



PROFESSIONAL
FINANCIAL

Consultative Wealth Management

CLARITY. COMMITMENT. CONFIDENCE.



Principles for Informed Investment Management



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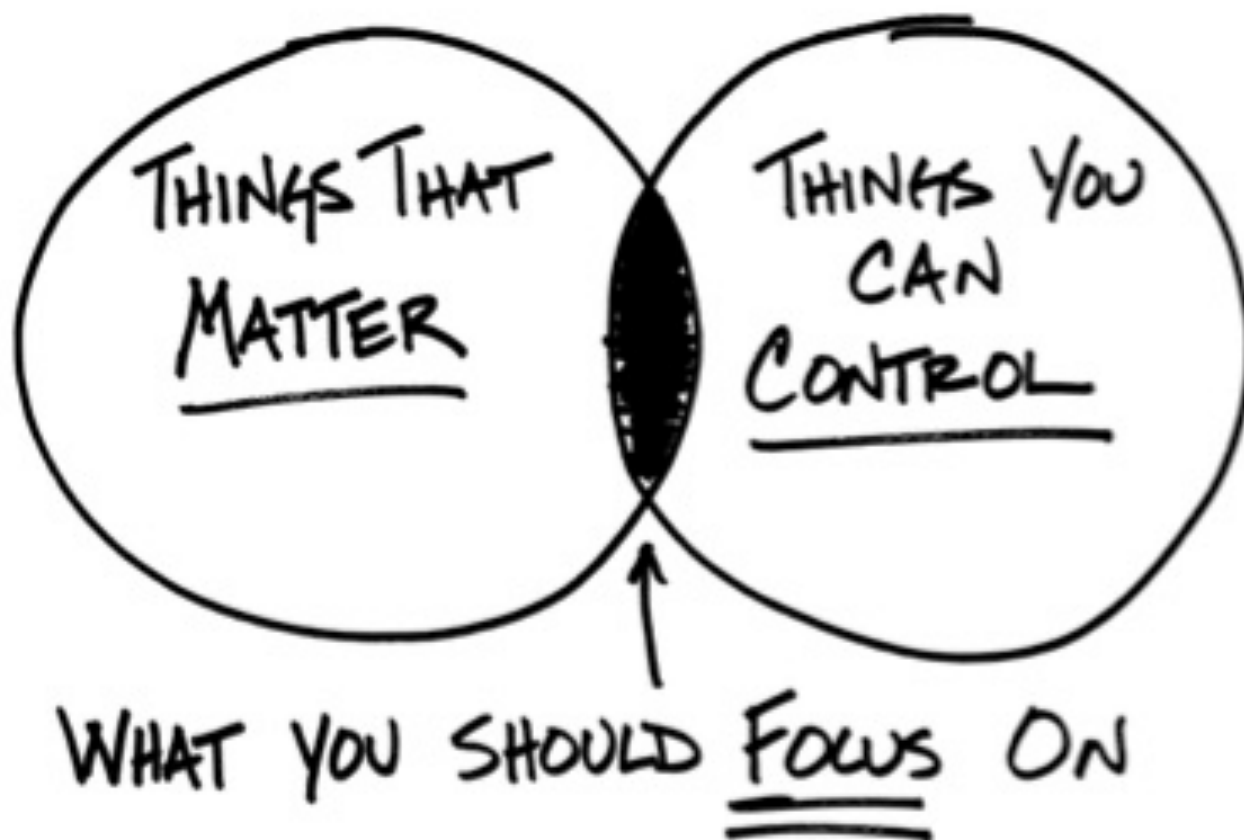
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Disclosure: Professional Financial Strategies, Inc. is an investment adviser registered with the Securities and Exchange Commission, and independently associated with Charles Schwab & Co., TIAA and Dimensional Fund Advisors LP. A current disclosure brochure is available calling 585.218.9080 or emailing: paulhill@professionalfinancial.com.



BEHAVIOR GAP

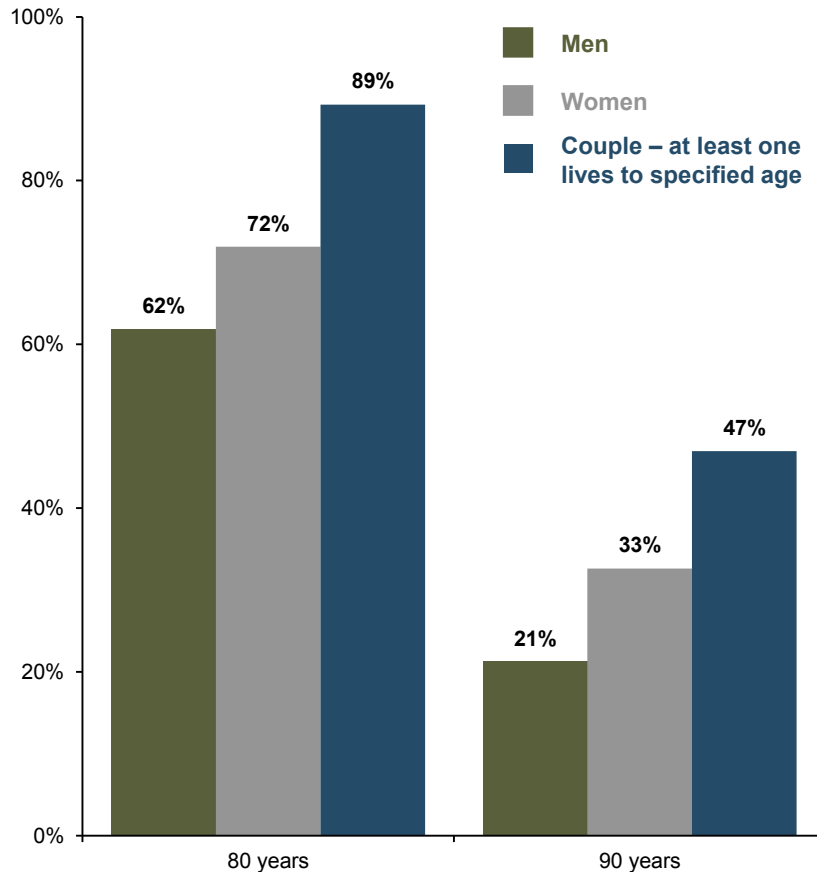
Principles for Informed Investment Management

