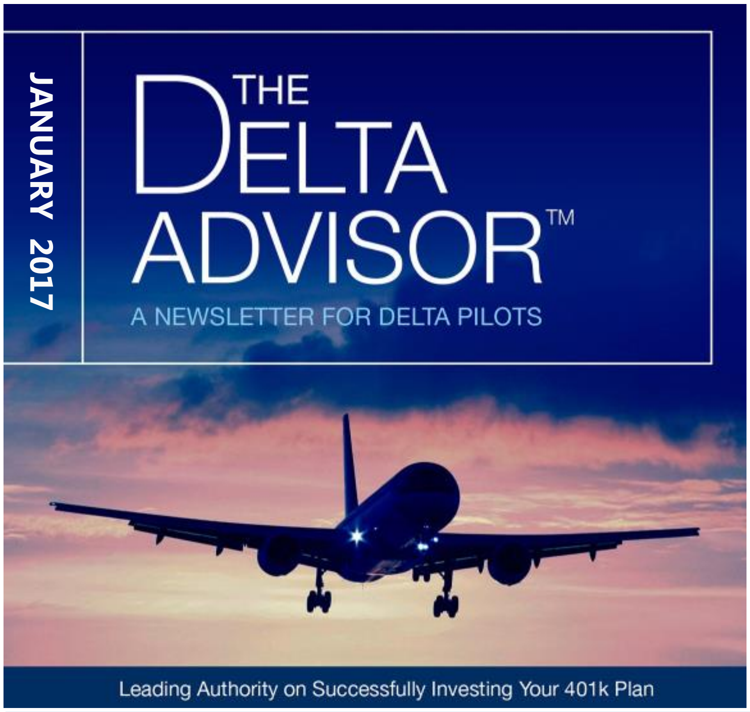


Ratified Contract Update

Changes in December:

- **18% Retro-active pay raise was paid out on December 16, 2016.**

Changes in January:

- **Additional pay increase took effect on January 1, 2017, making the total pay increase 21.54%.**
- **Company contributions to your 401k increased to 16% effect January 1, 2017.**

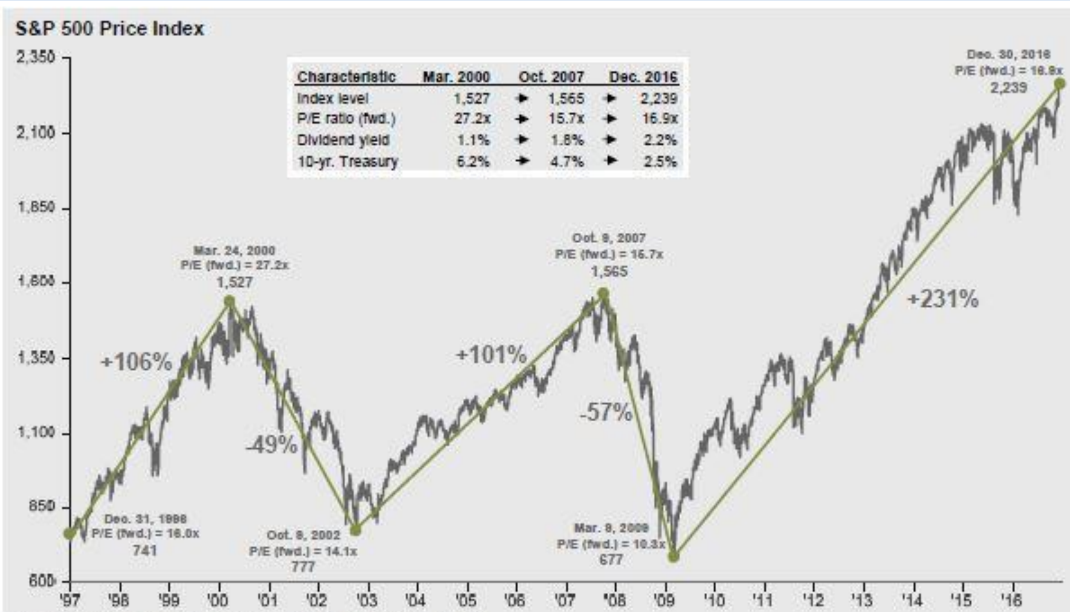
- ***Make sure you are keeping track of your trade dates for the 30-day hold period!***

Captain's Table — Go to page 5

2016 Review and Analysis

CAPTAIN'S BRIEFING: ONE FUND EXCHANGE in ALL models.

