JAY A. FISHMAN, LTD
INVESTMENT COUNSEL

Our Economic Outlook

A summary of newsworthy events and their effect on markets

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Economic and Market Recap & Commentary

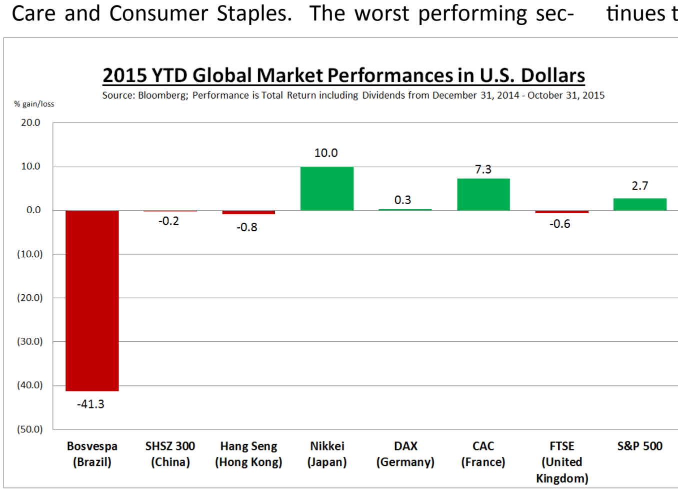
The Standard & Poor's 500 Index was surprisingly relatively unchanged during the three month period ending October 31st, declining by 0.63%. Following sharp declines during August and September that totaled 8.3%, the Index advanced strongly by 8.4% in October, producing the largest monthly gain since October 2011. On a year-to-date basis, the Index has advanced by 2.7% on a total return basis, including dividends. Investor enthusiasm for stocks diminished sharply during August and September, which was attributed to rising investor concerns over the timing of a potential Federal Reserve interest rate increase, together with slowing emerging markets' economic growth, especially China, and their potential negative implications to U.S. and global growth. We discuss these implications in further detail on the following page, but believe the negative effects should be limited with respect to the U.S. The Index, together with global markets, recovered strongly during October as concerns over China's growth began to subside and U.S. economic data, on balance, continued to be reasonably favorable. Notwithstanding global market recoveries during October, many markets have produced negative year-to-date performances when measured in U.S. dollars. The Standard & Poor's 500 Index return of 2.7% compares quite favorably to other large global market returns as illustrated in the chart below.

Market Total Returns
(Appreciation + Dividends)

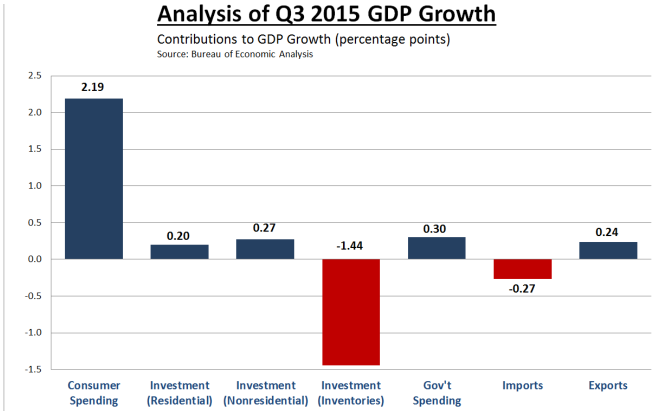
	2015	2014	2013	2012	2011
S&P 500	+2.7%	13.7%	32.0%	15.9%	2.1%
NASDAQ	+7.8%	14.7%	39.9%	17.7%	-0.8%
Dow Jones	+1.0%	9.9%	29.3%	10.2%	8.4%

Following the strong market rally in October, several sectors of the Standard & Poor's Index returned to positive gains in the year-to-date period. These sectors include Consumer Discretionary, Technology, Health Care and Consumer Staples. The worst performing sectors thus far in 2015 are Energy, Materials and Industrials. Over the past five quarters the best performing sectors include Discretionary, Health Care and Consumer Staples with cumulative returns of 11.4%, 8.7% and 5.5%, respectively. The worst performing sectors over the past five quarters include Energy, Materials and Telecomm, producing declines of 38.0%, 19.9% and 10.7%, respectively. During this period, Health Care has been the most consistent performer with positive performance in 4 of the 5 quarters, while Energy has been the worst performer, with negative performance in all five quarters.

Third quarter GDP grew by 1.5%, or considerably slower than second quarter growth of 3.9%. Consumer spending remained solid in the third quarter, however, increasing by 3.2% and benefiting from a strong 6.7% increase in Durable Goods purchases. The quarter also benefited from some Export growth, which increased by 1.9%, and from State and Local Government spending, which increased by 1.7%. Detracting from third quarter growth, and the primary cause for the quarterly slowdown, was a 5.6% decrease in Investments, especially Inventories, together with a 1.8% increase in Imports, which is a subtraction from GDP. Percentage contributions to second quarter economic growth by major category are illustrated in the chart on top of the following page. It is noted that Consumer Spending contributed 2.2 percentage points of the quarterly 1.5% GDP growth, while Inventories detracted 1.4 percentage points from growth. Excluding Inventories, third quarter growth advanced by 2.9% and suggests that the U.S. economy continues to expand at a moderate pace.