- ☐ Plan on probably living a long time
- ☐ Cash isn't king and safety is costly
- ☐ Embrace the power of compounding markets
- ☐ Avoid mistakes with a sensible strategy
- ☐ Volatility is normal; manage your emotions
- ☐ Avoid market timing and stick with your plan
- ☐ Smart diversification keeps you in control

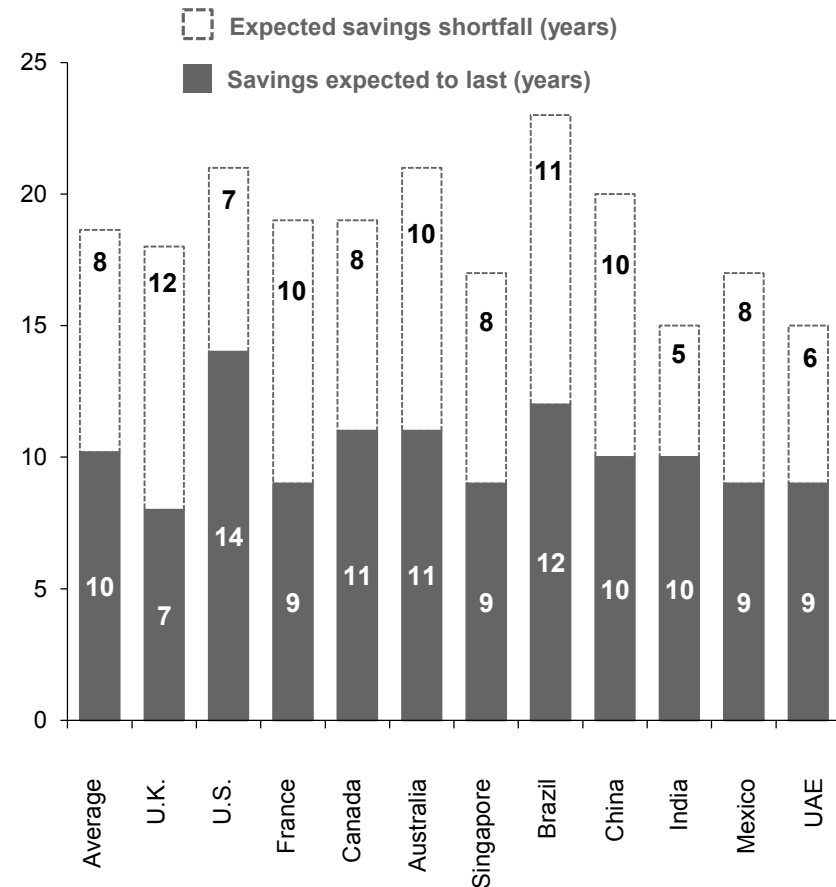
Plan on Probably Living a Long Time

Probability of reaching ages 80 and 90

Persons aged 65, by gender, and combined couple

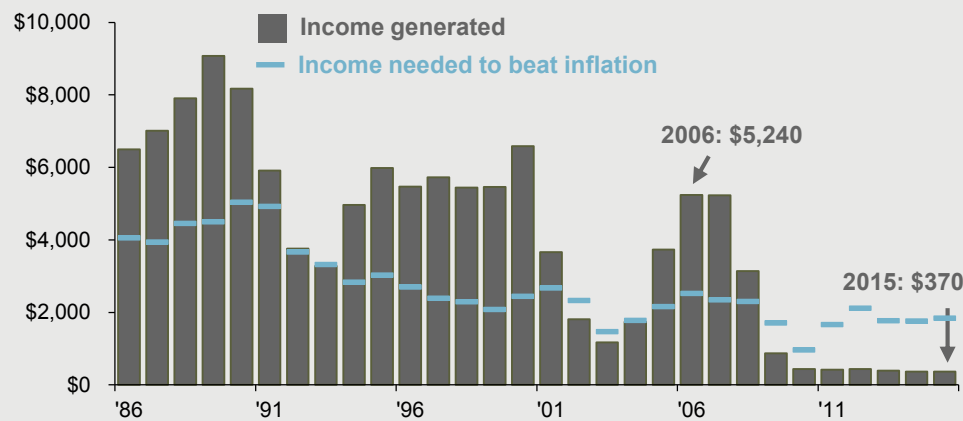


Perceived retirement shortfall by country

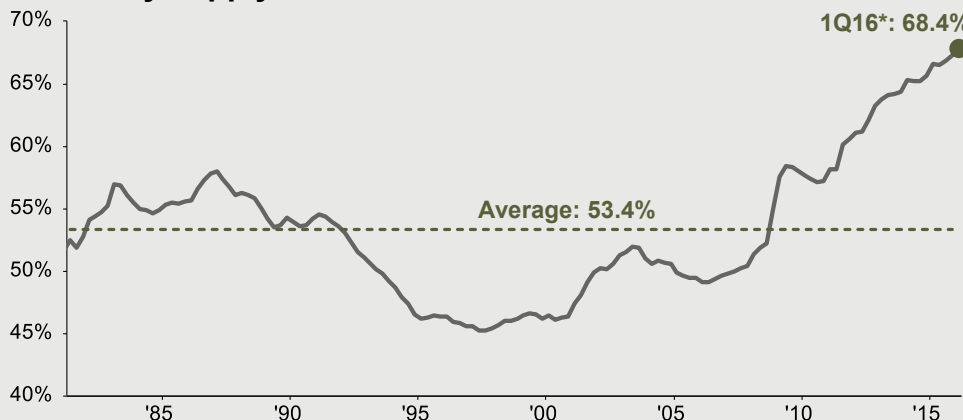


Cash isn't King and Safety is Costly

Annual income generated by \$100,000 investment in a 6-mo. CD



M2 money supply as a % of nominal GDP



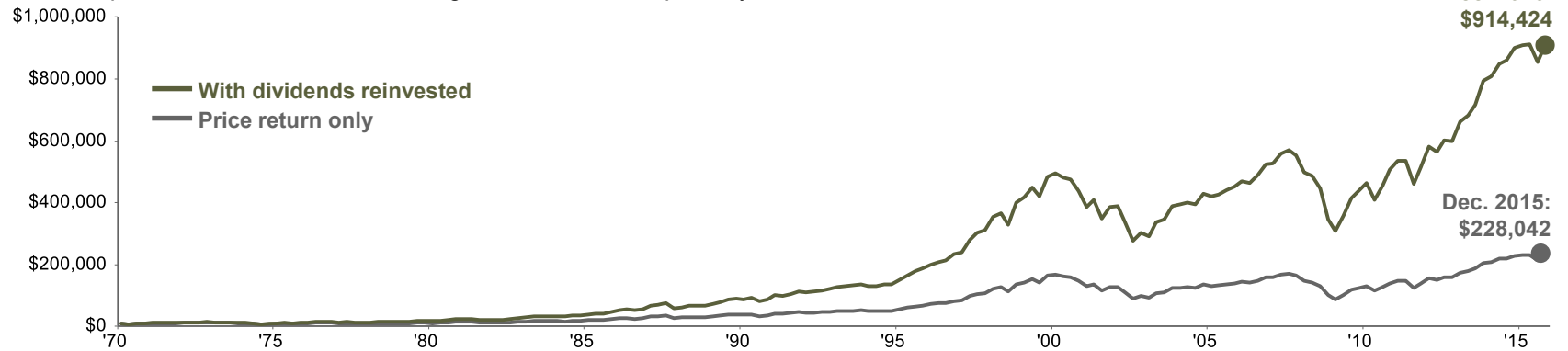
Money supply component	USD billions	Weight in money supply
M2-M1	\$9,371	79.3%
Retail MMMFs	\$717	6.1%
Savings deposits	\$8,250	69.8%
Small time deposits	\$404	3.4%
Institutional MMMFs	\$1,753	14.8%
Cash in IRA & Keogh accounts	\$690	5.8%
Total	\$11,814	100.0%

