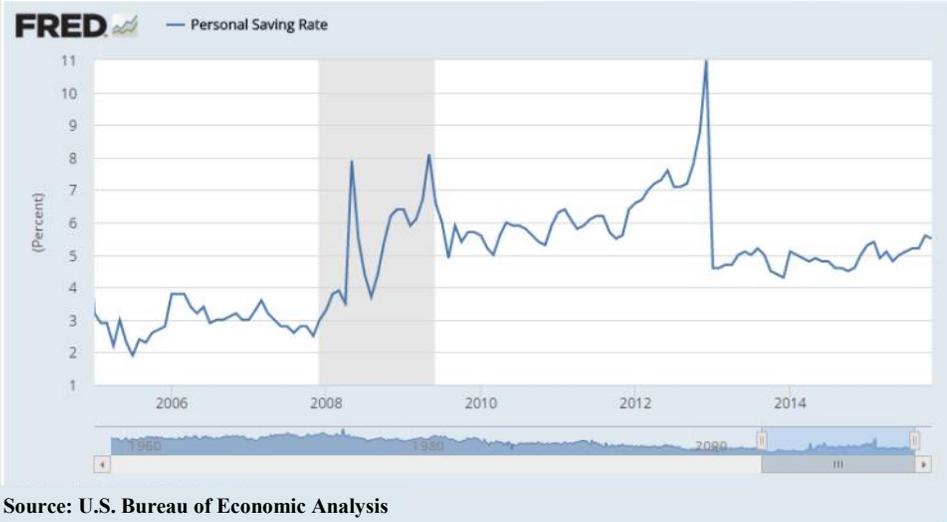


A STEP BACK

It is wise to take a step back from the crowds, all of the noise, and the many distractions that the investing world shoves in our faces. We need to ask ourselves, where are we, and what's really going on in the world? In the U.S., it looks like we're floating around in the mature phase of the business and market cycle. Profit margins are at historical highs. The Fed has started interest rate hikes due to its belief that this almost fully-employed economy is getting healthier, and that is not necessarily a signal that we're at the onset of a bear market or a recession. It does tell us that stock market gains will probably have to come as a result of increases in revenue due to better sales, as margins are about as stretched as they can get. At some point, the U.S. consumer has to come to the rescue and start purchasing more.

And while we're on that topic, where has the U.S. consumer been? Typically, lower gas and energy prices mean more discretionary cash in the hands of consumers, who usually spend this extra money on goods and services. As a stronger consumer feels more confident, he usually spends more, which drives up corporate revenue and profits, which in turn supports higher equity prices. So far, the "cheap gas" windfall to consumers is not being spent on goods and services.

Personal Saving Rate 1/1/05 to 11/1/15



That extra cash is mostly being put away in savings, as evidenced in the personal saving rate data. During the pre-crisis years of 2005-2007, the savers rate averaged around 3%. In the years following 2008, the savers rate increased to well over 5% and got as high as 11% in December of 2012. That was evidence of a lack of consumer confidence. When people are unsure about their futures and their jobs, they (wisely) don't spend as much. However, the savers rate dropped back below 5% in 2014 but, since then it has hovered at just over 5% for all of 2015. It appears that consumers are either using their gas savings to pay down debt or add to their investments and savings accounts.

Source: U.S. Bureau of Economic Analysis

What about the global markets and economies? How did they fare in 2015? The strong U.S. dollar was favorable for U.S. imports as foreign goods were cheaper, but it was hard on U.S. exporters, whose goods became more expensive, which hurt sales. So, a strong dollar is generally bad for the U.S. in terms of trade but is good for the rest of the world selling goods to the U.S. consumption behemoth. To add to the strong U.S. dollar dilemma, many countries have allowed their currencies to float lower versus the dollar, countries like China, Argentina, and Azerbaijan, to name a few.

However, while there have been a number of headwinds, the global economy is still growing, albeit at a sluggish pace. While there are troubled countries and regions all around the world like Russia, much of Europe, the Middle East, and Latin America, many central bankers are following the U.S. script of "easy money" via low interest rate policies and capital injections. These central bankers are trying to create tailwinds that will promote economic growth by fostering an environment where profitability rises, tax receipts increase, and their citizens can happily go on about their lives.

| Currency | Buying Rate | Selling Rate |
|----------|-------------|--------------|
| USD | 29.75 | 30.55 |
| GBP | 47.85 | 49.27 |
| EUR | 42.21 | 43.18 |
| CNY | 4.28 | 4.88 |
| JPY | 37.45 | 38.94 |

Unlock the hidden growth potential of your other investments

Are your "other" investments stuck in under-performing funds, lousy funds, or frozen in time—just where they were when some neighbor sold them to you? Want to put your money back on the fast track and make it work harder for you?

