Quantitative Asset Management, LLC
Investment & Advisory Services

Newsletter

January 27, 2016

Dear Clients,

Quarter Ending December 31, 2015			
Year to Date Performance	**Last Full Quarter**	**YTD**	**Index Close**
Dow Jones Industrial Averages	7.00%	-2.23%	17,425.03
NASDAQ Composite Price	8.38%	5.73%	5,007.41
Standard & Poor's Averages	6.45%	-0.73%	2,043.94
EAFE-Global Markets	4.75%	-0.81%	

We at Quantitative Asset Management, LLC wish you all a very Happy & Prosperous New Year (though the first few weeks of this year has investors debating the "prosperous" part)!

The last quarter of 2015 and year-end brought many significant changes for QAM and also the end to a very poor year performance wise.

The hiring of my son John brought us much needed help and expertise, along with the need to change custodians. John spent thirteen years at RBC Wealth Management growing his business and also acting as QAM's broker of record for handling any trade executions our clients needed. However, RBC's new added cost initiatives made it more expensive for our clients to do new business. As your fiduciary I am responsible for keeping our client's brokerage cost as low as possible. QAM's institutional affiliation with Charles Schwab will provide both custodial and trade costs significantly lower than for our RBC clients.

The transition to the new custodian has been a monumental under taking. I want to thank each of you for your support, understanding and efforts to make the transition as seamless as possible. Change is often hard and new statements and performance reports will undoubtedly create some questions. Please don't hesitate to call if you need help understanding them.

The equity markets overall, i.e. Russell 3000, were well on their way to a major correction by the end of the fourth quarter, but not so much for the S&P 500. This phenomenon is not new to our markets, and has happened a few times over the last fifty years. It is the byproduct of how indexes are weighted: the largest companies get the biggest weighting and this can significantly skew the overall returns.

A new acronym was created, FANG, to explain today's markets split personality. FANG stand for the four companies that were responsible for this phenomenon, Facebook, Amazon, Netflix, and Google. They were the focus of the chartist and momentum traders. FANG's total market capitalization by year end stood at $1.2 trillion dollars and their average PE (price to earnings ratio) was 60. These four companies had a total market value greater than 70 of the S&P's 500 largest companies. When you break down the Russell 3000 Index the vast majority of companies were down 20% from their 52 week highs, and the first few weeks of 2016 have produced even bigger declines.

Cycles are a part of our markets and the down turns correct excesses that will eventually set the stage for a recovery.

The global, political and economic activity has produced great headlines for the media. Needless to say there are no shortages of issues being reported today:

- Unrest in the Middle East
- Economic slowing in China and other emerging market
- A deflationary spiral of oil & natural resources
- Raising interest rates by the Fed
- A distressed junk bond market

All are real concerns but then again, there is always something going on to make investors nervous. We have been over-due for a correction in the equity markets, a natural event, but there is still little competition to pull money away from equities for too long.

Sincerely,

Jeffrey L. Farni Sr.

**As required by Advisors Act Rule 204-3 advisory disclosure documents (ADV Part 2A) are available upon request.*

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