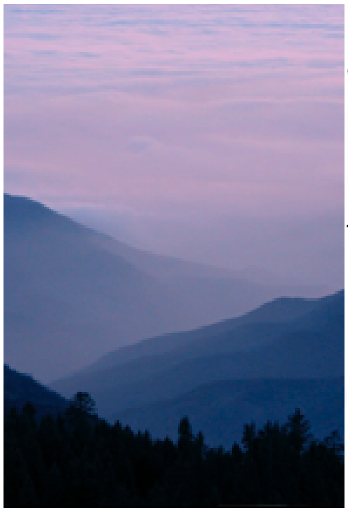


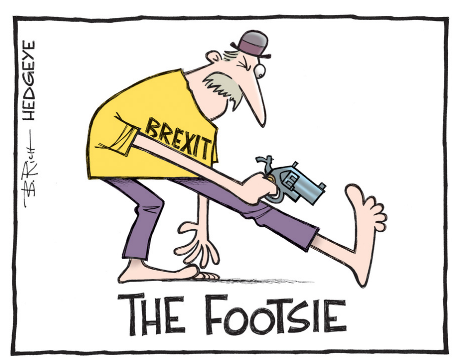
Quarterly Investment Report
June 30, 2016

Dear Investor:

Just when the market was convincingly lulling investors into a comfortable brand of volatility and a whiff of a promise of gradual ascent, Great Britain's decision to exit the Eurozone alarmingly broke the spell. It was alarming not just due to the sheer surprise of an exit vote, but also served as a disquieting reminder of the fragility of global markets. Questions without immediate answers filled the airwaves. What will the Brexit process look like? Will other Eurozone countries feel emboldened to follow Great Britain? Will business and trade in Great Britain cease up and trigger a recession? Would a slowdown in Great Britain infect Europe and other countries around the globe? What unintended consequences or after-shocks might be felt here on our side of the pond?

In just two days, on the heels of the Brexit decision, our S&P 500 index and Great Britain's stock market index - the Financial Times Stock Index (FTSE 100 index), nicknamed the Footsie, dropped about 5%. On the third day investors realized that the market drop was an over-reaction.Great Britain's exit process could take up to two years to unfold, giving business and trade an adequate adjustment period during the process. Also, the major global central banks have committed to supplying liquidity to banks as necessary. Not surprisingly the United States proved yet again to be a safe haven for investment and currency. As we write this, our treasury bond prices continue to rise, hitting record low interest rates with the 10 year bond yield falling to 1.4%. Despite the Brexit "excitement", at mid-year, stocks managed to increase almost 4% on a total return basis (price movement plus dividends).

S&P 500 Total Return Year-To-Date: +3.84%



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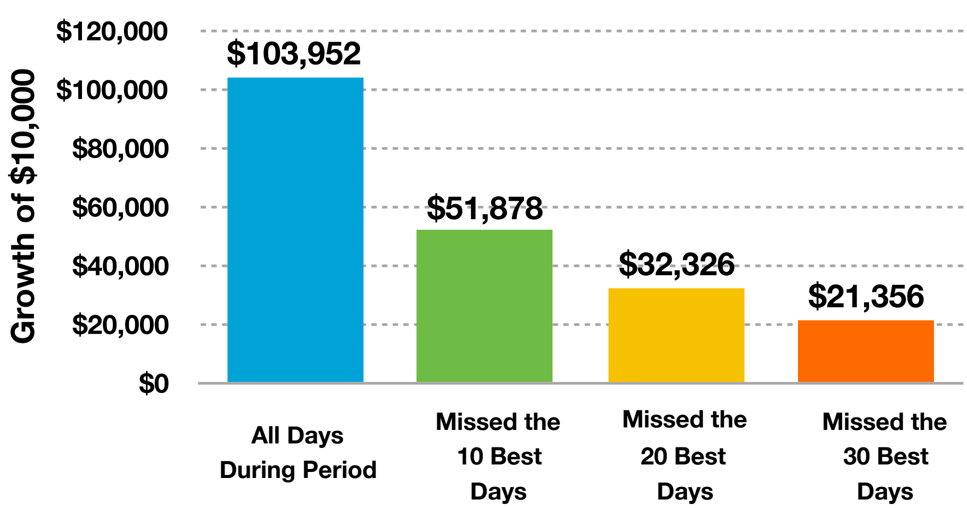
Though we weathered the Brexit storm (for now?), there's no hiding from global slow growth.The United States's annualized Gross Domestic Product growth rate is an anemic 2% (but higher than many other countries), interest rates around the globe are stuck in low gear, even reverse in some countries where short-term government rates are negative. We don't see anything obvious on the horizon that will change this current weak growth environment. Rather, we see risks of more financial turmoil affecting confidence as, for example, China and other countries devalue their currencies to improve their trade balances. Other risks include a sharper slowdown in China spilling over to a generalized slowdown in the global economy and a protracted period of lower oil prices that could further destabilize the outlook for oil-exporting countries.

