Step 4

**Organizational
meeting**

Step 5

**Regular
process
meetings**

Professional Financial works with successful families of professionals and retirees, acting as their personal chief financial officer to help meet complex financial challenges—freeing clients from many major concerns. We help clients plan informed decisions not only about investing, but also mitigating taxes, transferring wealth to heirs, protecting assets from unjust loss, and for some, making a difference in the world through charitable giving.

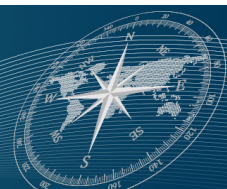
We use a consultative wealth management process, and employ a comprehensive approach to better understand our client's deepest needs, values and goals. We work closely

with a network of experts in finance, accounting, tax and law. We accept only those clients for whom we can make a major impact.

Founded in 1993, Professional Financial is an independent registered investment advisor staffed with Certified Financial Planners.™ As a trusted advisor with a duty of loyalty, we place client interests first and foremost. Professional memberships include: Financial Planning Association, American Institute of CPAs, Institute of Chartered Management Accountants, and National Association of Accountants.



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What to expect from the Second Opinion Service

We will meet with your friends, family and colleagues for a discovery meeting and then invite them back for an investment planning meeting. Hopefully, we can confirm whether they are on track to achieve their goals with their existing financial providers. If appropriate, however, we'll suggest ways we can help, including recommending another qualified advisor if we're not a good fit for them. Either way,

your family and friends will receive a Total Client Profile and a detailed analysis of their current investment portfolio and planning strategy—a value that may be in excess of \$5,000.

SECOND OPINION SERVICE

Step 1

Step 2

Discovery
meeting

Investment
planning
meeting

Consultative Wealth Management

Investment consulting

- Wealth preservation
- Portfolio structure
- Manager due diligence
- Risk evaluation
- Performance benchmarking
- Goal monitoring

Advanced planning

- Wealth enhancement, including cash flow, tax minimization, and liability management
- Wealth transfer
- Wealth protection
- Charitable giving

Relationship management

- Regularly scheduled calls, reviews and in-person meetings
- Network of experts, including legal, tax, insurance and financial specialists

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*Source: Russ Alan Prince and David A. Geraciotti, *Cultivating the Middle-Class Millionaire*, 2005.

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