MITCHELL MCLEOD PUGH & WILLIAMS
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A Few Simple Tips for Fund Investing

A few ideas/tips/reminders investors might want to consider when reviewing their existing mutual fund line-up or choosing new funds:

Focus on your plan, not the news. Market-timing is very difficult to do well, so stick to your plan and keep investing.

Look for lower-risk funds. After a long-running bull market, this is probably more important than ever. Lower-risk funds may appear rather unappealing, but you may well hold on to these funds through the next downturn.

Find the right funds for you. If you have made a lot of fund trades over the years, maybe you need to dial down the volatility. Diversified or balanced funds may appear dull, but that may be a good thing. Dullness keeps emotions out of the equation, and it is emotional investing that wrecks a good plan.

Look for fund companies that close funds before they get too big. You can do this by finding funds that have closed in the past but have reopened. In addition, some funds will name a closing target well in advance so you can have some confidence that the fund won't suffer asset bloat going in.

Low-cost funds should be a key part of your strategy.

The investment return and principal value of mutual funds will fluctuate and shares, when sold, may be worth more or less than their original cost. Mutual funds are sold by prospectus, which can be obtained from your financial professional or the company and which contains complete information, including investment objectives, risks, charges and expenses. Investors should read the prospectus and consider this information carefully before investing or sending money.

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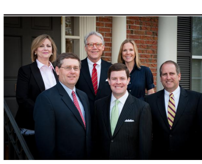

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As we begin the fourth quarter, there are two events and their related deadlines that should be considered by investors and advisers this time every year. All investors who have reached 70 1/2, must begin taking required minimum distributions from their retirement accounts. We will be assisting our clients in calculating the correct amounts that must be distributed and making sure that the funds are transferred before the end of the year. Also, anyone considering making charitable contributions in this tax year, should consider using appreciated securities for that purpose. This potentially allows the investor to avoid capital gains as well as to receive an income tax deduction equal to the market value of the donated securities. Please be aware that custodians have gifting deadlines that vary according to the type of security, sometimes up to 30 or more days prior to year end. Finally, as your adviser, we will be completing year end account reviews, re-balancing and tax planning over the next several months.

Monthly Market Commentary

Despite a softening world economy, Morningstar economists' forecast remains relatively unchanged from their June 2015 forecast. They have upped the 2015 growth by a seemingly small 0.1% to 2.2%–2.6% range; however, it seems that the higher end of the range is now likely. The consumer has continued to do well, net exports haven't yet proved to be the disaster everyone expected (mainly because imports have done as poorly as exports), and government spending is no longer falling. Housing continues to provide a meaningful contribution to overall GDP growth, too while business investment spending remains soft.

China: Most of the change we saw over the past quarter related to China. The Chinese currency was devalued, and many Chinese economic indicators continued to slow. Many of Morningstar analysts have been warning about China for some time. China has showed lower growth rates and missed growth forecasts for several years. It's not new news. Still, the devaluation brought some already well-known weaknesses to the forefront. A slowing China generally has helped the U.S. economy as the small decrease in exports has been more than offset by lower commodity prices, which puts more money in consumer pockets.

The Fed: The other big news was that expectations of a Fed rate increase continue to get pushed out in time. At the end of 2014, some speculated that the Fed might take action as early as March 2015. Now in September, a rate increase by December is by no means a done deal. The Fed noted worsening conditions in China that could potentially slow the U.S. GDP growth rate and employment outlook as their reasons for further interest rate hike delay. Now the Fed has sowed doubts and created uncertainty for investors and business people as they openly fret about world growth rates. Uncertainty is the market's worst enemy, and the markets have reacted accordingly. U.S. equity and emerging markets were little changed at the 2015 halfway point. Now, nearing the end of the third quarter, the S&P 500's year-to-date performance looks to be down in the mid-single digits, and emerging markets a more worrisome mid-teens decline.

Auto Sales: Auto sales are a very large consumer purchase. The average vehicle price is more than $30,000, so it is not a decision that consumers take lightly. The commitment is large and long term, with some auto loans extending out to seven years. If consumers were worried about their employment or wage outlook, they wouldn't be committing to big auto purchases. With the help of low interest rates, cheaper gasoline, and better employment data, auto sales in 2015 have done better than almost anyone expected. At the beginning of 2015, most sales focused on the 16.8 to 17.0 million range. It now looks like sales are much more likely to fall in the 17.0 to 17.5 million range for 2015, compared with 16.4 million units in 2014. The unweighted monthly average through August is 17.1 million units, so even the high end of the estimate range looks quite doable. Although there are some calendar effects that may be helping the number along a little, the ever-rising trend in recent months is hard to deny. It hardly suggests that consumers are feeling any fear.