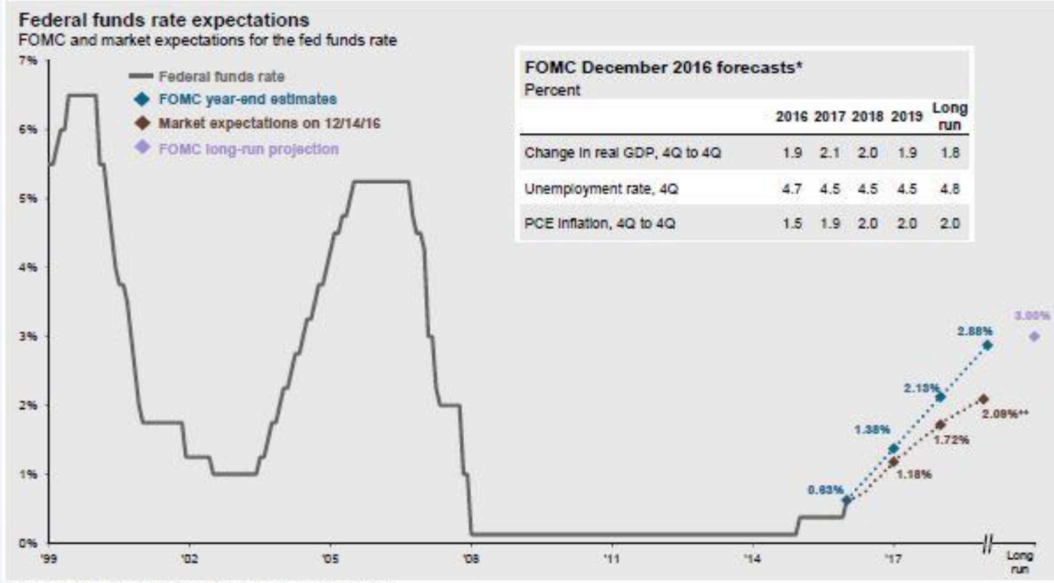
2016 RECAP



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management.

2016 is set to go down as one of the most eventful years for investors since the global financial crisis. It was a crazy ride, and the surprises came from everywhere. The vote in the UK - the "Brexit" - shocked the world, as did the outcome of the U.S. presidential election, when Donald Trump defied the odds and the polls and rolled to victory. Stocks in the U.S. opened 2016 with the worst two-week performance in history, only to finish the year with the S&P 500 up more than 9.5% and the global stock market not far behind. However, most of the year's gains came after the U.S. election, when expectations of better economic growth, lower corporate taxes, and less regulation pushed the market to new all-time highs. Is the market getting ahead of itself? We'll have to wait and see. It certainly isn't cheap. At present, the S&P 500's next 12 months' Price/Earnings multiple, a measure of stock market valuation, stands at 16.9x. This represents a nearly 17% premium to the 10-year average P/E of 14.4x. Bonds aren't cheap either. Perhaps the greatest bull market in bonds ever likely ended in 2016 when the yield on a 30-year Treasury bond hit an intra-day low of 2.088% one day in July. The yield on the 10-year Treasury note hit 1.36% in July as well. This was the lowest closing yield ever for 10-year paper in the U.S., and those notes have been trading here since 1790. In fact, global interest rates fell to 5,000-year lows during the year as central bank purchases of financial assets topped $25 trillion and the amount of negatively-yielding global bonds surged to $13.3 trillion. Central bank actions during the last several years have impacted (see "manipulated") the prices of most of the world's capital market assets. Who knows how these monumental, long-term trades will unwind? We'll just have to wait and see … and expect more surprises … if that's possible.