Source: FactSet, J. P. Morgan Asset Management; (Top left) Bankrate.com; (Bottom left and right) BEA, Federal Reserve, St. Louis Fed. All cash measures obtained from the Federal Reserve are latest available seasonally adjusted month averages. All numbers are in billions of U.S. dollars. Small denomination time deposits are those issued in amounts less than \$100,000. All IRA and Keogh account balances at money market mutual funds are subtracted from small time deposits. Annual income is for illustrative purposes and is calculated based on the 6-month CD yield on average during each year and \$100,000 invested. IRA and Keogh account balances at money market mutual funds are subtracted from retail money funds. Past performance is not indicative of comparable future results. *J. P. Morgan Asset Management estimate. J. P. Morgan Asset Management, *Guide to the Markets* – U.S. Data are as of March 31, 2016.

Embrace the Power of Compounding Markets

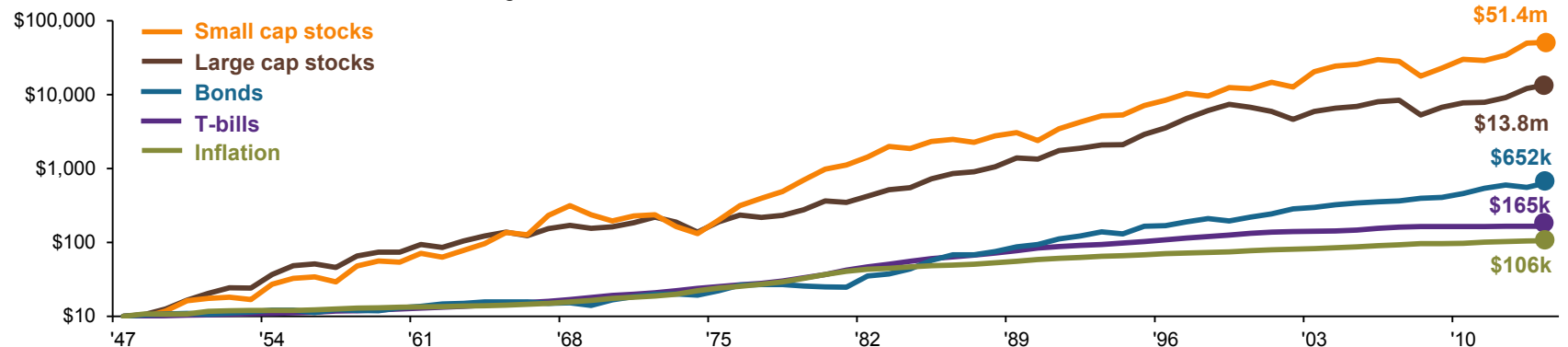
The power of compounding

S&P 500 price return versus total return, growth of \$10,000, quarterly



Major asset classes versus inflation

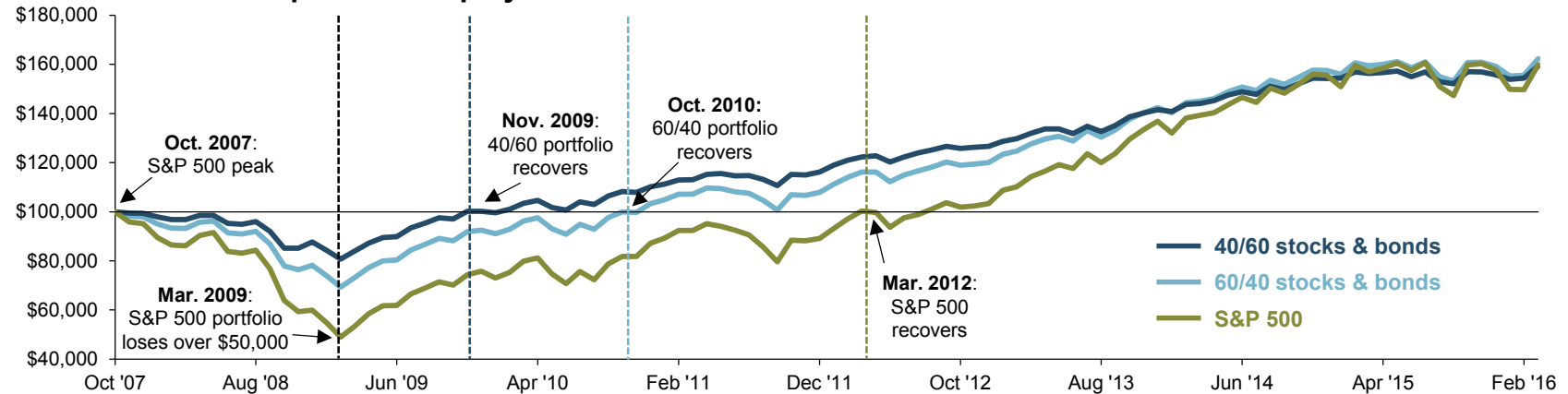
Growth of \$10,000 from 1947-2014, annual, log scale, USD thousands