Housing: Requiring even more confidence than buying a car is buying a home. With average new home prices of about $360,000, a home purchase is 10 times bigger than a car and totally dwarfs a $100 restaurant meal. To eliminate the investment aspect of multi-family homes (apartment owners renting out multiple homes or apartments), one should focus primarily on new home sales. Current sales levels at an annual rate above of 500 thousand units, remain near recovery highs. However, they are just off this spring's levels, which benefited from improving weather conditions. So while new home sales have slowed modestly, the year-over-year growth rates (nearly 20% growth) remain impressive and hardly indicative of any kind of consumer temper tantrum.

Investors Are Driving Expense Ratios Down

Morningstar's 2015 fee study examined expense-ratio trends in the asset-management industry. The main takeaway was that expense ratios are falling, and investors are paying less for fund management.

The asset-weighted expense ratio across all funds analyzed (which include mutual funds and exchange-traded funds, or ETFs) was 0.64% in 2014, down from 0.65% in 2013 and 0.76% five years ago. The trend is being driven more by investors seeking low-cost funds than it is by fund companies cutting fees. Fund investors are increasingly buying passive funds and investing in lower-cost actively managed funds.

During the past decade, low-cost funds have been attracting far more inflows than their more-expensive peers. This has helped to reduce the industry's average asset-weighted expense ratio over time. Mutual funds and ETFs with expense ratios ranking in the least-expensive quintile of all funds attracted an aggregate \$3.03 trillion of estimated net inflows during the past 10 years, compared with just \$160 billion for funds in the remaining four quintiles. That is to say that 95% of all flows have gone into funds in the lowest-cost quintile. Passive funds (mutual funds and ETFs) have been prominent recipients of the capital flowing into low-cost funds. Compared with funds falling in cost quintiles 2 through 5, funds in the lowest-cost quintile are more likely to be passive/index funds.

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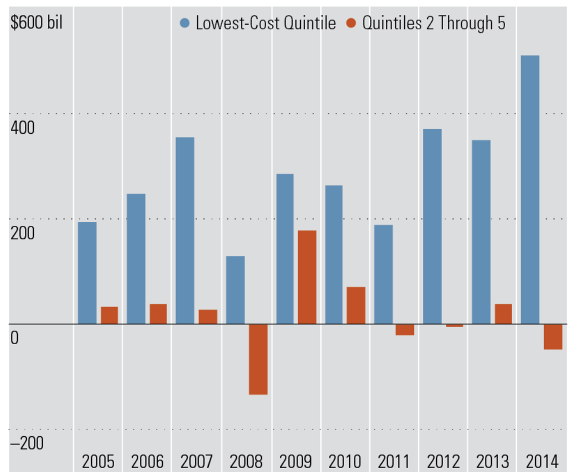
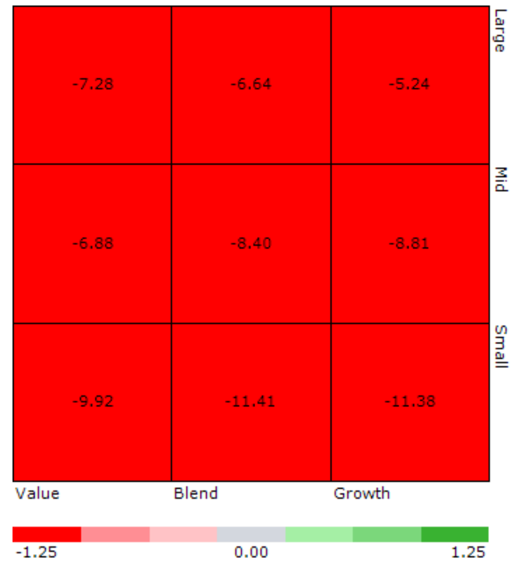
Holding an exchange-traded fund (ETF) does not ensure a profitable outcome and all investing involves risk, including the loss of the entire principal. Since each ETF is different, investors should read the prospectus and consider this information carefully before investing. The prospectus can be obtained from your financial professional or the ETF provider and contains complete information, including investment objectives, risks, charges and expenses. ETF risks include, but are not limited to, market risk, market trading risk, liquidity risk, imperfect benchmark correlation, leverage, and any other risk associated with the underlying securities. There is no guarantee that any fund will achieve its investment objective. In addition to ETF expenses, brokerage costs apply. Fees are charged regardless of profitability and may result in depletion of assets.

Estimated Net Flows by Expense Ratio Quintile



Source: "2015 Fee Study: Investors Are Driving Expense Ratios Down," Morningstar, Inc.

Quarterly Market Barometer



3 Months, ending September 30, 2015. The U.S. Market returned -7.02% (YTD -5.30%).

The Morningstar Market Barometer provides a visualization of the performance of various stock market indexes. The color scale (red for losses and green for gains) allows you to assess which areas of the market performed strongly and which areas showed weakness for the time period analyzed. The nine-square grid represents stocks classified by size (vertical axis) and style (horizontal axis). There are three investment styles for each size category: small, mid and large. Two of the three style categories are “value” and “growth” and the central column represents the core style (neither value nor growth characteristics dominate). Large-caps account for the top 70% of the capitalization; mid-caps represent the next 20%; and small-caps represent the balance.

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