December Recap



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.

After the U.S. election outcome and strong economic data helped propel U.S. stocks upward by more than 3% in November, stocks continued their climb in December. December's gains were more broad-based however, as developed international stocks joined the party, climbing more than 1.6% during the month. While U.S. and international stocks faded a little in December's final trading days, optimism abounded among U.S. investors and consumers as the year closed out and for good reason. Third-quarter U.S. GDP was revised upward to a 3.5% annual growth rate, and U.S. housing prices climbed to a record level, returning above their previous peak set in July 2006, before the housing market went bust.

Even as European stocks advanced during the most festive month of the year, there may be some trouble ahead for the continent. Italian voters rejected a constitutional referendum that some hoped would stabilize the nation's legislative structure and pave a pathway for helping Italy's troubled banks. However, after the country's third-largest bank failed to raise sufficient capital from investors to remain solvent on its own, the Italian government authorized the creation of a bailout fund to step in and provide sufficient liquidity. Also last month, the European Central Bank extended its economic stimulus program until December 2017, six months longer than what many observers had expected, because economic growth wasn't meeting projections.

As expected, the U.S. Federal Reserve raised its benchmark interest rate by 0.25 of a percentage point at the conclusion if its two-day meeting in mid-December, the Fed's first rate hike in a year. Before that, the last rate hike was in 2007. The meeting's only real surprise was the Fed's change in its forecast for the number of rate hikes it expects to make in 2017, from two up to three. The hike weighed on capital markets around the world. U.S. bond prices fell initially but stabilized later in the month. The U.S. dollar surged on the news, while the Euro, the Yuan and gold all tumbled.

Expectations for the New Year

So, what's in store for the markets in 2017? Of course, no one knows for sure, and a review of last year's predictions for 2016 by the "experts" leaves one hesitant to predict anything as very few prognosticators got things right. However, as we embark on a new year, it can be a constructive exercise to consider the lay of the land and get a feel for which way the winds are blowing.

Some argue there are plenty of reasons that capital markets should keep making gains, and for economies to keep growing. Others point to a pretty compelling list of reasons why the music could stop, and soon. Let's take a look at both sides.

Market **"bulls"** point to:

- **Fiscal stimulus is on its way.** This argument is pretty straight-forward. President-Elect Trump ran on a platform of increased fiscal stimulus (government spending) to help keep the economy growing and to create jobs. Trump wants to increase spending on infrastructure projects to build and repair roads and bridges, and he also wants to spend on the military. With both the Senate and the House of Representatives in Republican hands, Trump should have little problem getting increased infrastructure legislation through Congress. Most Democrats are in favor of much of this sort of spending anyway.
- **Trump – a businessman in The White House.** Trump's administration is expected to be more "pro-business" than President Obama's, which should mean lower taxes and less onerous regulations – policies helpful for financial, energy, and environmental companies in particular.

(Continued on page 6)