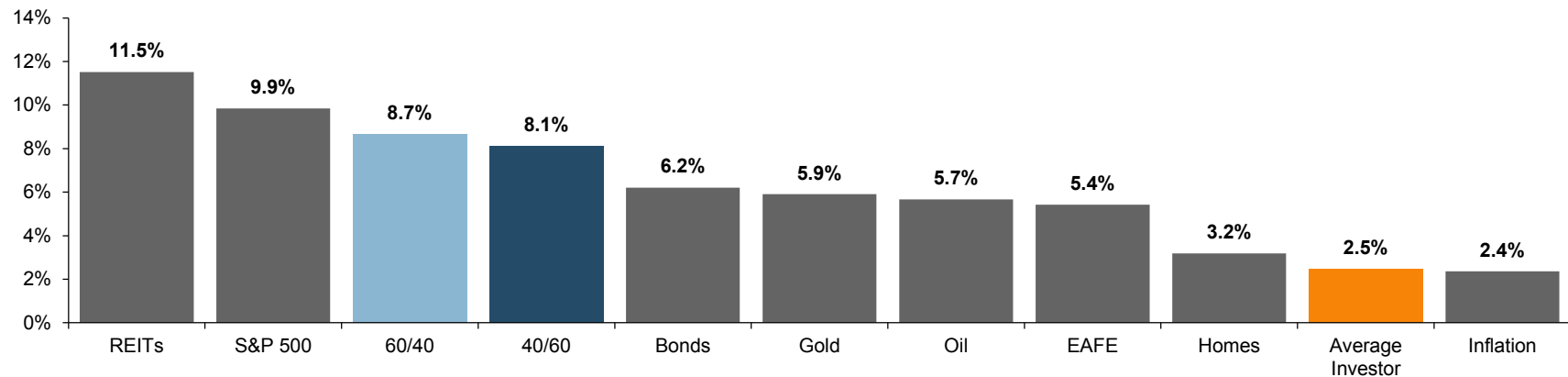
Source: Ibbotson, Standard & Poor's, J. P. Morgan Asset Management.
 J. P. Morgan Asset Management, *Guide to the Markets* – U.S. Data are as of December 31, 2016.

Avoid Mistakes with a Sensible Strategy

Portfolio returns: Equities vs. equity and fixed income blend



20-year annualized returns by asset class (1995 – 2014)



Investing principles

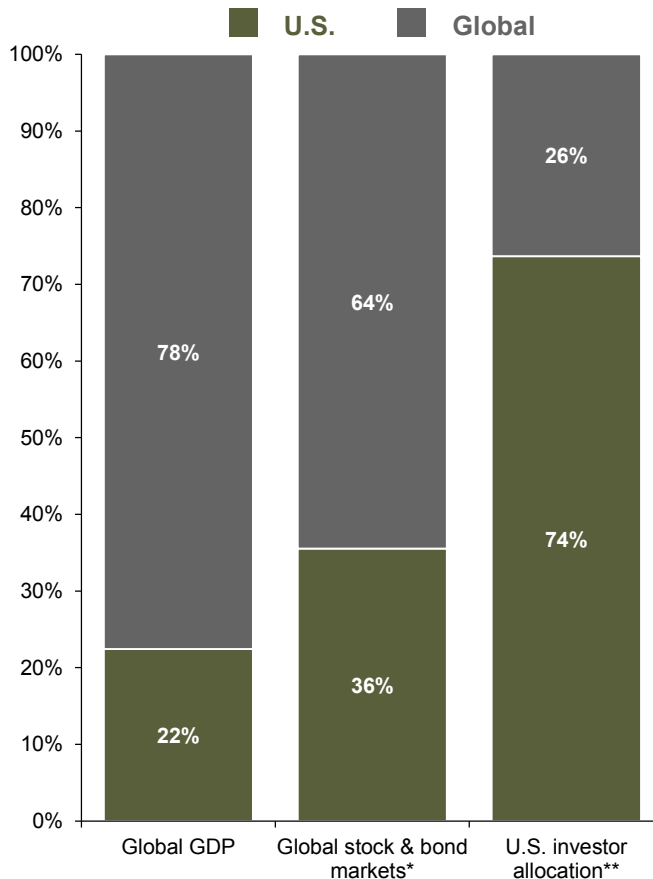
Source: J. P. Morgan Asset Management; (Top) Barclays, FactSet, Standard & Poor's (Bottom) Dalbar Inc. Indexes used are as follows: REITs: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Barclays U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Gold: USD/roy oz, Inflation: CPI. 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high quality U.S. fixed income, represented by the Barclays U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/14 to match Dalbar's most recent analysis.

J. P. Morgan Asset Management, *Guide to the Markets* – U.S. Data are as of March 31, 2016.

Avoid Mistakes with a Sensible Strategy (part 2)

