Quantitative Asset Management, LLC
Investment & Advisory Services

January 1, 2017

Quarter Ending December 31, 2016

Year-to-Date Performance	Last Full Quarter	YTD	Index Close
Dow Jones Industrial Average	8.7%	16.5%	19,762.60
NASDAQ Composite Price	1.7%	8.9%	5,383.12
Standard & Poor's Averages	2.8%	12.0%	2,238.83

Dear Clients,

2016 was a very interesting year for investors. The equity markets went through a significant decline during the first two months of the year. Although this pullback was nowhere near the bear market of 2007-09, it brought up some uneasy emotions from that very difficult time. As we have continued to stress, markets have and will continue to go through these emotional cycles. However, for investors who are patient and stay the course, these "emotional market reactions" are temporary and provide excellent investment opportunities. The equity markets not only recovered from the February lows, but went on to finish the year with mostly double digit returns. Our portfolios, by in large, produced even better returns. Some of that excess performance was due to our ability to find those investment opportunities that were significantly undervalued. Some might say 2016 was a result of a "dead cat bounce", but I believe that not only did the cat live, but it also has nine lives. There continue to be areas of the market offering great values and growth opportunities.

The world economies are still in recovery mode, albeit at a snail's pace. U.S. manufacturing activity expanded in December at its highest level in almost two years according to the Institute of Supply Management. The European economies are producing better results as well but, China's struggling to control their debt levels and produce growth at the same time. However, China will still be a huge factor in producing global growth opportunities. All this bodes well for the equity markets.

One cannot write a quarterly letter without commenting on the presidential election. This was the 12th presidential election I have witnessed during my investment career. This revelation does age me a bit, but one thing has been consistent, presidential elections tend to provide short term volatility and do not necessarily dictate any long-term trends.

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The markets have rallied since the recent presidential election, perhaps telling us we may have a more pro-business administration. This might be the case, but only time will tell if this true. However, as we stated above (and in previous letters), equity valuations and risk/reward opportunities still favor the equity markets. We still anticipate the Fed will continue to raise rates but it will be at a moderate pace.

Here's wishing you a very Happy, Healthy and Prosperous New Year!

Sincerely,

Jeffrey L. Farni Sr.