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Velocity Composite™ Fund Score Ranking

| Ticker | Symbol | Score | 1MoPerf | 3MoPerf | 6MoPerf | 1YrPerf | 3YrPerf | 5YrPerf |
|--------|--|-------------|---------|---------|---------|---------|---------|---------|
| VIIIIX | Vanguard Institutional Index Fund | 1205 | -3.03% | 4.36% | -1.42% | 0.50% | 47.01% | 77.33% |
| VWVEX | Vanguard Windsor Fund Admiral Shs | 1204 | -4.98% | 1.51% | -7.61% | -4.52% | 40.72% | 67.44% |
| VSCIX | Small Cap Index Fund | 1184 | -4.88% | -0.12% | -9.08% | -5.03% | 35.61% | 61.01% |
| VTPSX | Total Int'l Stock Index | 1175 | -4.23% | -0.92% | -11.40% | -5.85% | 1.93% | 4.20% |
| VPMAX | Vanguard PrimeCap Admiral Shs | 1165 | -3.63% | 5.12% | -0.62% | 0.72% | 63.06% | 88.62% |
| VWENX | Wellington Fund Admiral Shares | 1122 | -2.46% | 2.00% | -1.48% | -0.77% | 28.31% | 51.87% |
| VMCIX | Mid-Cap Index Fund | 1085 | -3.71% | 0.45% | -6.01% | -2.65% | 45.23% | 69.64% |
| VEMPX | Extended Market Index | 1016 | -4.74% | -0.15% | -9.33% | -4.75% | 36.83% | NA |
| VBMPX | Total Bond Market Index | 1000 | 0.01% | -0.78% | 0.96% | 0.33% | 4.78% | 17.21% |
| VWILX | International Growth Fund Ad. Shs | 994 | -5.16% | 1.99% | -9.35% | -2.85% | 10.97% | 16.19% |
| V1680 | Vanguard Target Ret 2040 Tr Select | 972 | -3.53% | 1.21% | -5.85% | -2.94% | 26.33% | 44.51% |
| VSMGX | Vanguard LifeStrategy Mod Growth | 972 | -2.35% | 0.66% | -3.32% | -1.56% | 19.56% | 35.25% |
| VSCGX | Vanguard LifeStrategy Conservative Gr | 957 | -1.49% | 0.31% | -1.75% | -0.78% | 14.93% | 28.28% |
| V1674 | Vanguard Target Ret 2010 Tr Select | 955 | -1.28% | 0.19% | -1.73% | -0.76% | 13.83% | 30.24% |
| V1686 | Vanguard Target Ret Income Tr Select | 945 | -1.13% | 0.12% | -1.37% | -0.65% | 10.64% | 26.42% |
| VTRIX | Vanguard International Value Inv | 916 | -4.91% | -1.24% | -13.44% | -7.81% | 2.70% | 6.16% |
| VIPIX | Vanguard Infl-Protected Secs Instl Shs | 855 | -0.28% | -1.50% | -1.32% | -1.85% | -5.63% | 13.27% |
| J6560 | Janus Core PI Fixed Inc | 406 | -0.04% | -0.93% | 0.90% | 0.16% | 4.64% | 16.71% |

| APPROXIMATE Future Publication Dates |
|---|
| 2/3/16 |
| 3/3/16 |
| 4/5/16 |
| 5/4/16 |
| 6/3/16 |
| 7/6/16 |
| 8/3/16 |
| 9/6/16 |
| 10/5/16 |

***** Target Date & International Fund Notes:** Vanguard is apparently now limiting ownership of Target Date Funds to one at a time. After a review of our trading history, the system has used two maturities the most: 2040 and 2010. For this reason, we are keeping these and eliminating the rest from the system ranking. This makes the system easier to follow.