Third quarter 2015 earnings results indicate that 79.2% of the companies in the Standard & Poor's 500 have reported results in line with, or above, expectations. This compares to 78.0% in the second quarter of 2015 and 82.8% in the third quarter of 2014. Earnings per share for the Standard & Poor's 500 Index in the third quarter declined by 6.9% year-over-year, which compares to a 10.9% decline in the second quarter of 2015 and a 10.0% gain in the third quarter of 2014. The decline in third quarter earnings continues to be driven primarily by Energy earnings which fell by 85.3% year-over-year in the quarter. Energy earnings are



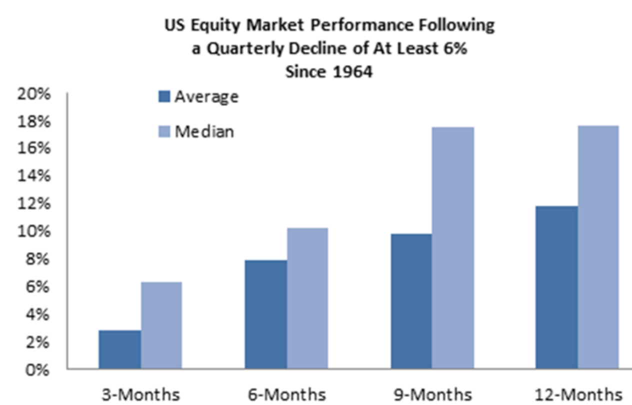
projected to decline in the fourth quarter but should return to positive growth in the first quarter of 2016 as crude oil prices trade more in line with oil prices in the first quarter of 2015. Revenue growth for Standard & Poor's 500 companies in the third quarter declined by 5.0% versus the third quarter of 2014, and includes a 35.5% decline in Energy revenue. Revenue growth in the third quarter, excluding Energy, increased by 1.0%. As a result of the continued negative impact of lower oil prices on Energy earnings, we continue to lower our 2015 projected operating earnings for the Standard & Poor's 500 Index to $109.00 per share, which represents a 3.8% decline versus 2014 earnings. We are also lowering our projections for 2016 operating earnings to $126.0 to accommodate lower Energy earnings than projected in our prior commentary. Our 2016 earnings forecast represents an attractive 15.6% increase over our revised 2015 levels. The 2016 forecast includes a stabilization of oil prices and the U.S. dollar relative to global currencies, at or near, current levels.

We remain cautiously optimistic that U.S. economic growth will recover in the fourth quarter relative to third quarter, and expand at a moderate pace. Notwithstanding the meaningful inventory correction in the third quarter, which should rebound in the fourth quarter, other positive factors supporting this view are continuing job gains, although slower the past several months; some improvement in consumer incomes; lower gas prices; continuing low interest rates, together with improving new and existing home sales; rising home values; growth in non-defense durable goods sales (including automobiles) and improving to stable consumer and business confidence. Moreover, consumer and business balance sheets remain strong, which, in our judgment, implies a favorable capacity for continued spending. The ratio of consumer total debt payments, including credit cards, to disposable income, is at multi-decade lows. In addition, the ratio of corporate cash to total current assets of the Standard & Poor's 500 Index companies is at a fifteen-year high and the ratio has more than doubled since 2000.

It is our judgment that China's slowing, but positive economic growth, will have a limited negative impact on U.S. economic growth. The data indicates that U.S. exports to China are relatively small, representing less than 1% of U.S. GDP, and well below U.S. exports to Canada, Europe and Mexico, which represent 1.8%, 1.6% and 1.4% of U.S. GDP, respectively. In addition, according to the U.S.-China Business Council (USCBC), U.S. business total production with China approximates $350 billion annually. This includes direct and indirect measures, which comprises exports plus domestic and offshore sales by U.S. affiliates located in China. Finally, only 2% of sales generated by companies in the Standard & Poor's 500 Index are derived from China. Accordingly, notwithstanding China's slowing economic growth, we project that second half GDP will continue to expand and approximate 2.5% to 2.8% growth, which is in line with current strategists' forecasts.

Common stock valuations have not changed materially over the past several months based on 2016 projected earnings, but remain elevated relative to estimated full-year 2015 earnings, which continue to mildly contract from lower Energy profits. Energy profits are projected to reach a low in the fourth quarter of 2015 and should return to positive growth in early 2016. Accordingly, we believe full year 2016 earnings should recover and approximate $126.0, as previously mentioned. This implies a reasonably valued Standard & Poor's 500 Index in the current market that trades at 16.7 times our 2016 projected earnings, which is within historical valuation levels.

Continued discussions of monetary tightening through interest rate increases, together with concerns of slowing Chinese economic growth, have sharply elevated market volatility. However, it remains our judgment that investor concerns regarding monetary tightening and slowing Chinese economic growth will diminish based on evidence of moderately positive U.S. economic data over the coming months. We believe October's market rally supports this view. We note that there have been 28 quarters since 1964 in which the Index declined in excess of 6% during a quarter. In 19 of the 28 instances, the Index was positive during the following twelve-month period by an average of 12%. This is illustrated in the chart below. The 9 occasions that the Index did not recover were due to crisis or recession. We do not project a recession for the U.S. economy in 2016 and, accordingly, remain constructive on owning common stocks in the current environment.

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