Richard W. Greene, *Managing Principal Emeritus*
Mark J. Barry, *Co-Portfolio Manager*

Overview

In what can best be described as the year of the improbable, equity markets ended the fourth quarter and 2016 in record high territories and registered strong returns across almost all equity sectors. The fact that the majority of gains were registered in the final seven weeks of the year following the election of Donald Trump is testimony to a radical change of sentiment that accompanied election results. For the quarter, the large-cap S&P 500 advanced 3.82% and finished the year up 11.96%

Benefiting from strength in the small and mid-cap market sectors, the Intelligent Index Model Portfolio net of fees advanced 7.22% for the quarter and finished the year up 18.21%. The 6.25% percentage point differential between the Intelligent Index model portfolio and the S&P 500 Index was the 3rd largest in 16 years.

Below is a breakdown of the relevant indices: [1]

Intelligent Index Model Portfolio Returns (ETF Returns)

As of December 31, 2016

	Q4 2016	YTD 2016	1-Year	3-Year	5-Year	10-Year	Inception*
Intelligent Index (Gross)	**7.56%**	**19.70%**	**19.70%**	**9.04%**	**15.40%**	**8.67%**	**8.50%**
Intelligent Index (Net)	**7.22%**	**18.21%**	**18.21%**	**7.68%**	**13.96%**	**7.32%**	**7.15%**
S&P 500 Index	3.82%	11.96%	11.96%	8.87%	14.66%	6.95%	5.43%
Russell 3000 EW Index	7.49%	21.58%	21.58%	6.35%	14.68%	8.79%	9.64%
S&P Citi Small-Cap Value Index	12.60%	31.32%	31.32%	9.64%	16.88%	8.18%	10.08%
S&P Citi Small-Cap Growth Index	9.66%	22.16%	22.16%	9.26%	16.35%	9.90%	9.62%
S&P Citi Mid-Cap Value Index	9.79%	26.53%	26.53%	9.81%	16.07%	8.48%	10.05%
S&P Citi Mid-Cap Growth Index	4.73%	14.77%	14.77%	7.99%	14.42%	9.74%	7.91%
S&P Citi Large-Cap Value Index	7.35%	17.40%	17.40%	8.51%	14.69%	5.50%	5.42%
S&P Citi Large-Cap Growth Index	0.48%	6.89%	6.89%	9.03%	14.54%	8.29%	5.28%

*Inception date 1/1/2001
Source: Morningstar Direct

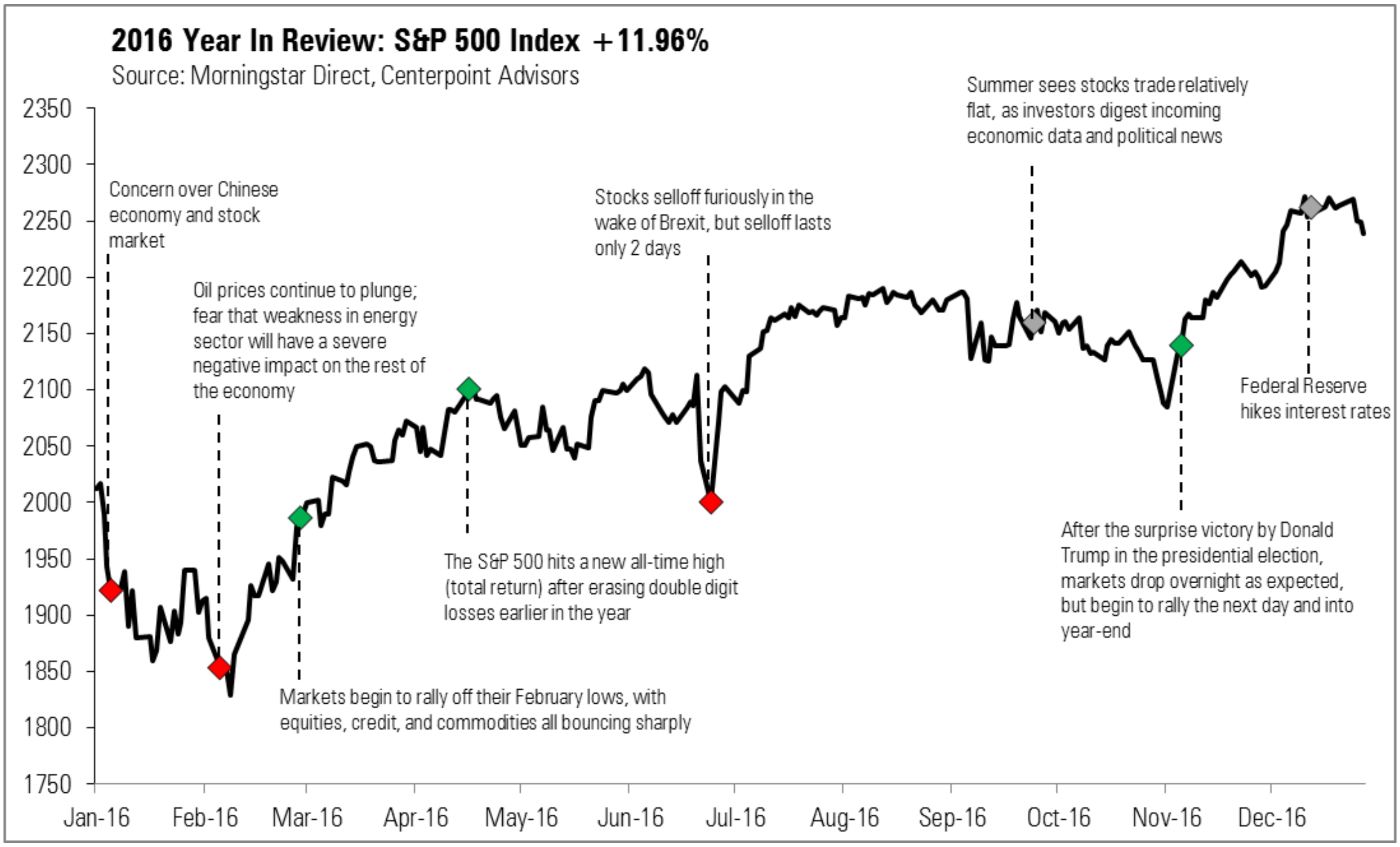
With all indices as well as the S&P 500 being positive for the quarter, no changes were made to our allocation, and the Intelligent Index Model Portfolio maintained equal weight between growth and value.[2]