Velocity Composite Fund Score™ Ranking

Ticker	Fund Name	Score	1MoPerf	3MoPerf	6MoPerf	1YrPerf	3YrPerf	5YrPerf
-	Large Cap Value	**1367**	2.63%	7.98%	11.15%	18.10%	29.30%	95.91%
-	International Equity Fund	**1164**	2.71%	-0.47%	5.14%	2.01%	-3.67%	33.00%
-	Bond Index	**1097**	0.25%	-2.91%	-2.86%	2.52%	9.08%	11.28%
-	S&P 500 Index	**1040**	2.03%	5.00%	8.48%	12.86%	30.93%	95.86%
-	LifeCycle 2020	**924**	1.09%	-0.94%	1.28%	5.86%	9.80%	30.18%
-	International Equity Index Fund	**849**	2.71%	-0.47%	5.14%	2.01%	-3.67%	33.00%
-	Large Cap Growth	**768**	1.45%	1.49%	5.68%	7.55%	31.33%	94.67%
-	Diversified Bond	**768**	0.25%	-2.91%	-2.86%	2.52%	9.08%	11.28%
-	Small/Mid Cap Index	**709**	2.88%	9.90%	18.91%	22.20%	23.34%	95.22%
-	Small/Mid Cap Value	**628**	1.76%	7.05%	10.66%	20.74%	32.50%	104.61%
GOBSX	LM BW Glb Opp Bd Is	**614**	0.57%	-6.41%	-5.02%	5.12%	2.43%	11.07%
-	Small/Mid Growth	**589**	0.34%	1.45%	5.46%	7.93%	20.96%	85.67%
-	Fd ContraFund Pool	**545**	0.55%	0.63%	5.37%	3.78%	22.48%	86.89%
-	Emrg Mrkts Eq Idx	**520**	-0.25%	-4.97%	3.31%	12.20%	-5.87%	0.56%
-	Emerging Markets Eq	**268**	-0.25%	-4.97%	3.31%	12.20%	-5.87%	0.56%
RRRZX	Deut Real Estate R6	**227**	4.47%	-3.57%	-5.16%	5.91%	NA	NA

Ins Ctrct/Stable Value will not appear in the monthly rankings since it technically mimics a money market fund.

APPROXIMATE Future Publication Dates

2/3/17
3/3/17
4/5/17
5/3/17
6/5/17
7/6/17
8/3/17
9/6/17
10/4/17

Definitions & Notes:

1.<u>Tickers:</u> The majority of the funds in the Delta Plan are not really mutual funds. They are composites or comingled funds, etc.

YOU WILL USE THE FUND NAME TO TRADE. **Data from proxy funds is used to make all calculations for the funds listed above.**

2. The funds above were selected to work, using the model system. There are other funds in the plan that are not used. There is no reason to have multiple international or emerging market funds, for example.

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.

<u>In Defined Bear Market periods, this ranking is provided for information purposes</u> 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. Proxies of each fund are used to calculate the score and historical returns.

Delta 401k Plan Conservative Model

Symbol	Fund Name	Allocate
-	Ins Ctrct/Stable Value	60.00%
-	Bond Index	10.00%
-	Large Cap Value Fund	10.00%
-	LifeCycle 2020	10.00%
-	International Equity Fund	10.00%
		100.00%

Delta Pilots 401k Plan Moderate Model

Symbol	Fund Name	Allocate
-	Ins Ctrct/Stable Value	36.00%
-	Bond Index	16.00%
-	Large Cap Value Fund	16.00%
-	LifeCycle 2020	16.00%
-	International Equity Fund	16.00%
		100.00%

Delta Pilots 401k Plan Aggressive Model

Symbol	Fund Name	Allocate
-	Ins Ctrct/Stable Value	19.00%
-	Bond Index	27.00%
-	Large Cap Value Fund	27.00%
-	International Equity Fund	27.00%
		100.00%

- **ONE FUND EXCHANGE in ALL 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. Fidelity does a poor job of defining what excessive trading is and has expanded that definition to include all funds.**
- **Future Contributions:** The models work smoothly if you direct <u>ALL</u> future contributions into the Ins Ctrct/Stable Value. Then, they will be automatically invested into the correct allocation when you make changes to follow a model.