Definitions & Notes: The Velocity Composite Fund Score Ranking combines the Velocity (speed of advance of a fund compared to all other funds) with its Buy Point Score (how close the fund is to a recent bottom). This composite score is used to rank all available fund choices. In defined Bull Market advances, the system uses the Top 3 funds in the Aggressive model and the Top 4 in the Moderate and Conservative models. In Defined Bear Market periods, this ranking is provided for information purposes and for those who are “doing their own thing” and would like to know how the system views the funds. Rankings dates are the last business day of each month. The actual price history of each fund is used to calculate the score.

| FedEx 401(k) Plan Conservative Model | | |
|--------------------------------------|--------------------------------------|----------|
| Symbol | Fund Name | Allocate |
| VMRXX | Vanguard Prime Money Market Fund | 60.00% |
| VWVEX | Vanguard Windsor Fund Admiral Shares | 10.00% |
| VIIIIX | Vanguard Institutional Index Fund | 10.00% |
| VSCIX | Small Cap Index Fund | 10.00% |
| VTPSX | Total Int'l Stock Index | 10.00% |
| | | 100.00% |

| FedEx Pilots 401(k) Plan Moderate Model | | |
|---|--------------------------------------|----------|
| Symbol | Fund Name | Allocate |
| VMRXX | Vanguard Prime Money Market Fund | 36.00% |
| VWVEX | Vanguard Windsor Fund Admiral Shares | 16.00% |
| VIIIIX | Vanguard Institutional Index Fund | 16.00% |
| VSCIX | Small Cap Index Fund | 16.00% |
| VTPSX | Total Int'l Stock Index | 16.00% |
| | | 100.00% |

| FedEx Pilots 401(k) Plan Aggressive Model | | |
|---|--------------------------------------|----------|
| Symbol | Fund Name | Allocate |
| VMRXX | Vanguard Prime Money Market Fund | 19.00% |
| VWVEX | Vanguard Windsor Fund Admiral Shares | 27.00% |
| VIIIIX | Vanguard Institutional Index Fund | 27.00% |
| VSCIX | Small Cap Index Fund | 27.00% |
| | | 100.00% |

• NO CHANGES in the models

- IN A MONTH WITH TRADES—

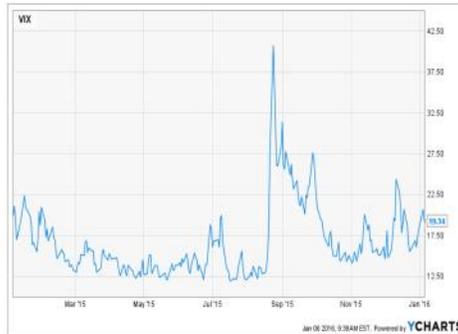
THE NEW FUNDS WILL BE HIGHLIGHTED IN YELLOW

- **READ:** If your 401k plan has *any* trading restrictions, you must keep track of your buy and sell orders.
- **Future Contributions:** The models work smoothly if you direct ALL future contributions into the money market account. Then, they will be automatically invested into the correct allocation when you make changes to follow a model.

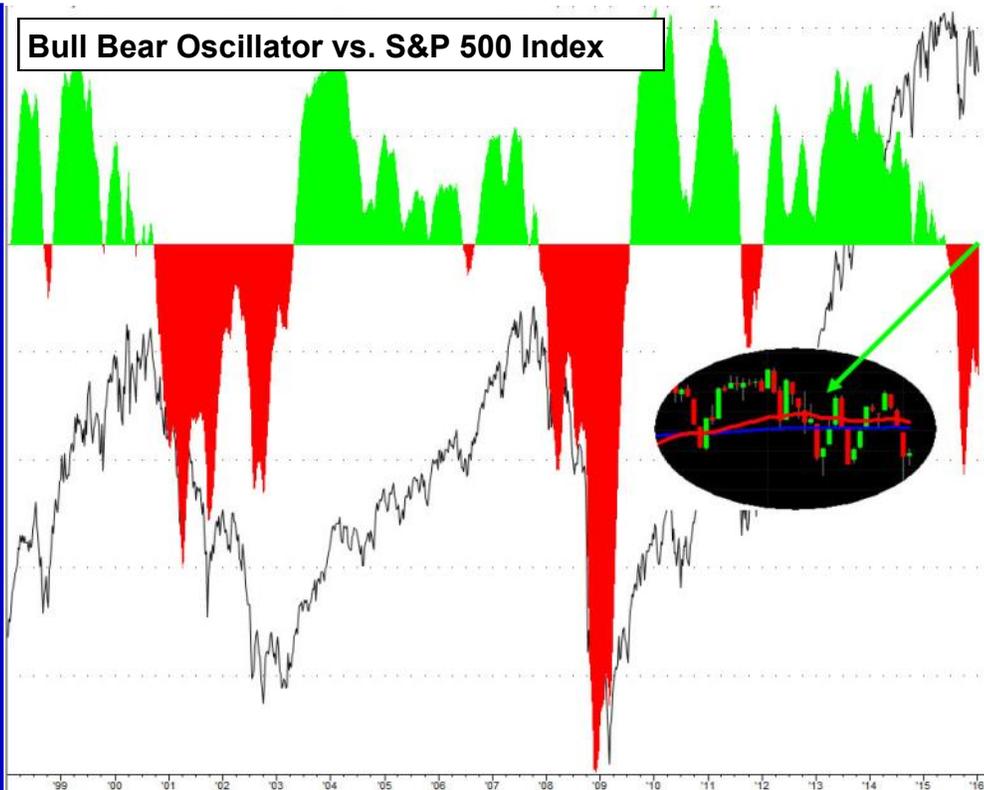
Is your credit card about to expire? Have you already received a new card OR received a new card because of vendor security issue?

