ASCEND
Investment Management, Inc.
Ascend to your financial potential

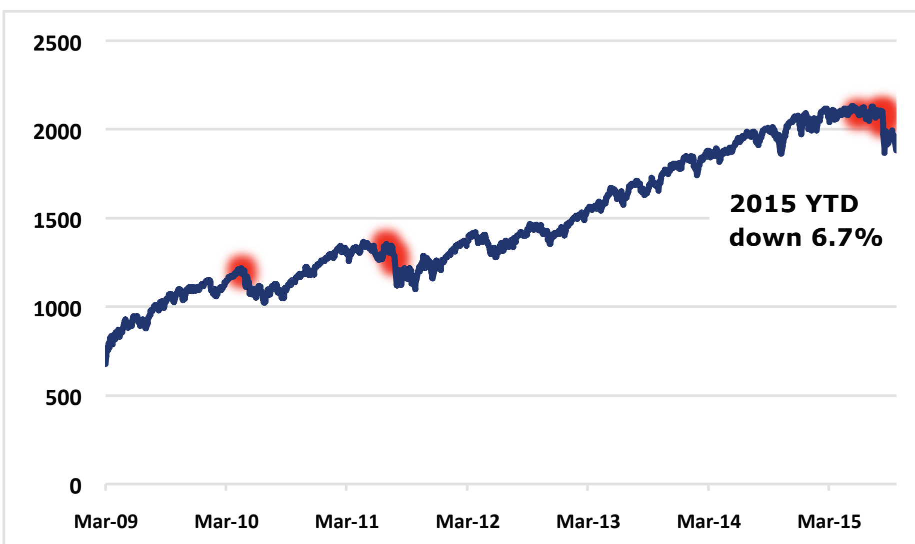
QUARTERLY INVESTMENT REPORT
September 30, 2015

Dear Investor:

With the recent passing of Yogi Berra we have been reminded of his subtle wit. One famous quote in particular brings to mind the twists and turns of the stock market. Yogi Berra was playfully giving directions to a friend to his house when he said, “When you come to a fork in the road, take it”, since at the fork, both roads led to his home. The intense volatility and lack of a clear direction at this time for this market begs the question of where it will lead and how one should proceed. We believe staying on the path with diversified investments, whether the road ahead has a few growling bears or a few charging bulls, both roads will get us to our investment goals when we stay the course.

Since the bull market began in March 2009 we have had just three corrections. One in the spring and summer of 2010 lasting a little over two months with a decline of 16%, one in spring through early fall of 2011 lasting more than five months with a decline of 19%, and the current one which has gone on since the end of May lasting more than four months and a 10% market decline. It’s impossible to predict how long the current decline will last or if it will turn into a full on bear market. A bear market is defined as at least a few months of market declines totaling in excess of at least a 20% fall from its peak.

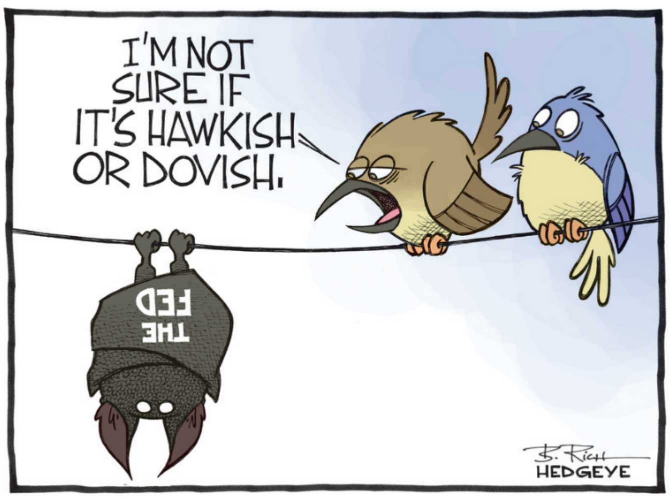
S&P 500: 2009 - Present



Frequently, but not always, bear markets portend an economic recession. If the market keeps falling, we'll start to hear a lot of debate around whether or not the market sees a recession on the horizon. We look at a variety of economic indicators such as a flattening yield curve, widening junk bond yields, decreasing industrial production, increasing corporate leverage, shrinking corporate profit margins, rising inflation, and decreasing loan demand. We don't see the stars aligned for a recession at this time. Most noteworthy is that inventories typically have a significant ramp up and the Fed is usually aggressively increasing interest rates to curb inflation on the lead in to a recession. And both of those things are not happening.

In fact, our economy is much healthier than it was in the 2007/2008 recession. Everyone thought we were running out of oil back then, and the opposite is happening now. Our manufacturing infrastructure has improved tremendously with many more products waving "made in America' flags. Housing is on a much firmer footing with the demise of predatory lending and prices have been reset to more conservative levels in most markets. Consumer and company balance sheets are significantly deleveraged and holding more cash. And, with regards to stock prices, so many people are still pessimistic about the stock market, that there is a lot of cash waiting on the sidelines.

What about the Federal Reserve and interest rates?



The "will the Fed raise interest rates or not" story is likely finally coming to closure. We'd be surprised if Yellen doesn't announce a quarter point raise in either October or December.