Can We Time The Market?

Despite the risks and the market volatility, we believe that staying in the market is the best course to take. Our economy, while we would like it to be growing at a stronger pace, is chugging along just fine. In fact, our housing industry which has been strong of late, may get an additional boost from an unlikely source - Brexit - since Brexit pretty much wiped out the chances that the Federal Reserve will raise interest rates in the near-term. That ensures that mortgage rates will stay low. Brexit also helped further strengthen an already strong dollar. A strong dollar keeps our imports cheap and inflation at bay. Of course, it isn't always a good thing since it adversely affects our companies that derive a large portion of their revenues from exporting goods.

Market timing involves two quite difficult components: knowing when to get in and when to get out. Studies show that if you tried to time the market over the last 25 years and missed only the 10 best days you would have cut your return in half! Ten days out of 6,000 days is a very small percentage of days to get right.

Growth of $10,000 over the Last 25 Years



Source: Morningstar

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Also, consider that when we look as far back as the 1920's stocks have increased consistently. For one year holding periods stocks went up 73% of the time, for 10 year holding periods they increased 95% of the time and for 20 year holding periods they increased 100% of the time. Again, it's not about timing the market, but time in the market.

Economic expansion and recession, along with stock market bull and bear cycles, are inevitable. Trying to predict beginnings and endings is dangerous and studies have shown that you need to get your market timing right 75%-85% of the time to beat staying put in the market.

Surely this bull is aged as it's in its seventh year. But there have actually been two other even longer bull cycles; the most recent being 1987-2000. More importantly, bull markets typically don't die of old age. They die from over-heating, hubris, and too much debt sloshing around.

Volatility is here to stay. My best advice is to stay calm, be patient with your assets, and turn off your television!

Have a wonderful Fourth of July!

Sincerely,

Ellen P. Le

Ellen P. Le, CFA
President

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Ascend To Your Financial Potential

FIDUCIARY 101

In the investment and business arenas, a fiduciary is someone who has a legal obligation to act in the best interest of another. The fiduciary is typically someone entrusted with the care of money or property.

In April 2016 the Department of Labor (DOL) issued final regulations expanding the requirement of who must be a fiduciary with respect to retirement accounts - Individual Retirement Accounts (IRAs), pensions, and other retirement plans. The effective date of this final rule is in April 2017 with many provisions becoming effective on January 1, 2018.

The purpose of the rule is to protect individuals from brokers who don't put their clients' interests ahead of their own interests. Up until now brokers have been held to a lower standard of ethics and professionalism than Registered Investment Advisors (RIAs) who must abide by a fiduciary standard. Brokers' investment advice and asset choices must only be "suitable" for their clients. Oftentimes suitable results in undisclosed product commissions, unnecessarily high mutual fund fees, poor performing mutual or exchange traded funds, inappropriate and expensive annuity products, and individual security choices that are inappropriately risky or illiquid.

The ruling also gives brokers who do not want to change to a fiduciary model the ability to maintain their suitability standard by forcing them to disclose how they are compensated as well as any conflicts of interest. Many companies in the brokerage and insurance industry feel that the paperwork necessary to comply with disclosures would be overwhelmingly costly and onerous. They worry that small companies would be forced to shut down or be absorbed into larger firms. They also believe that clients with relatively few assets would get sidelined as brokers can no longer afford to advise them. Several industry suits have been filed against the DOL with the hopes of making the rules more lenient. Also, the DOL ruling allows individuals to bring class action suits against brokers and the plaintiffs believe that the DOL has no legal right to allow individuals to bring class action suits against brokers.

Ascend Investment Management has always been licensed as an Independent Registered Investment Advisor and has always acted as a fiduciary for its clients. We are surprised by the fact that a ruling to enforce a fiduciary standard on all investment providers applies only to retirement accounts rather than all investment accounts. In fact, many in the industry resent the fact that the DOL is involved as they believe that the Securities and Exchange Commission (SEC) is the appropriate entity to enforce change and thus include all accounts - retirement and non-retirement accounts. Additionally, we are suspicious of the argument that the little investor will be left with no advisors to serve them. Where there are customers willing to pay a fee or a commission for a service, our free market system can surely figure out a way to serve them. Business models may have to change to ensure a profit margin which may likely unleash a slew of industry mergers, acquisitions, or divestitures.