

PRESIDENT'S MESSAGE TO CLIENTS

Summer is finally here, and I hope you can enjoy some time with family and friends. As you enjoy the warmer weather, it may be a good time to talk with your family about financial goals and aspirations, and revisit your investment portfolio to make sure it's aligned with your objectives.

At Janney, we're here to help you every step of the way. We're focused on supporting your family conversations, providing relevant advice and resources, and creating financial plans that meet your unique needs. Together, we'll work toward achieving your long-term goals—through both the ups and downs of the market.

Improving the Client Experience: New Online Tools

We're committed to providing clients with the best experience possible. As I shared in our last issue, in response to client feedback we've devoted significant resources to our client website, Janney Online Access, to provide you with additional online tools and resources. I'd like to highlight several new features we recently rolled out—which can help you better manage your financial assets, and enhance your relationship with your advisor. So far, the response from clients already using these tools has been very positive, and I encourage you to try them yourself:

- **My Net Worth** – Now you can monitor your Janney and non-Janney accounts centrally from Janney Online Access. This powerful and secure aggregation tool can help you understand more about your financial assets, and see your entire net worth in a single online view.
- **Document Vault** – This new online tool provides an easy way to store important financial documents in one place. You can also share them with your Financial Advisor, as well as send and receive messages to and from your advisor, all through our secure website.
- **eDelivery** – While not new, this option makes it easier than ever to enroll your accounts for paperless statements, prospectuses, and other communications. This feature helps you safeguard personal information and reduce clutter, and is, of course, environmentally friendly.

If you're not yet enrolled in Online Access, I urge you to do so. If you'd like more information about Online Access, go to Janney.com or talk with your advisor. We continue our efforts to expand our digital capabilities, offer smart planning tools, and bring you more education resources. Look for additional tools and resources during the second half of the year.

The Economy and Markets

After a sluggish start to 2016 in the first quarter, positive economic data in the second quarter led to a rise in stock prices and helped to relieve economic concerns. U.S. domestic activity rebounded in May, and slow but steady growth is likely as we move through the remainder of the year.

As our Chief Investment Strategist, Mark Luschini, explains in this issue's *Economic Outlook*, "The key to persistent growth is a reasonably healthy labor market. Job and wage gains lead to consumption by way of a confident consumer—the backbone of U.S. economic activity." The unemployment rate today is less than half of where it stood during the 2009 recession, and job creation is happening at an encouraging pace. "This is helping to propel spending that's sufficiently strong to keep the economy's positive momentum intact," says Mark. Given these improved conditions, and barring an economic setback, the Federal Reserve is expected to raise interest rates again in the near future.

Returns on stocks are likely to be less-than-stellar, until a more fundamental change in fiscal policy occurs to spark growth in the U.S. and abroad. Still, there is reason for optimism going forward. Mark therefore suggests that investors stay the course, even if volatility returns in the short term.

For a more in-depth discussion of what the rest of 2016 may bring for the economy, view Janney's *Mid-Year Outlook 2016* publications, described below—all available on Janney.com.

How Janney Can Help: Expert Commentary

As your trusted advisor, Janney is here to help you maintain your long-term focus—with sound advice, planning, and solutions. To help you stay informed of economic, market, and related news that may impact your portfolio or retirement savings over time, we've highlighted some key topics in this issue:

- **Outlook 2016: Mid-Year Update.** In January, our top investment strategists provided their respective outlooks on the markets and economy for 2016. The Mid-Year Update compares original expectations to mid-year market conditions, and offers helpful commentary to investors for the rest of 2016.
- **Expert Financial Insights.** This commentary series, authored by our team of financial planning experts, provides clients with educational material on a wide range of topics. Our latest piece, "*Millennials and Gen Xers: Reshaping Retirement Planning*," explains how the traditional path to retirement has changed for younger investors.

Go to Janney.com to read or download these pieces, and be sure to contact your advisor with any questions.

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READ THE LATEST COMMENTARY



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Regulatory Update

In early April, the U.S. Department of Labor (DOL) issued a new rule that changes the standards and policies affecting Individual Retirement Accounts (IRAs) and other retirement accounts. The purpose of the rule is to ensure that advisors place clients' interests above all else. To achieve this, the rule sets in place an industry-wide best interest standard, which must be followed by advisors when providing retirement advice to clients.

What this means. Someone acting in your best interest is often referred to as a "fiduciary". Other professionals who often serve in a fiduciary role include your attorney or your accountant. Like your Janney advisor, these are professionals who provide advice in highly regulated industries and act on your behalf in a position of trust. At Janney, our goal has always been to put our clients' needs first. The DOL rule advances that goal across our industry.

How you may be affected. The new rule impacts Janney clients with IRAs and other types of retirement accounts. In practical terms, the rule may change how we interact with these clients. Initially, there may be additional paperwork and other administrative issues to address. Also, your advisor will work with you to determine the best way for you to continue receiving advice. The specific impact, if any, will ultimately depend on your unique needs and circumstances.