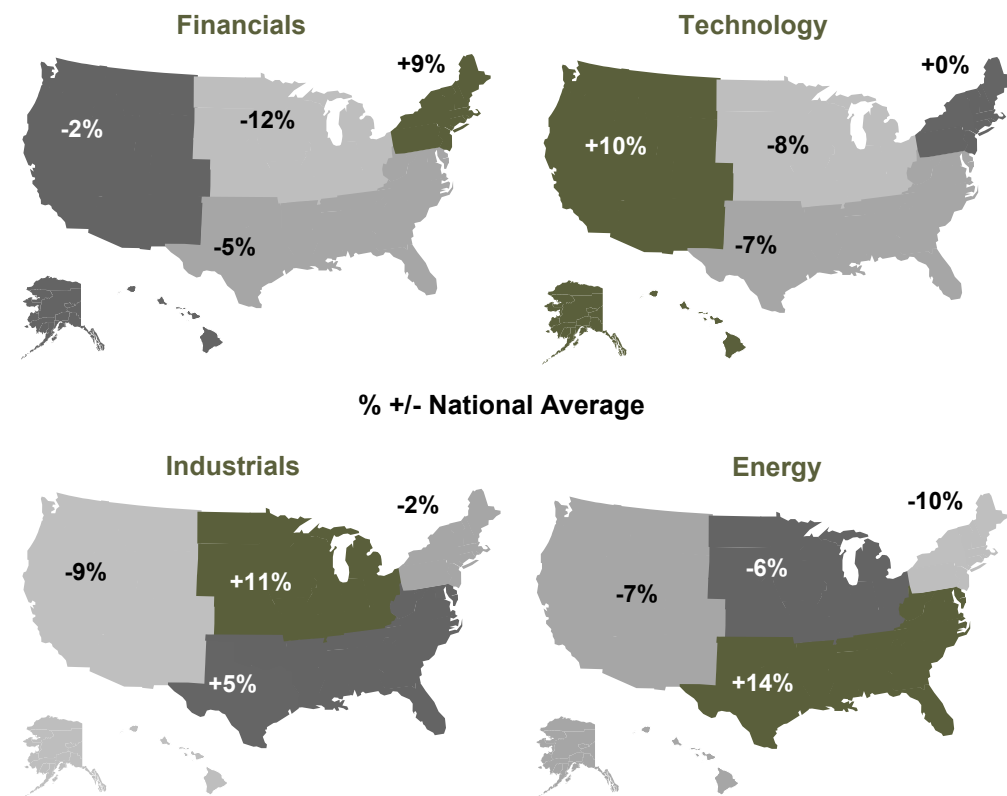
Investment universe & U.S. investors

Percentage of total net assets, 2014



Investor allocation by region

Likelihood of owning stocks in an industry vs. national average***



Source: Openfolio, IMF, ICI, J.P. Morgan Asset Management.

*Global stock and bond markets data are as of 2013. **U.S. investor allocation is the total value of investments in global or domestic equity mutual funds and ETFs. ***Investor allocation by region is based on data collected by Openfolio. Average sector allocations at the national level are determined by looking at the sector allocations of over 20,000 brokerage accounts, and taking a simple average. Portfolio allocations are then evaluated on a regional basis, and the regional averages are compared to the national average to highlight any investor biases. Further details can be found on www.openfolio.com.

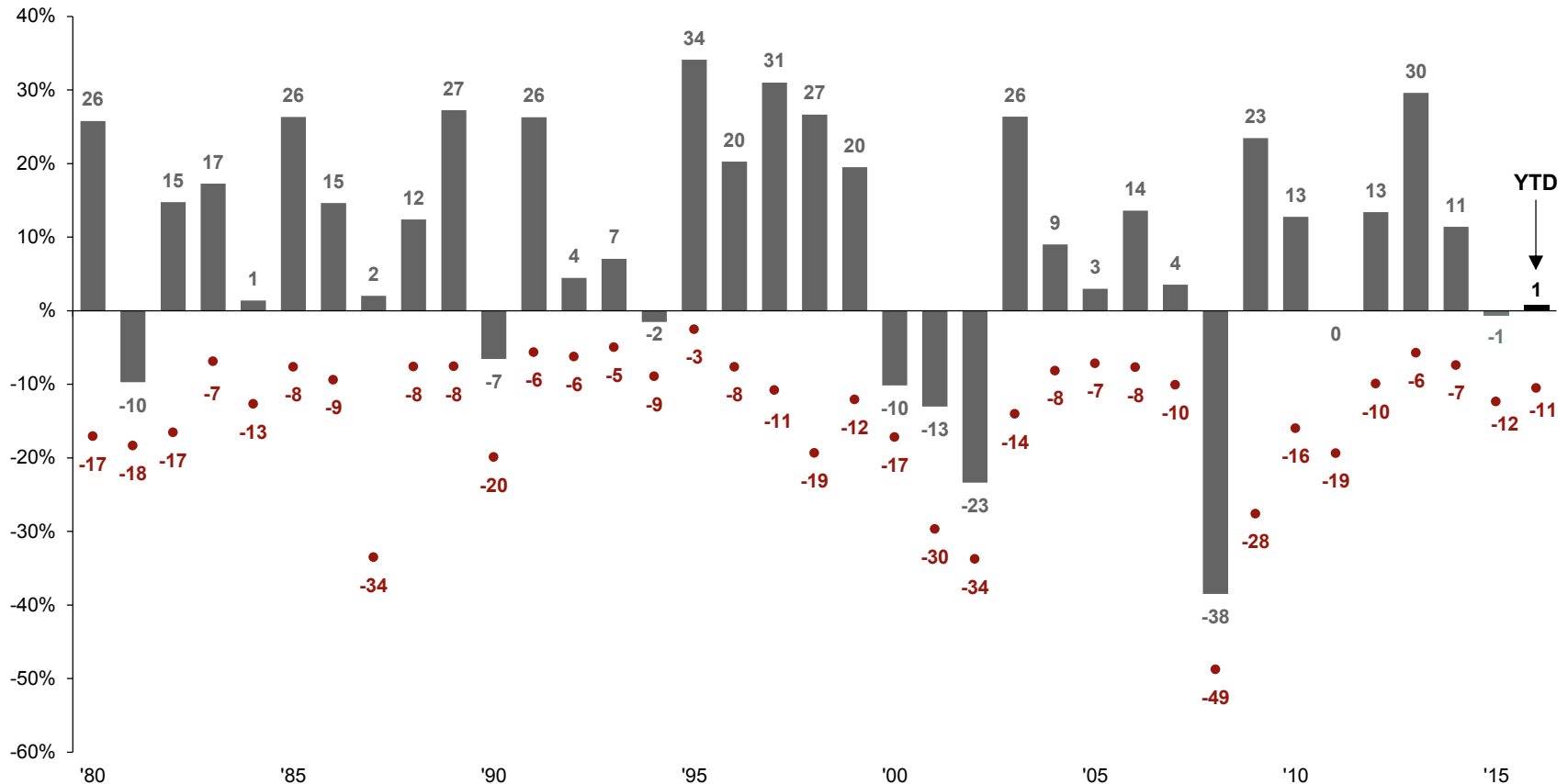
J. P. Morgan Asset Management, *Guide to the Markets* – U.S. Data are as of March 31, 2016.