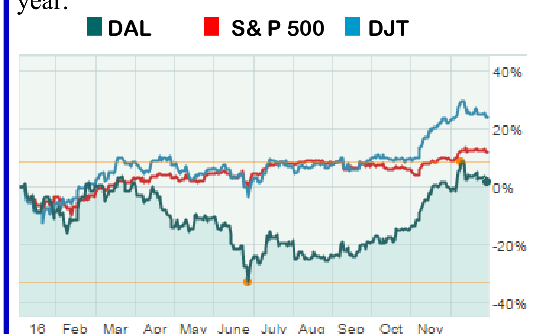
Fear & Greed Index

It makes sense that December's reading would come in at 65. That's "green and greedy", but a handful of points below November's month-end reading of 71. The market's strong rally in November and December faded a little in the last weeks of December as investors seemed content to book their gains and enjoy the holidays.

Bull Bear Oscillator vs. S&P 500 Index

Worry-Free 401k Flight Path Models™ - Delta

DAL-2016 couldn't end fast enough for DAL stock owners. At mid-year, the stock was down -34% before staging an impressive comeback and finishing the year down only -3%. DAL lagged its major competitors and the stock market's transportation sector, which was up +20% for the year.



Delta Pilots 401k Plan (as of December 30, 2016)							
Performance Stats							
	YTD	1 Month	1 Year	3 Years	5 Years	10 Years	Inception
Conservative Model	-1.45%	0.40%	-1.50%	0.91%	17.43%	27.25%	86.52%
Annualized				0.30%	3.27%	2.44%	3.74%
Moderate Model	-3.05%	0.70%	-3.10%	5.75%	31.27%	54.38%	178.54%
Annualized				1.88%	5.59%	4.44%	6.21%
Aggressive Model	-5.10%	0.80%	-4.30%	10.69%	45.29%	83.32%	279.55%
Annualized				3.44%	7.76%	6.25%	8.16%
S&P 500	11.96%	1.98%	10.91%	29.57%	98.18%	95.72%	111.67%
Annualized				9.02%	14.66%	6.95%	4.51%

2016 Review and Analysis

Wow!! Welcome to 2017!! And where did 2016 go? 2016 was a unique year in many aspects. Clearly, politics was at the forefront of discussion with the presidential election in November, but there were many other items of intrigue on both the national and international stage.

One of my favorite western films was The Good, the Bad and the Ugly with Clint Eastwood. As we look at the 2016 year in review and evaluate the models in the newsletter, I would like to break this message into The Old, The New, and the Reality.

First, "The Old"!

The major risk control Metric that drives the allocation strategy for the models is the Bull Bear Oscillator (BBO). It tells us one of three things; the market is in ***an up-trend, a down-trend, or that no clear trend is present.*** 2016's market has not had a clear long-term trend, in other words, there was no clear direction. It was a hallmark "trading market", which is defined as a market that trades up and down , but within a range. The range in 2016 for the S&P 500 was down 10% and up 10%.

At the start of 2016, the BBO was in "bull mode" and the models were positioned accordingly. Then, fears regarding China's economy and falling oil prices pushed the S&P 500 down 9% in the first two weeks of January. This resulted in February starting with the BBO reading in "bear mode" and the models were repositioned to a more defensive allocation of 50% bonds and 50% cash. The BBO remained in bear mode until the middle of April but, because model changes are implemented at the beginning of each month **due to Company 401k plan restrictions**, the models were not reallocated to the bull mode allocations until May 2016. As a result, while the market was up 6.5% year-to-date by this time, only 1.3% of the market gains were captured.

Once the BBO crossed into bull mode and the models were repositioned, they tracked the market closely, although during that time the stock market appreciated only another 3%. It wasn't until months later, in early November just prior to the presidential election, when the Velocity scores ranked bonds and cash highest among asset choices and dictated a move to a conservative allocation of mostly bonds. From this time in early November through year-end, a period of time covering only 35 trading days, the market rallied another 5%, racking up half of its gains for the year. There has been no technical explanation for this post-election rally.

What About "The New"?

The changes made to the system at the beginning of 2016 served the models well, keeping the allocation to Emerging Markets or International Developed low.