We're ready. For the last year, we've been preparing for this outcome. Our investment management platform is ready to work within the parameters of the new rule, and your Financial Advisor knows what needs to be done. Your advisor has some time to make changes, if any, to your IRA account—he or she will contact you in the coming months to discuss these issues. We appreciate your understanding and patience as we transition together under the new rule.

We'll continue to work together to address your financial needs well into the future, even if under new rules. You can count on us to be there for you, and always place your interests first.

Moving Ahead in 2016

As we enter the third quarter of 2016, I'm pleased to report that Janney remains stable and profitable. We continue to build our business and embrace the opportunities that lie ahead, while keeping our relationships with you at the center.

Our clients today span four active generations, with varying needs and preferences in terms of receiving advice and services. Also, clients are looking for advice beyond investments—such as financial, retirement income, insurance, and estate planning. We're committed to evolving as your needs and preferences change, and we're here for you with industry-leading planning services and outcome-oriented solutions.

As we strive to remain the firm of choice for our clients, I'd like to highlight some industry and technology recognition our firm received this past quarter:

- Six of our Financial Advisors were named to *Barron's* 2016 list of "Top Advisors," and four Financial Advisors made the *Financial Times*' 2016 "400 Top Financial Advisors" list.
- Four of Janney's Branch Managers were named to the *On Wall Street* 2016 list of the nation's "Top 100 Branch Managers"—for outstanding leadership and dedication to superior client service.
- Janney was ranked as one of the *Information Week* "Elite 100" for 2016—our second year in a row—for technology strategy, innovation, and client engagement.

As always, we thank you for your business and the continued trust you place in us each day.

Sincerely,



Timothy C. Scheve
President and Chief Executive Officer

EXPERT FINANCIAL INSIGHTS

MILLENNIALS AND GEN XERS: RESHAPING RETIREMENT PLANNING



Our Janney experts are dedicated to providing you with insights regarding your common financial questions. Here, we highlight a new commentary. Go to Janney.com to read/download this and other pieces, or talk with your advisor.

The traditional path to retirement has changed for younger investors—and this is changing how young people need to think about retirement planning. The new retirement path offers more mobility, but it also comes with greater responsibility. ■

JANNEY ONLINE ACCESS: NEW FEATURES!

GET THE COMPLETE PICTURE



- + JANNEY INVESTMENTS
- + OUTSIDE INVESTMENTS
- + BANK ACCOUNTS
- CREDIT CARD DEBT
- DEBIT CARD SPENDING

- = MY NET WORTH

MY NET WORTH is an online feature that lets you monitor your Janney and non-Janney financial accounts from our secure Janney Online Access website. This powerful aggregation tool can help you understand more about your financial assets, and see your entire net worth in a single online view.

Get started today at Janney.com ■

DOCUMENT VAULT is an online feature that lets you store and share important documents in Janney Online Access.



This valuable tool offers: enhanced security, the ability to share and store most common digital file types, easy-to-use email functionality to securely send and receive messages to and from your advisor, option to create and name new folders to organize and store your digital financial documents, and up to 100MB of free storage. ■

JANNEY OUTLOOK: MID-YEAR UPDATE



In January, our top investment strategists provided their outlooks on the markets and economy for 2016. The Mid-Year Update compares original expectations to mid-year market conditions, and offers helpful commentary to investors for the rest of 2016.

Go to Janney.com to read/download the Update, and contact your advisor with any questions.

Investor Education & Protection

Any investor who wishes to learn about the professional background, business practices, and conduct of FINRA (Financial Industry Regulatory Authority) member firms or their brokers may request disclosable information by calling the FINRA Regulation Public Disclosure Program Hotline Number, (800) 289-9999, or by visiting FINRA's BrokerCheck website at <http://brokercheck.finra.org/>. An investor brochure that includes information describing the Public Disclosure Program is also available at your request. ■

Payment for Order Flow

Janney receives compensation or other consideration for directing customer orders to various market centers or broker-dealers. Janney monitors these orders for best execution. The source and nature of any compensation received in connection with a particular transaction will be furnished upon written request. Further information is available at www.janney.com. ■

Invoice and Annual Fee Timing: IRAs and Qualified Plans

The annual fee will be charged in December to IRAs and qualified Plans for which Janney serves as custodian (if applicable). Accounts opened between January and September will be charged in December, 2016. For accounts opened after the last business day of September, the annual fee will be charged the following calendar year in December. Clients will be notified of the annual fee assessment in the third quarter of 2016. Please contact your Financial Advisor if you have any questions. ■

Account Information Verification

Financial Industry Regulatory Authority (FINRA) and other securities regulators require that broker-dealers maintain certain information about their clients and verify this information periodically. At the time your account was established, and perhaps on additional occasions since that time, you provided Janney with account information such as your name, address, investment objective, and other data. This information is being confirmed on the last pages of your June 2016 client statement. Please examine the last pages carefully. Promptly contact your Financial Advisor if anything is incorrect, or if you have any questions regarding what is stated on this confirmation. If your information is correct, no action is required. ■

Annual Disclosure Statement Regarding Partially Called Bonds

Janney is providing this disclosure to inform you of the basic processing applied by Janney regarding the impartial lottery process for callable bonds. When you purchase bonds that are callable in part (i.e., less than the full amount of outstanding bonds may be called), per FINRA Rule 4340 (Securities Callable in Part), Janney is required to run an impartial lottery that calls bonds from client accounts on a randomly selected basis, and holds them until the applicable redemption date. The process by which client accounts are randomly selected can be found on the Janney website at:

www.janney.com/individuals--families/resources--education/investment-disclosure/partially-called-bond-lottery-process.