To update new CREDIT CARD information BEFORE your credit card expires, either call us at 717-569-8162 or “Update Credit Card Information” under the Member’s Tab.

VIX - The VIX, an ETF that tracks the volatility of the U.S. stock market, spiked over 40% at one point in December, before settling down some at near month-end. It's up again so far in 2016.



Bull Bear Oscillator vs. S&P 500 Index



Worry-Free 401k Flight Path Models™—Express

- Aggressive Model
- Moderate Model
- Conservative Model
- S&P 500 Index



FDX—FedEx (FDX) stock was down roughly 15% in 2015, losing far more than the U.S. stock market as a whole, which finished just over breakeven for the year. However, FDX bested the Dow Jones U.S. Transportation Index (DJUSIT) which slid almost 25% in 2015.



FedEx Pilots 401k Plan (as of December 31, 2015)

| | | Performance Stats | | | | | | | |
|-------------------------------|--|-------------------|---------|--------|---------|---------|---------|----------|-----------|
| | | Year End | 1 Month | 1 Year | 2 Years | 3 Years | 5 Years | 10 Years | Inception |
| Conservative Model Annualized | | -3.07% | -1.30% | -3.07% | 0.35% | 6.22% | 14.30% | 26.26% | 58.00% |
| | | | | | 0.17% | 2.03% | 2.71% | 2.36% | 2.79% |
| Moderate Model Annualized | | -4.53% | -1.70% | -4.53% | 1.00% | 15.20% | 27.20% | 50.20% | 122.10% |
| | | | | | 0.50% | 4.83% | 4.93% | 4.15% | 4.86% |
| Aggressive Model Annualized | | -4.98% | -2.20% | -4.98% | 3.00% | 25.42% | 32.70% | 71.60% | 190.60% |
| | | | | | 1.49% | 7.84% | 5.82% | 5.55% | 6.54% |
| S&P 500 Annualized | | 1.38% | -2.60% | 1.38% | 16.15% | 45.00% | 73.50% | 71.10% | 67.99% |
| | | | | | 7.77% | 13.19% | 11.65% | 5.52% | 3.17% |



from the CAPTAIN'S TABLE

When diversification fails, have an exit strategy.

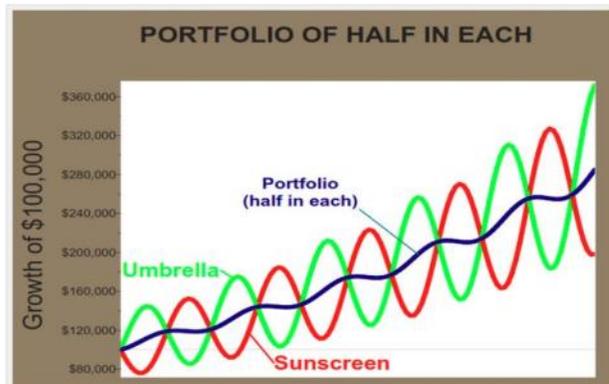
Investing has changed in recent years. Long gone are the good ole days of the '80s and '90s when stocks seemed to go up every day and all you had to do was buy one ... any stock. Or buy a share of the latest and greatest mutual fund. These products gained wide popularity during this time because they allowed even small investors without substantial capital to achieve diversification through access to a basket of stocks. Diversification remains a key tenet of sound investing. It can help you reduce your investment risk by investing in companies that are non-correlated. For instance, take a look at this story and the accompanying chart below. You may have heard it before, but it goes something like this:

Say there are two companies: one that sells sunscreen and another that sells umbrellas. An investment in the company that sells sunscreen does great when the sun is out. But when the bad weather rolls in, sales hit the skids. Conversely, umbrella sales surge when it rains, but suffer dramatically when it's nice and sunny out. In this example, umbrellas and sunscreen are negatively correlated.