We also are currently evaluating an addition and adjustment of momentum indicators to aid with the "Buy Point Technology Metric." This would be an adjustment to the BBO metric that would allow the models to be more reactive to volatile markets. However, the models would still be constrained somewhat by the 401k plan trading restrictions.

Finally, "The Reality."

The reality is the BBO can't be expected to perform like a day-trading tool, and is intentionally designed to react more deliberately in volatile market periods. It's a long-term investment tool that seeks to avoid large losses and tries to identify long-term trends to deliver a competitive rate of return while assuming a more reasonable amount of risk. The recent extreme, short-term BBO swings are an indication of a market that is having a hard time determining its direction. Discerning a long-term trend should be one of the goals of 401k investing and a suitable trading protocol shouldn't be distracted with short-term fluctuations.

The fact that the rankings and allocations are calculated at the beginning of each month and dictate the model allocation until the beginning of the next month can create dislocations in a market that doesn't reveal a clear trend. This is what we saw in 2016. In summary, 2016 proved to be an especially difficult year for the BBO system because of the short term (in this case less than 30 days) volatility of the markets in January and February and the exuberant post-election rally which wasn't indicated in the market technical indicators.

One of the USPFA's primary goals is to constantly seek out ways to improve the methodology behind the model ranking and allocation discipline. While inputs and results are evaluated on a continual basis, it's important to keep in mind that there is no ideal strategy out there that will perform perfectly in all market environments. We'll continue to be diligent in providing rankings that are based on discipline, not emotion, and that are technically and fundamentally sound with a long-term perspective in mind.

Cheers to a great 2017! The USPFA Team

Expectations for the New Year—cont.

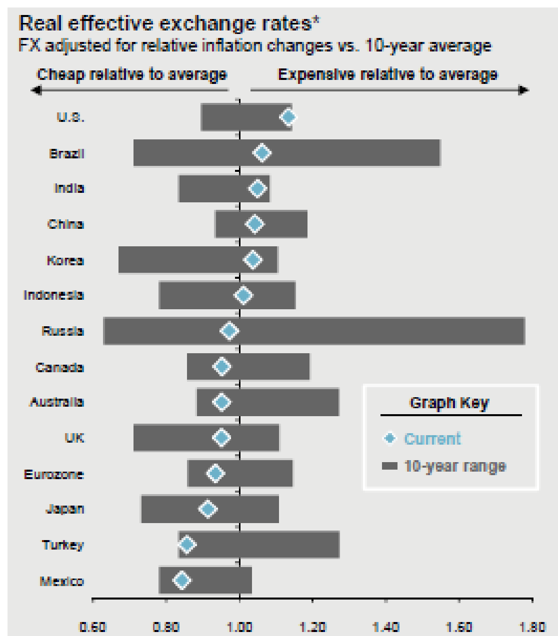
(Continued from page 2)

- **Technology – always a potential game-changer.** "Big data" and the "Internet of Things" are expected to be continuing catalysts for all sorts of new products, services, and applications like self-driving vehicles, wearable devices, and robotics. Advances in bio-therapeutics are coming up with new drugs and treatments all the time. Artificial Intelligence (AI) has the potential to help the world in extraordinary ways … and in ways that can be down-right scary.

Market **"bears"** point to:

- **Valuations are lofty and unsustainable long-term.** Almost everyone likes seeing the market go up, but it's important for investors to remember that unless high priced assets are justified by improved earnings, at some point those higher prices are likely to come back down. The recent rapid appreciation in stock prices with no meaningful improvement in earnings has left valuations stretched, with the S&P 500's forward P/E ratio at 16.9x, well above its long-term average. Another stock price/earnings metric, the Shiller CAPE ratio breached 28x recently. The norm is closer to 16x. The last two times the Shiller CAPE peaked above 28x were in December 1999 and October 1929. Think about those time periods. Each proceeded a huge collapse in the stock market.