Volatility is Normal; Manage your Emotions

Equities

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns positive in 27 of 36 years



Source: Factset, Standard & Poor's, J. P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2015, except for 2016, which is year to date. J. P. Morgan Asset Management, *Guide to the Markets – U.S.* Data are as of December 31, 2016.

Volatility is Normal; Manage your Emotions (part 2)

Equities

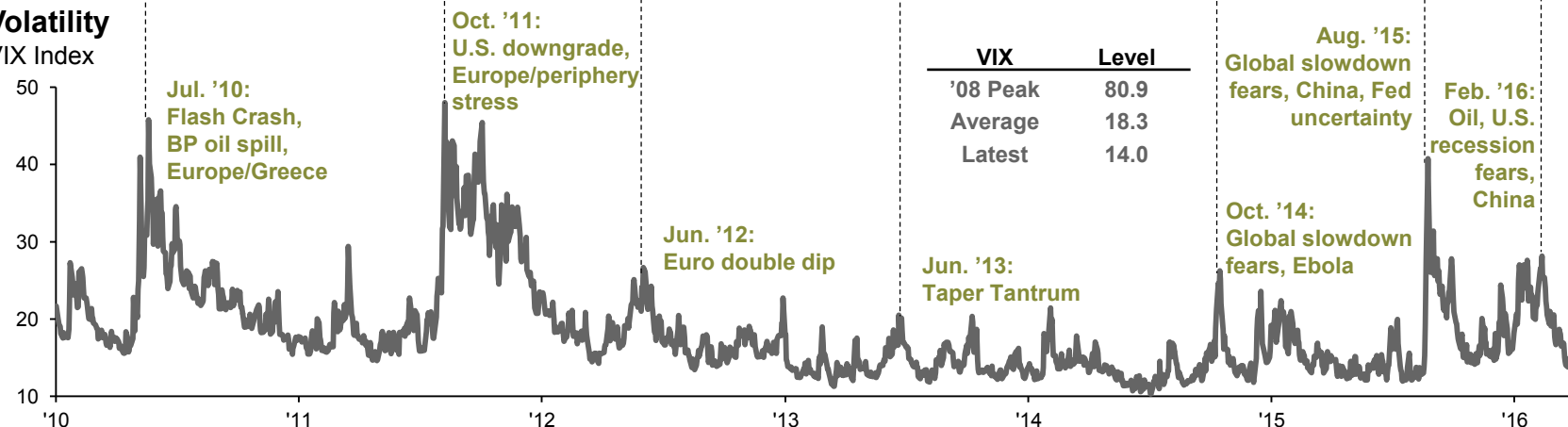
Major pullbacks during current market cycle

S&P 500 Price Index



Volatility

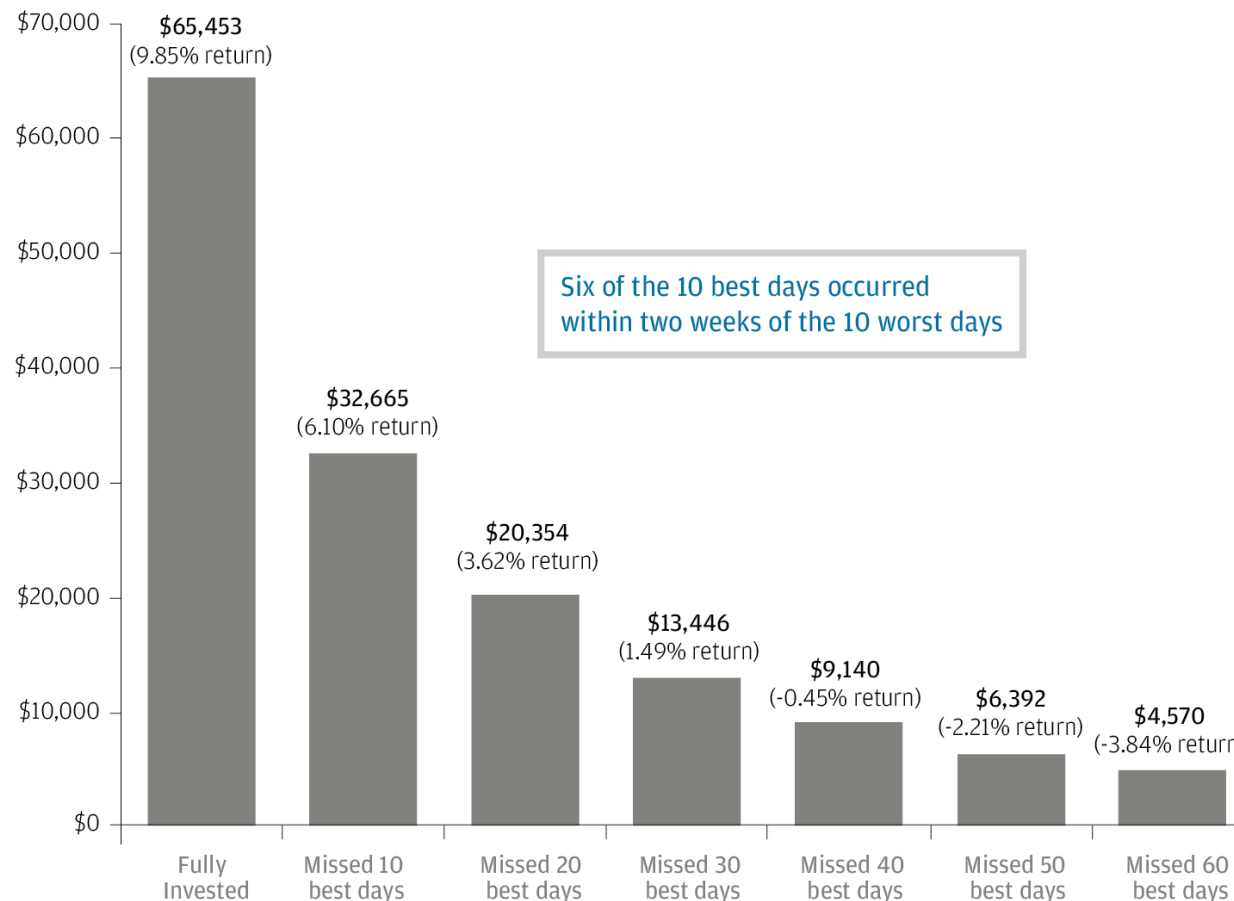
VIX Index



Avoid Market Timing and Stick with your Plan

Returns of S&P 500

Performance of a \$10,000 investment between January 3, 1995 and December 31, 2014



PLAN TO STAY INVESTED

Trying to time the market is extremely difficult to do consistently. Market lows often result in emotional decision making. Investing for the long term while managing volatility can result in a better retirement outcome.