To minimize your investment risk, an investment should be made in both companies. An investment split or diversified in each company should produce a decent and consistent return rather than alternating between great and terrible. Finding investments that are perfectly correlated in a very complicated world is difficult to say the least. But that is the idea behind sound risk management.

If only it were this easy. Today, there are many challenges to even a well diversified portfolio. The list of threats is long and includes high frequency trading by computers that sometimes go bonkers, a growing short term trading mentality on Wall

Street, and the struggle to find real non-correlation in markets. Markets are becoming more correlated than ever. The U.S. market and its economy is becoming increasingly tethered to other global markets and economies, making diversification a growing challenge. Add in massive monetary policy action and manipulation from central banks around the world, and the unintended consequences that most certainly will follow, and you have the makings of a more volatile market, increasing the likelihood of a systemic problem that can bring down markets, much like what we saw in 2008. Even a diversified strategy can sustain heavy losses.



The idea behind diversification is that when one asset is taking a loss, there's a good chance that one of the others will be making offsetting gains. Hence, with a well-diversified portfolio of non-correlating assets, the portfolio can be quite stable, despite the fact that the underlying individual assets in the portfolio may be rising and falling dramatically in value (like in the graph above). But what if there are times when this doesn't work like it should? What if conditions are such that no one wants to own sunscreen or umbrellas? Not because it's not raining or sunny, but because there is a perceived risk to owning any stock. This happens from time to time and when it does, it is painful for investors. Stocks have lost significant value at times, most recently 38% in 2008 and over 34% in a period during 2001-2002. And given the seemingly tenuous climate for stocks globally, another event of this magnitude occurring sooner or later can't be ruled out.

A young investor with a long career and years of future earnings ahead may choose to ride through these periods and stay committed to his investments. But this "buy and hold" approach is harder to stomach for retirees or those knocking on retirement's door. Periodic investment losses are normal and to be expected, but significant losses like 20% or more can have a profound impact on one's retirement picture, especially if they occur with little to

(Continued on page 6)

no years of earnings potential left. Those types of losses can be doubly detrimental if you are living off regular monthly distributions from the portfolio. Protecting ones wealth can become just as important as growing it, if not more so, at times.

Managing money is all about managing risk. So when the risk is high for owning any stock, it pays to have a defined exit strategy: a point at which stocks are pared significantly or removed altogether. Small pullbacks in stocks are normal and healthy for markets, but the severity of an impending decline is always an unknown and highly unpredictable. During these times, having a proactive risk mitigation approach can potentially limit huge losses. If nothing else, having little to no exposure to stocks when there is severe downward pressure offers invaluable peace of mind. Rest assured, cash is not a long term investment strategy, especially at today's rates, but holding cash can be a great short to medium term strategy to protect against a stock market in freefall.

Good investment planning requires a disciplined well diversified plan for sure. But when traditional money management principles fail or are suspended indefinitely, like we have seen in recent years and

are likely to see again soon, a defined exit strategy can serve to preserve your retirement plan.

Weston

Weston Pollock is a Managing Partner at Smith Anglin Financial, and leads the firm's marketing and business development. He regularly meets with prospective clients, counsels existing clients, participates in investment portfolio analysis and develops materials for communicating with the firm's clientele and target markets. He holds a BBA in Finance and Real Estate and numerous securities licenses and designations.

Experts at the Captain's Table: All members have a wide and varied background in all areas of wealth management. Most importantly, the members have worked extensively with professional pilots at American, Delta, Federal Express, Southwest, United – and every airline that merged into these along the way – for more than 85 years combined. They know your world, your benefits, how to retire in the best way, and what is needed at each life-stage in retirement to get you to your goal.

Is there a topic you'd like discussed in the Captain's Table pieces? Email us at airways@uspfa.org.

WHAT DID WELL IN 2015?

In two words, not much. Most major assets classes – stocks, bonds, commodities, etc. – were negative or barely positive for the year. High profile investors like Warren Buffet had a hard time, too. Buffet's Berkshire Hathaway portfolio was down about -12% for the year, whether you look at his class A or class B shares. The "smart money" as represented by hedge funds had mostly poor results as well. There are dozens of hedge fund strategy categories out there, and most were negative for the year with only a few types of hedge funds posting positive results (see some examples here on [Hedge Fund Research's website](#)).