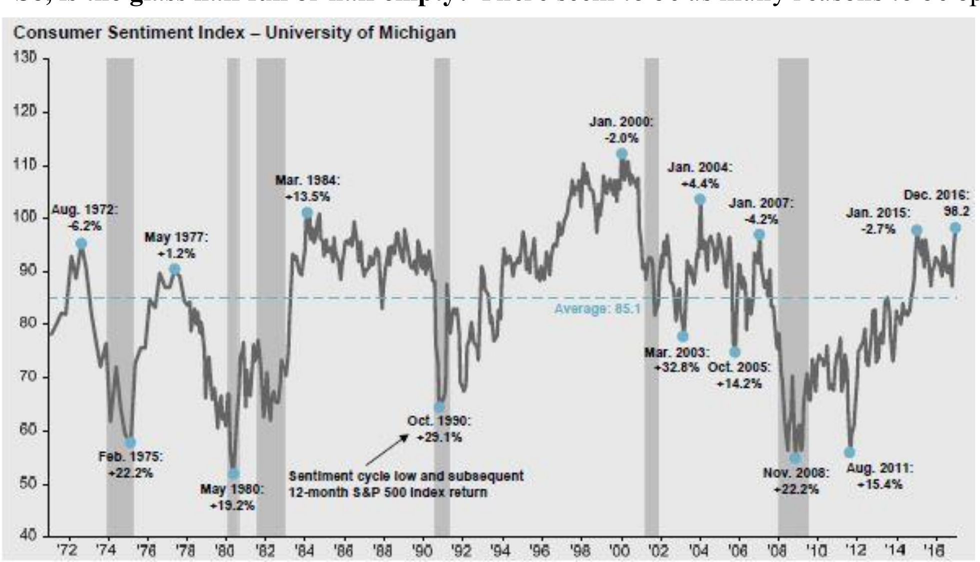
- **Domestic earnings growth may be pressured by a strong U.S. dollar.** The dollar has reached its highest level in 14 years in the wake of the presidential election, and a strong dollar has traditionally been a headwind for the earnings of large companies with significant international exposure because it makes U.S. exports more expensive. However, recent earnings data has been improving, and 2016's numbers were greatly influenced by the underperformance of the energy sector.



- **The central bank sponsored "easy money" days may be coming to an end.** For the first time since 2006, there is likely to be no big easing of monetary policy in the world's largest and most developed countries. This tailwind for asset prices may be dying down.

- **Market euphoria can be a bad sign.** Markets typically climb "a wall of worry", but right now there doesn't seem to be much of it around, and that alone could be a sign that some trouble may lay ahead. Investor optimism makes sense when you consider that the S&P 500 has been up on a total return basis for eight straight years. The all-time record for consecutive up years is nine (1991—1999), so another year of gains would tie that record. Is the market getting long in the tooth, or is it just breaking out of a long pause? Prior bull markets that saw similar pauses saw big gains in the year after they broke out of the consolidation period. As we close out 2016, we are only six months removed from that break out. (See chart below.)

So, is the glass half full or half empty? There seem to be as many reasons to be optimistic as there are to be wary and doubtful of the markets. In addition to the bear points above, there are also some long-term issues that could weigh in on markets from time to time over the coming decades. These include massive amounts of sovereign debt held by the world's largest economies as well as poor demographics across these countries. The demographical issues could be offset by pent-up spending to a certain degree, especially from the Millennial demographic which will reach peak spending years soon, and there are economists that point out the possibility of growing out of debt problems, at least in part. But long term views don't always address short-term market issues.



Source: Standard & Poor's, University of Michigan, FactSet, J.P. Morgan Asset Management.

Summary

In times like these, it makes more sense than ever to maintain a cool head (or hire someone that can) and have a plan. We believe a disciplined approach is the best way to navigate through short-term market frustrations. Our investment process is designed to avoid big losses and to profit from trends over the market cycle, which requires a lot of due diligence and even-handed execution. Stay tuned in next month for an update on jobs, earnings, and Trump's first days in office.

We wish you a Happy New Year!