For more information on partially called bonds, there are several websites with valuable information, including:

- Financial Industry Regulatory Authority: www.finra.org
- FINRA Rule 4340: www.finra.org/industry/regulation/notices/2014/p443192
- U.S. Securities and Exchange Commission: www.sec.gov/answers/callablebonds.htm ■

Economic Outlook

Mark Luschini, Chief Investment Strategist

Predictably, second-quarter economic data looked much better than that delivered in the first three months of the year, which has helped to relieve economic concerns and ushered in a strong rally in equity prices. The sustainability of these conditions is predicated upon job growth in the U.S. and a stable level of activity outside our borders. In our view, the odds favor that outcome in spite of various risks that could derail that forecast for the worse. Those risks include a military confrontation in the South China Sea, a vote by the United Kingdom to leave the European Union, a renewed deceleration in Chinese growth, a destabilization in the oil markets, and prospective Presidential policy, to name a few.

Domestic economic activity has rebounded in the last month, and by some measures it has returned to trend—which should put to rest anxieties that the sub-2% pace of growth over the previous two quarters was developing into a pattern. The key to persistent growth is a reasonably healthy labor market. Job and wage gains lead to consumption by way of a confident consumer—the backbone of U.S. economic activity. Today, the unemployment rate is less than half of where it stood at the recession-high in 2009, and job creation is occurring at a pace comfortably above what is required to keep the labor market steady. In addition, the Atlanta Federal Reserve issues a wage tracker that does an effective job of smoothing the vagrancies of wage figures reported by the Bureau of Labor Statistics. While the latter recently reported annualized wage gains of 2.5% among the working population—a decent figure, considering headline inflation is just over 1% at the moment—the Atlanta Fed reports gains near 3.5%. In either case, this is helping to propel spending that's sufficiently strong to keep the economy's positive momentum intact.

With economic conditions at or moving closer to what the Federal Reserve targeted for the year, Board members have become increasingly vocal about a second interest rate hike. One Federal Reserve official even noted that he was

surprised how small a chance market participants had given to its prospect. The debate has now turned to when, rather than if, the Fed will raise rates. Given that the Federal Open Market Committee—the body charged with determining monetary policy—is scheduled to meet in June, July, and again in September, it appears that barring an unexpected setback in the data, the next increase will occur soon.

While the Fed's decision will boost short-term rates, what is less clear is the impact on longer-term yields. We have noted this before, but it bears repeating that our bond market yields are subject to the gravitational pull of high-quality sovereign bond yields issued by foreign governments that are much lower. This makes the U.S. bond market a bargain for foreign investors seeking safety, liquidity, and an attractive yield to boot. Therefore, while short yields may move up on the back of the next Fed move, the relative unattractiveness of longer-term bond yields for U.S. investors will likely remain in place.

Equity investors have been witness to the stock market having gyrated wildly in the past 12 months, but producing no progress to show for it. Full valuations, a dim earnings picture, shifting Fed policy, emerging market kerfuffles, and volatile oil prices were among the things that kept investors unsteady. We expect some of the uncertainties, at least pertaining to economic activity—and therefore earnings growth—to give way, allowing for equities to resume their advance in the coming quarters. Still, returns are likely to be muted unless the fundamental underpinning for economic growth both here and abroad are ignited by way of a structurally positive shift in fiscal policy.

In the meantime, monetary accommodation and a steady diet of subdued non-inflationary growth will be the support for financial markets. The translation for investors, in our judgment, is more of the same with a positive bias. While that may not sound exciting, it is also a reason to stay the course even if volatility resumes, for it again shall pass. ■

How SIPC Protects You

The Securities Investor Protection Corporation (SIPC) is a nonprofit membership organization, funded by its member broker-dealers, and designed to help investors in the event of a brokerage firm failure. By investing with a firm that is an SIPC member, like Janney, a client is protected in the event the firm should ever fail. In the case of a financial failure of an SIPC member firm, SIPC coverage would ensure delivery of the portfolio assets to each eligible account up to \$500,000 in value (not more than \$250,000 in cash). In addition and as applicable, excess insurance for your account will be obtained through a major insurance company. In the highly unlikely event that our firm should ever fail and should your client assets not be recovered through the firm or under the SIPC protection limits, this additional insurance becomes available to cover your account subject to a limit of \$24.5 million per client and up to a firm aggregate loss limit of \$100 million. If you maintain more than one account at Janney in separate capacities (i.e., individually, jointly, as a trustee), each account would be protected by SIPC and insurance coverage in excess of SIPC. For more details on your investor rights as they pertain to SIPC, we encourage you to call SIPC at (202) 371-8300, visit www.sipc.org, or request an explanatory brochure from your Janney Financial Advisor. ■

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