Investors who experienced positive returns did so primarily by having concentrated portfolios. Investors who loaded up on Facebook, Amazon, Netflix, and Google did well last year. Business Insider, a financial publication, ran an article that highlighted the performance of these stocks, plus a few others, that did well in 2015 (more info here: [Fang and Nosh](#)). The list isn't that long. If you had put all of your money in the listed stocks, you would have done well. However, that type of concentration is contrary to how most people should invest. Concentration, the opposite of diversification, can create wealth, but it can quickly destroy wealth as well, if you buy the wrong companies or sectors (see above on the Energy Sector).

Most investors are looking for both growth and stability in their investments, and in 2016, we're likely to see more volatility and a steady dose of interest rate hikes. Investing basics like asset allocation and diversification have not done a lot for investors over the past two years, but we firmly believe these are still the fundamental elements of a prudent investment strategy.



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... from the desk of Rex Moxley at Smith Anglin

Open Letter to Pilots Who Want to Retire Comfortably Someday

A brief message to pilots who know they've played by the rules, done things just like they were supposed to, but who saw their investments take a huge hit back in 2008 and now are witnessing a struggling economy that they plan to retire into soon. And frankly, they are deeply concerned about how it is looking out there.

I've personally talked to over a thousand pilots since 1977 - by phone, email and in person. I've met with pilots, who've asked me for advice on how to help them pull off a solid retirement as they try to balance paying for college for their kids, taking care of parents, and coping with the huge pressure to have everything lined up for a solid "final approach" to retirement. **I can tell you that after all these conversations, it is definitely still possible to pull all the chaos and pieces into a unified picture and make retirement work. Without a doubt.**

It starts with GROWING your 401k

For some of you, the USPFA newsletter works great. I'm glad. It's only shortcoming is that it isn't personal investment advice. It's a newsletter.

For others, who do not have the time or inclination or consistency to follow the system exactly, our firm's **401k Autopilot ProgramSM** is their First Class ticket to maximizing their 401k. By the way, *following the system exactly takes all three of those things - time, inclination and consistency - to pull off.* Hundreds of pilots in the 401k Autopilot ProgramSM realize that.

Steady growth, keeping your money in the best investments and keeping your losses small ALL depend on actions—either yours or someone else's.

Every time you miss a move in the model portfolios or fail to make it in a timely way, you've reduced your chances of an optimal outcome.

Having the 401k AutopilotSM on your side takes the burden off you of having to do two jobs at once by automating the investment management for you, and you instantly get an experienced, professional team on your side.

The 401k AutopilotSM also has the ability to take the whole thing offline (whenever it's within the 401k rules), if a catastrophic event were to happen, like 9-11 was. You can take the first step by requesting the 401k AutopilotSM Program Starter Kit at: <http://www.smithanglin.com/autopilot-starter-kit/>

Smith Anglin Financial is an SEC Registered Investment Advisor.



What Cities Do Retirement & 401k Autopilot Pilots Call Home? Almost Everywhere in America! Pilots often ask where our clients live. Here is a Google map showing the cities on the "mainland" where our clients live. Add to that Hawaii, Alaska and a few countries that aren't shown and you get the picture. We're always as close as your phone, an email, or a short flight, if necessary. We've learned that most people are more comfortable working with a professional investment advisor with a long history of expertise in the field, even if they live in another state.

→ If you're approaching retirement, NOW is the time to have a conversation and get everything lined up for your "final approach."

Our main focus has always been about successful retirement. We specialize in helping airline pilots who are ready to make the *final*, "final approach" and start enjoying the fruits of a successful career. Candidly, it is easier to retire than it is to hang onto all your money in retirement. We've successfully done both for our clients—for more than 32 years and counting.

There's a checklist you need to walk through to get to a successful retirement. As you know, going down a checklist before a flight often reveals things you might have forgotten about. Much of what you read in the financial press is silly, wrong or even dangerous to your financial security. If you had followed their advice in 2008, your retirement planning would probably be very tense and frustrating. Who wants that?

We've made it easy for you to chart the path to your "final approach," in our FREE "14 Days to a Secure & Prosperous Retirement Course!"

click here to sign up for this, no-strings attached, free email course.

In either case—401k AutopilotSM or Retirement management - there is a \$250,000 minimum to establish an investment management relationship. This minimum will likely increase.

Call our office to schedule a conversation at 888-254-1727.



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