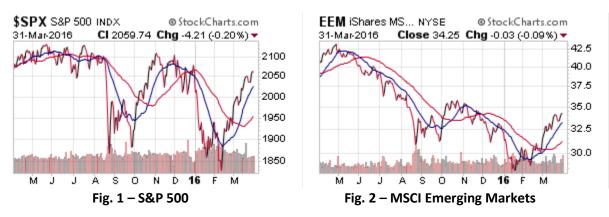


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First Quarter 2016

Enclosed are your Portfolio Statement, showing your portfolio's holdings and asset allocation, Performance Analysis, displaying investment returns for your portfolio, and Statement of Management Fees for the second quarter of 2016.

SEC regulations require that we provide a copy of our Form ADV Part 2 upon request, and that we notify clients of any material changes. In 2015, Ken Bernard was licensed as a life insurance agent in the State of Michigan. This was undertaken to provide our clients with more comprehensive wealth management services. The modifications made to Form ADV Part 2 to disclose this material change are included on the last page of this report. If you wish to receive a complete copy of the Form ADV Part 2, please contact us at (248) 556-2900 or kms@bernard-wealth.com, or visit www.bernard-wealth.com/compliance.



The first quarter was a tale of two markets, with equities plunging sharply in January and early February before recovering in the second half of the quarter. The S&P 500 index (**Figure 1**) initially fell -10.5%, but finished the quarter +0.7%, and posted a total return of +1.4%. Small cap stocks continued the underperformance of 2015, registering a total return of -1.5%. International market performance diverged noticeably. After suffering some of the steepest declines, emerging markets rallied strongly, with the MSCI Emerging Markets Index (**Figure 2**) finishing the quarter +5.4%. The MSCI Europe, Australia and Far East Index of developed economies, by contrast, lost -3%, with both European and Japanese stocks generally down.

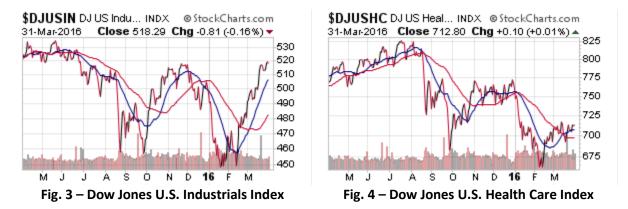
In the 4th quarter of 2015, S&P 500 aggregate earnings declined for the third straight quarter. If the index's earnings decline again in the current quarter, it will mark the first time that earnings fell for four quarters since the third quarter of 2009, when the Great Recession was coming to an end. The current earnings decline has been sector-specific. According to Factset, energy (-72.6%) and materials (-20.2%) had by far the largest declines. As the first quarter earnings season begins, investors will be focused on management guidance, looking for signs that corporate profit growth will resume.

The United States economy continued its very modest expansion in the quarter, expanding 1.4% after growth of 2.1% in the third quarter. The economy added jobs each month at a respectable pace, supporting consumption expenditures, as gains continued in the services and construction sectors. Wages also rose slightly and long idle workers reentered the work force, as evidenced by the long-awaited rise in the labor participation rate. Consumer sentiment dipped mid-

quarter, but finished the quarter near post-2009 highs. Retail sales were mixed, but auto sales remained near all-time highs.

Manufacturing remained weak at the beginning of the quarter, as industrials worked through the slow-down in the energy sector and exporters struggled with the stronger dollar. However, by the end of the quarter, manufacturing surveys had improved and new order readings strengthened. Construction and housing data still signaled expansion and the U.S. economy, while growing slowly, appears likely to avoid recession at this time.