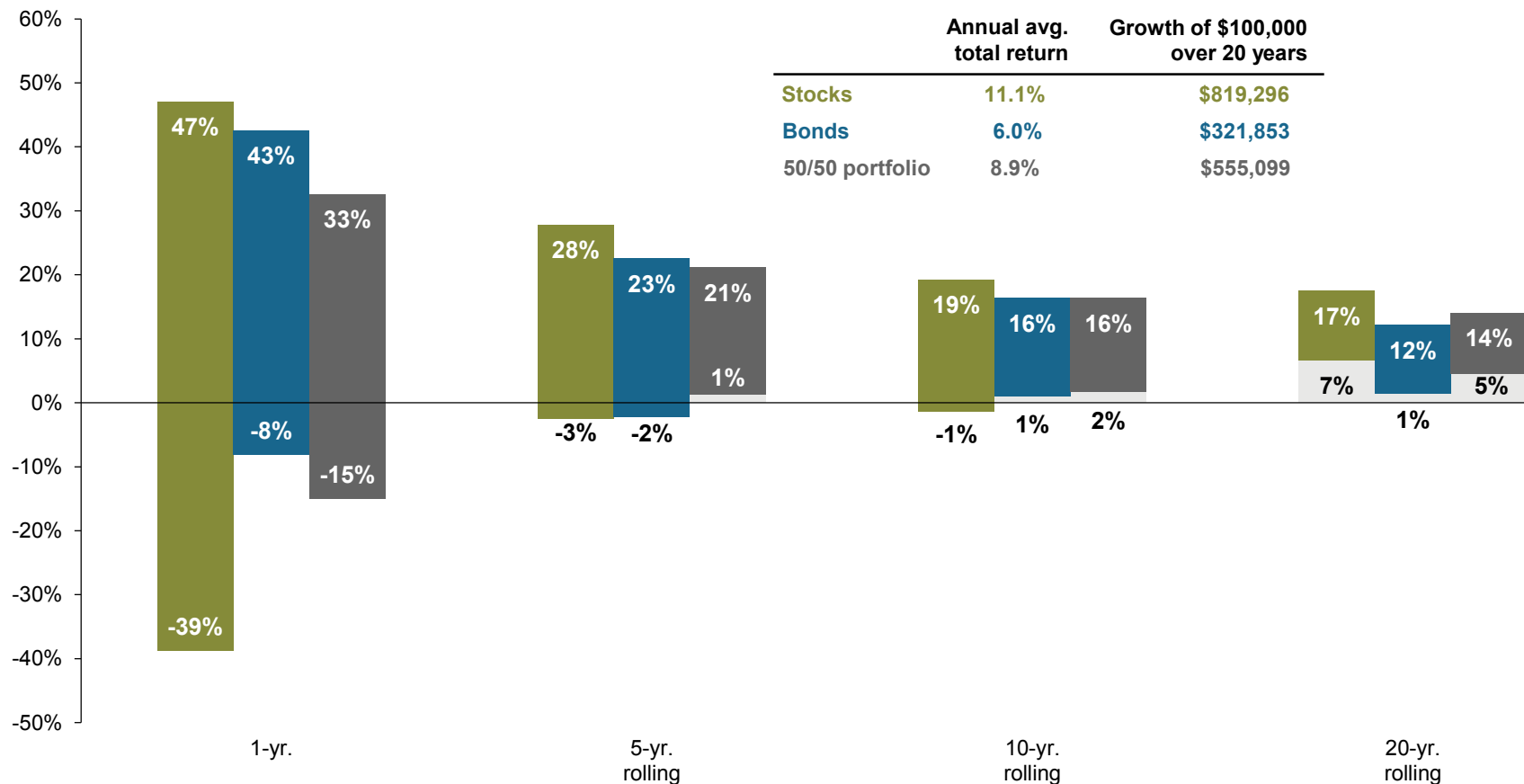
This chart is for illustrative purposes only and does not represent the performance of any investment or group of investments.

Source: Prepared by J.P. Morgan Asset Management using data from Lipper. 20-year annualized returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2014.

Avoid Market Timing and Stick with your Plan (part 2)

Range of stock, bond and blended total returns

Annual total returns, 1950-2015



Source: Barclays, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J. P. Morgan Asset Management. Returns shown are based on calendar year returns from 1950 to 2015. Stocks represent the S&P 500 Shiller Composite and Bonds represent Strategas/Ibbotson for periods from 1950 to 1980 and Barclays Aggregate after index inception in 1980. Growth of \$100,000 is based on annual average total returns from 1950 to 2015.

J. P. Morgan Asset Management, *Guide to the Markets – U.S.* Data are as of March 31, 2016.

Smart Diversification Keeps you in Control

Investing
principles

																	2000 - 2015	
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	YTD	Ann.	Vol.
Comdty. 31.8%	REITs 13.9%	Comdty. 25.9%	EM Equity 56.3%	REITs 31.6%	EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	REITs 5.8%	REITs 12.0%	EM Equity 25.4%
REITs 26.4%	Fixed Income 8.4%	Fixed Income 10.3%	Small Cap 47.3%	EM Equity 26.0%	Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	EM Equity 5.8%	High Yield 7.9%	REITs 22.0%
Fixed Income 11.6%	Cash 4.1%	High Yield 4.1%	DM Equity 39.2%	DM Equity 20.7%	DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	High Yield 4.1%	Small Cap 6.6%	Small Cap 21.2%
Cash 6.1%	Small Cap 2.5%	REITs 3.8%	REITs 37.1%	Small Cap 18.3%	REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Fixed Income 3.0%	EM Equity 5.9%	DM Equity 19.6%
High Yield 1.0%	High Yield 2.3%	Cash 1.7%	High Yield 32.4%	High Yield 13.2%	Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	Large Cap 1.3%	Asset Alloc. 5.7%	Comdty. 18.7%
Asset Alloc. 0.0%	EM Equity -2.4%	Asset Alloc. -5.9%	Large Cap 28.7%	Asset Alloc. 12.8%	Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	Asset Alloc. 1.3%	Fixed Income 5.4%	Large Cap 16.7%
Small Cap -3.0%	Asset Alloc. -3.9%	EM Equity -6.0%	Asset Alloc. 26.3%	Large Cap 10.9%	Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Comdty. 0.4%	Large Cap 4.1%	High Yield 11.5%
Large Cap -9.1%	Large Cap -11.9%	DM Equity -15.7%	Comdty. 23.9%	Comdty. 9.1%	High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Cash 0.1%	DM Equity 2.8%	Asset Alloc. 11.2%
DM Equity -14.0%	Comdty. -19.5%	Small Cap -20.5%	Fixed Income 4.1%	Fixed Income 4.3%	Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	Small Cap -1.5%	Cash 1.8%	Fixed Income 3.4%
EM Equity -30.6%	DM Equity -21.2%	Large Cap -22.1%	Cash 1.0%	Cash 1.2%	Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	DM Equity -2.9%	Comdty. 0.8%	Cash 1.0%

