



Dear Client,

On some levels, 2016 may go down as one of the most interesting in recent history. The year began with a steep double-digit decline in stock markets and ended with a six-week stock market rally. Market headlines for the year included fears of rising interest rates, oil prices and production cuts, and the political upset of the Brexit vote. Early in the fourth quarter there were a number of predictions as to who the next U.S. President would be. What occurred was unexpected, as were the reactions of the markets to the new president-elect. For the year, U.S. large companies (S&P 500) were up almost 12% while foreign developed-market companies were basically flat. Bonds were up slightly, depending on duration, between 1.5-2.5%.

In the meetings we have had since the election, there has been a feeling of déjà vu; the thought that we have been here before. We have, and it was the realization that throughout history election outcomes can be unpredictable and unwelcomed by some. From an economic perspective, following elections, economies continued to produce products and provide services, people consumed, and companies created value for shareholders. New technologies and innovations were created, along with new jobs and opportunities. During all this, markets went up as they tend to do over time. It may have been a bumpy road, but stocks went up and we believe they will continue to do so.

Here is what we think will be important and what we should expect:

- Business and consumer confidence is up and that is a good thing.
- Over the next few years, bonds may be challenged in a rising interest rate environment (bond prices and interest rates have an inverse relationship).
- We continue to remain defensive around bonds, which are a component of the portfolio used to help mitigate potential volatility in the shorter term.
- Domestic stocks, while viewed as fully priced, may benefit from policy decisions.
- We are bullish in the longer term part of the portfolio where we hold developed international and emerging market stocks.

In essence, we are segmenting the portfolio to mitigate potential shorter-term volatility, while allowing the longer-term growth investments opportunity to grow more. This is a divided perspective but one we believe provides the best complement to where we see investment opportunities today.

Finally, thank you for your overwhelming support and kind words as we have communicated with you about our merger. We are grateful for the opportunity to serve you and look forward to our continued relationship for years to come.

Thank you for your trust and confidence.

Thomas G Fee  
Principal and Managing Partner

Jason Ranallo, CFA  
Director of Portfolio Management



## 4<sup>th</sup> Quarter 2016

### **Happy New Year!**

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Tax season is approaching quickly. Here are a few tips to help you through tax time.

- You should expect to receive your Form 1099 Composite and Year End Summary tax forms from your Custodian by the end of February.

Custodians strive to generate tax information as quickly as possible, but be aware that it's not uncommon to issue Corrected 1099s after the original mailing. Corrected 1099s are required when issuers of securities, not the Custodian, reclassify the income from your holdings AFTER your original 1099 has been generated. For this reason, we urge you to consider waiting to file your actual returns until March or later.

- Look to your Custodian to provide official tax documents necessary for your return as Vector does not produce tax reports. Your Custodian will notify you via email when the tax documents have been posted online, unless you receive your documents in the mail. As a reminder, if your account did not have any activity a 1099 will not be generated.

- Charles Schwab accounts: [www.schwab.com](http://www.schwab.com) → *Taxforms*

- TD Ameritrade accounts: [www.tdameritrade.com](http://www.tdameritrade.com) → *My Account* → *Tax Center*

- The most commonly generated forms from investment accounts:

#### Form 1099-R (Retirement)

This form reports distributions from retirement accounts such as IRAs and SEP-IRAs and pensions.

#### Form 1099 Composite

This form is used to consolidate tax reporting for an after-tax account and may include:

Form 1099-DIV (Dividend)

Form 1099-INT (Interest)

Form 1099-B (Broker transactions)

Form 1099-Misc (Miscellaneous income)

### **A friendly reminder to tighten your defenses**

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The IRS handles most of its business through the US Postal Service. They do not generally communicate by making phone calls. Be alert to scams with someone posing as an IRS Agent asking you to send money immediately by wire transfer or credit card.

To avoid these scams, never give out your Social Security number, credit card number, or personal information to anyone who calls you on the phone claiming to be from the IRS (or anywhere else). If the caller threatens arrest, suspension of a driver's license, or any other negative action that is a tell-tale sign it's not a legitimate call.

### **Referrals**

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We are fortunate to have grown over the years primarily through referrals from you, our clients. Thank you! If you know of other individuals you think could benefit from our services, we would love the opportunity to speak with them.