Investors won't respond poorly since they are frustrated that interest rates are so low and they are ready for a more normal lending environment.

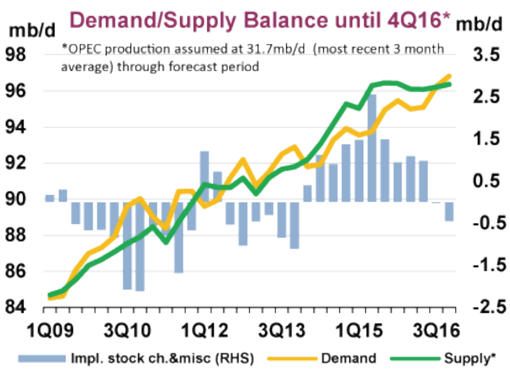
There's a saying on Wall Street that the Fed's initial rate increases are not the problem, but watch out for the last one! Because historically it's been the final raise that is the mistake, meaning that the last one goes too far in trying to curb inflation and winds up choking economic growth.

Of course the future is unknown and it is entirely possible that the slowdown in China and other parts of Asia and Europe can weaken further and bring our economy down with theirs. We think one reason Yellen has stayed firm on interest rates is because the Fed doesn't want the dollar to further strengthen and hurt global economies more.

Another bright spot is the price of oil. We believe oil prices will stay under $60 a barrel for at least 12 to 18 months as that is how much time is needed to work through the current supply surplus. The slump in drilling and completion rates in the US and outside of the US continue to pressure prices. Marginal oil fields are being shut down or are at risk as companies try to curtail losses from contractual costs.

610.547.3618 ellen@ascendinvmgt.com www.ascendinvmgt.com

Global Oil Supply Exceeds Demand



International Energy Agency, September 2015

It's a vicious cycle as spending curbs accelerate declining rates. This cycle of over production when prices are high and excessive pullback when prices are low is normal business practice for the energy patch. It will take time to adjust to the new supply/demand level. Of course, OPEC has the power to change the dynamic and cut supply, but as the OPEC leader with the lowest cost of production, the Saudi's continue to choose market share over price for the foreseeable future.

Nonetheless, it's only a matter of time before demand exceeds supply again as, for example, US motorists tend to drive with abandon and China – the world's second largest oil consumer - likely fills up its reserves at cheaper prices.

Consistently low oil prices are terrible for about eight oil producing states and great for the rest of the forty-two. About 72% of our US GDP growth is consumer driven and gasoline prices at $2 a gallon puts about $800 a year in consumer pockets. That may not be impactful to someone working in Manhattan but for most of the nation it is meaningful. And, low energy costs for non-energy businesses and manufacturing companies are beneficial.

We take the risks in the current business cycle seriously. But just because the current bull market is admittedly long in the tooth isn't a reason to ignore the positives in our economy and run for cover. Most of our portfolios have an allocation of 20%-30% in short-term bonds to withstand the full brunt of the intense volatility and recent corrective stock market declines. Furthermore, we are in the business of investing in sustainable businesses for the long-term, not short-term trading stocks.

Sincerely,

Ellen P. Le, CFA
President

610.547.3618 ellen@ascendinvmgt.com www.ascendinvmgt.com

Obamacare: Status Report

The Patient and Protection Affordable Care Act became effective in March 2010 (most major provisions were phased in on January 2014). The law, via subsidies, expanded coverage to many people that were previously uninsured. Insurance companies cannot deny coverage, charge more based on health status, or drop you if you become ill.

- In June 2015 the Supreme Court ruled that the individuals who had been receiving federal subsidies for premium payments could keep receiving them no matter whether they purchased health insurance from state or federal online exchanges.
- The number of health insurers competing on exchanges increased 26% in 2015.
- Studies show that average premium increases will be in the mid-single digit percentage range in 2016 (with a wide range of percentage increases).
- About 30 million Americans have gotten health insurance under Obamacare and the overall rate of the uninsured has dropped to a record low of 9.2%. (New taxes on high-earners and the healthcare industry help pay for the newly insured.)
- Silver-level plans are the most popular plans on the exchanges and they carry an average annual deductible of $2,900.
- Hospitals are reporting huge jobs gains and the health care sector is reporting its best 12-month stretch of new jobs in almost 25 years.
- Employer's average cost per employee for health insurance is projected to rise by less than 5% for a fifth straight year (driven by high-deductible health plans that are forcing employees to become better "shoppers").
- Congress has voted 56 times (so far) to repeal Obamacare.

Obamacare has many flaws. For example:

- The tax credits for premium subsidies are very complicated.
- In some states there is limited insurance company competition.
- The healthcare system was unprepared for the crush of the newly insured on Medicaid. Doctors are reimbursed at a lower rate for Medicaid and in some areas specialists are hard to find.
- Since the insurance companies price their coverage on age, it's cheaper for employers to hire a younger person and forego hiring people with more experience.

Despite its flaws, net, net it not only appears that Obamacare is here to stay and the benefits in terms of providing healthcare for millions, helping to keep premiums low has also fueled economic growth by adding jobs.

610.547.3618 ellen@ascendinvmgt.com www.ascendinvmgt.com