As noted, emerging markets posted the strongest returns in the first quarter. Stocks bottomed and began to rise after oil and other commodity prices stopped falling. Many emerging market economies are commodity exporters, and thus dependent on commodity prices for growth and for their government revenues. However, for commodity prices to continue to rise, either supply has to be reduced or demand has to grow more rapidly than forecast. Both of these factors are in doubt. U.S. suppliers have maintained much more oil production than expected, and OPEC attempts at limiting production have been weak and short-lived. Meanwhile, global growth has remained tepid, and the Chinese economy still appears to be slowing, burdened by an explosion of debt over the past eight years. This makes it likely that commodity prices will be at best range-bound, and emerging market stocks may have trouble sustaining their recent rally.



The sharp decline and recovery in stocks in the past quarter underscore the dangers of market timing. It is almost impossible to forecast the turns in market sentiment, and most investors would be better served staying invested in accordance with their long-term asset allocation. The market volatility does create investment opportunities. Industrial stocks (Figure 3) enjoyed relatively strong returns in the quarter, as earnings growth in many companies showed signs of accelerating. This comes after more than a year of lagging stock prices, which has helped valuations. Looking ahead, these companies should enjoy lower commodity prices, improving margins, and a slightly weaker U.S. dollar, boosting sales abroad. Health care companies (Figure 4) generally lagged the market the last two quarters, hampered by political rhetoric and accounting issues at Valeant Pharmaceuticals, a former high flyer. Historically, investors who focused on fundamentals and looked past the noise have been rewarded for patience in this sector, where select companies now appear to be reasonably valued relative to their potential earnings growth.

As always, we encourage you to contact us if you have questions about your investments, or if your financial picture has changed in any way.

Sincerely,

Kenneth M. Bernard, CFA



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Form ADV Part 2 Material Changes

December 31, 2015

Form ADV Part 2A, Item 14 - Client Referrals and Other Compensation

BWM relies upon referrals from clients and other professionals to grow our business. However, we do not participate in any arrangements under which we provide compensation, or receive compensation (directly or indirectly) for client referrals.

Kenneth M. Bernard, in his individual capacities, is licensed as an insurance agent, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products.

On occasion and if the client agrees, an outside insurance consultant may be introduced to provide insurance analysis and recommendations to the client. If a recommended product is used, the outside consultant will split the commissions with Kenneth M. Bernard in exchange for the introduction. This agreement only applies if the client purchases the insurance through the outside consultant.

A conflict of interest exists if we recommend that you purchase insurance products for which Mr. Bernard receives insurance commissions. However, to mitigate any conflict of interest, we do not charge a fee on our advice in addition to any fee you pay for the insurance products. Also, we do not require you to purchase any insurance products from Mr. Bernard, and you are free to purchase any insurance products we recommend from an unaffiliated insurance agent.

Form ADV Part 2A, Item 19 – Requirements for State-Registered Advisers

Educational Background and Business Experience of Principal Officer

The sole owner of BWM is Kenneth Bernard. Information regarding the formal education and background of Kenneth Bernard is below in Part 2B.

Other Business Activities of Principal Officer

Kenneth Bernard is independently licensed as an insurance agent and may sell insurance products through various insurance companies. Mr. Bernard receives commissions from insurance companies if you purchase insurance products through him. If we recommend you purchase insurance products as part of our advisory services, the receipt of this compensation may create a conflict of interest. To mitigate this conflict of interest, we do not require you to purchase any recommended insurance products from Mr. Bernard, and you may purchase insurance through an unaffiliated insurance agent.

Kenneth Bernard is not actively engaged in any other outside business activity that provides a substantial source of income or involves a substantial amount of time. Mr. Bernard has no applicable information to disclose.

Form ADV Part 2B, Item 4 – Other Business Activities

Mr. Bernard is licensed as an insurance agent and able to transact business with multiple carriers. He may recommend insurance products to clients. A conflict of interest exists if we recommend that you purchase insurance products for which Mr. Bernard receives insurance commissions. You are under no obligation to act upon the recommendations of Mr. Bernard. If you decide to act upon any of the recommendations, you are under no obligation to effect the insurance transactions through Mr. Bernard.