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Barclays Global HY Index, Fixed Income: Barclays Aggregate, REITs: NAREIT Equity REIT Index. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period of 12/31/99 – 12/31/15. Please see disclosure page at end for index definitions. All data represents total return for stated period. Past performance is not indicative of future returns.



Index Definitions and Disclosure

Indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. This world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 Index focuses on the large cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market. An investor cannot invest directly in an index.

The **S&P MidCap 400 Index** tracks a diverse basket of medium-sized U.S. firms. A mid cap stock is broadly defined as a company with a market capitalization ranging from about \$2 billion to \$10 billion.

The **S&P SmallCap 600 Index** invests in a basket of small cap equities. A small cap company is generally defined as a stock with a market capitalization between \$300 million and \$2 billion.

The **Russell 2000 Index®** measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **MSCI® EAFE (Europe, Australia, Far East) Net Index** is recognized as the pre-eminent benchmark in the United States to measure international equity performance. It comprises 21 MSCI country indexes, representing the developed markets outside of North America.

The **MSCI Emerging Markets IndexSM** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2007, the MSCI Emerging Markets Index consisted of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey.

The **CS/Tremont Equity Market Neutral Index** takes both long and short positions in stocks with the aim of minimizing exposure to the systematic risk of the market (i.e., a beta of zero).

*Market Neutral returns for November 2008 are estimates by J.P. Morgan Funds Market Strategy and are based on a December 8, 2008 published estimate for November returns by CS/Tremont in which the Market Neutral returns were estimated to be +0.85% (with 69% of all CS/Tremont constituents having reported return data). Presumed to be excluded from the November return are three funds, which were later marked to \$0 by CS/Tremont in connection with the Bernard Madoff scandal. J.P. Morgan Funds believes this distortion is not an accurate representation of returns in the category. CS/Tremont later published a finalized November return of -40.56% for the month, reflecting this mark-down. CS/Tremont assumes no responsibility for these estimates.

The **NCREIF Property Index** is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors – the great majority being pension funds. As such, all properties are held in a fiduciary environment.

The **FTSE NAREIT EQUITY REIT Index** is designed to provide the most comprehensive assessment of overall industry performance and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List.

The **Barclays Capital U.S. Aggregate Index** represents securities that are SEC-registered, taxable and dollar denominated. The index covers the U.S. investment-grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indexes that are calculated and reported on a regular basis.

The **HFRI Equity Market Neutral Index** is an equally weighted performance index. The HFRI is broken down into 33 different categories by strategy. The strategy of this index seeks to profit by exploiting inefficiencies between related equity securities, neutralizing exposure to market risk by combining long and short positions. In many cases, portfolios are structured to be market, industry, sector and dollar neutral. One example of this strategy is to build portfolios made up of long positions in the strongest companies in several industries and take corresponding short positions in those showing signs of weakness. Due to the mutual agreements with the hedge fund managers listed in the HFRI database, the index is not at liberty to disclose the particular funds behind this index.

The **Merrill Lynch Global Government Index** tracks the performance of investment-grade sovereign debt publicly issued and denominated in the issuer's own domestic market and currency. In order to qualify for inclusion in the Index, a country (i) must be an OECD member; (ii) must have an investment-grade foreign currency long-term sovereign debt rating (based on an average of Moody's, S&P and Fitch); (iii) must have \$50 billion (USD equivalent) outstanding face value of Index qualifying debt (i.e., after imposing constituent level filters on amount outstanding, remaining term to maturity, etc.) to enter the Index; (iv) must have at least \$25 billion (USD equivalent) in outstanding face value of Index qualifying debt in order to remain in the Index; (v) must be available to foreign investors; and (vi) must have at least one readily available, transparent price source for its securities.

The **Merrill Lynch U.S. High Yield Index** tracks the performance of US dollar-denominated below-investment-grade corporate debt publicly issued in the U.S. domestic market. Qualifying securities must have a below-investment-grade rating (based on an average of Moody's, S&P and Fitch) and an investment-grade-rated country of risk (based on an average of Moody's, S&P and Fitch foreign currency long-term sovereign debt ratings).

The **Dow Jones Industrial Average** measures the stock performance of 30 leading blue-chip U.S. companies.

The **Bloomberg Commodity Index** is composed of futures contracts on physical commodities and represents twenty two separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc.

Disclosure: Professional Financial Strategies, Inc. is an investment adviser registered with the Securities and Exchange Commission, and independently associated with Charles Schwab & Co., TIAA and Dimensional Fund Advisors LP.

A current Firm Brochure and Supplement are available by calling 585.218.9080 or emailing paulhill@professionalfinancial.com.

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Second Opinion Service

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.*

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WEALTH MANAGEMENT CONSULTING PROCESS



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



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Our consultative process

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.

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 MANAGEMENT

- Wealth preservation
- Goal monitoring
- Risk analysis
- Portfolio structuring
- Manager due diligence
- Performance evaluation

ADVANCED PLANNING

- Wealth enhancement, including cash flow, tax minimization, and liability management

- Wealth transfer
- Wealth protection
- Charitable giving

RELATIONSHIP CONSULTING

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





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Let us help you help those you care about. Contact us today.

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