[1] Please see disclosure on final page for description of fees.

[2] The Intelligent Index Model Portfolio considers changes of less than 50 basis points, either positive or negative, to be statistically irrelevant, as such small variations can be the result of bid-ask spreads only or other last minute quarter-end institutional trading for proprietary purposes.

Year & Quarter in Review

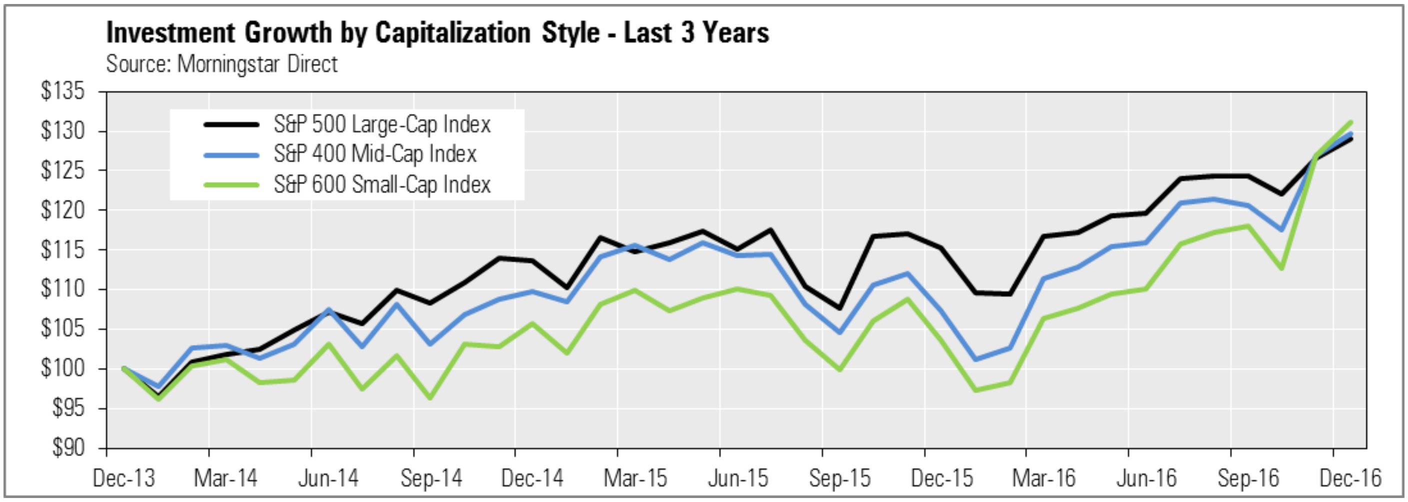
Please pardon our expression but this year's election "trumped" everything relative to the financial markets. The election results that made Donald Trump our 45th President superseded every financial, economic, and geopolitical story around the globe during 2016. It made the sharp corrections the US and global markets experienced early in the year distant memories and the scale of the Brexit vote seem mild by comparison. Otherwise, the focus during the year remained on our slow but steady economic recovery and the potential for future Federal Reserve interest rate hikes. Taken in its totality, we think the investment experiences of 2016 serves to once again validate the futility of market timing, as the chart below illustrates.



The Intelligent Index Model Portfolio delivered strong returns for 2016. Returns were not a function of guessing when or if the small and mid-cap indices would come back into favor; they were a function of maintaining a disciplined investment strategy that integrates the principle of "reversion to the mean" which implies that despite years of inconsistent returns, sectors of the market eventually reflect "historical" performance. Said another way, successive years of outperformance or underperformance relative to average returns are unlikely to persist for overly extended periods of time.

Investing successfully is an exercise in patience on many levels. For Intelligent Index Investors it required a constraint to not chase the fashionable and wildly successful companies of the last few years that were without a doubt " home runs stocks" and responsible for much of the return of the large-cap indices. By design, our Model Portfolio has exposure to all of these dynamic companies and industries, whether it be Apple, Amazon, Facebook, Tesla, or Google, among others. Our investment in these great companies is an allocation, not a "bet". While it's every investors dream to back up the truck to a Google or Amazon, there are countless stories of companies that are riding high one day, and not the next. The performance of these "juggernauts" makes one's investment in most companies seem disappointing or pale by comparison. These "juggernauts" influence both the indices and investor mentality, and despite their remarkable success are still prone to risks.

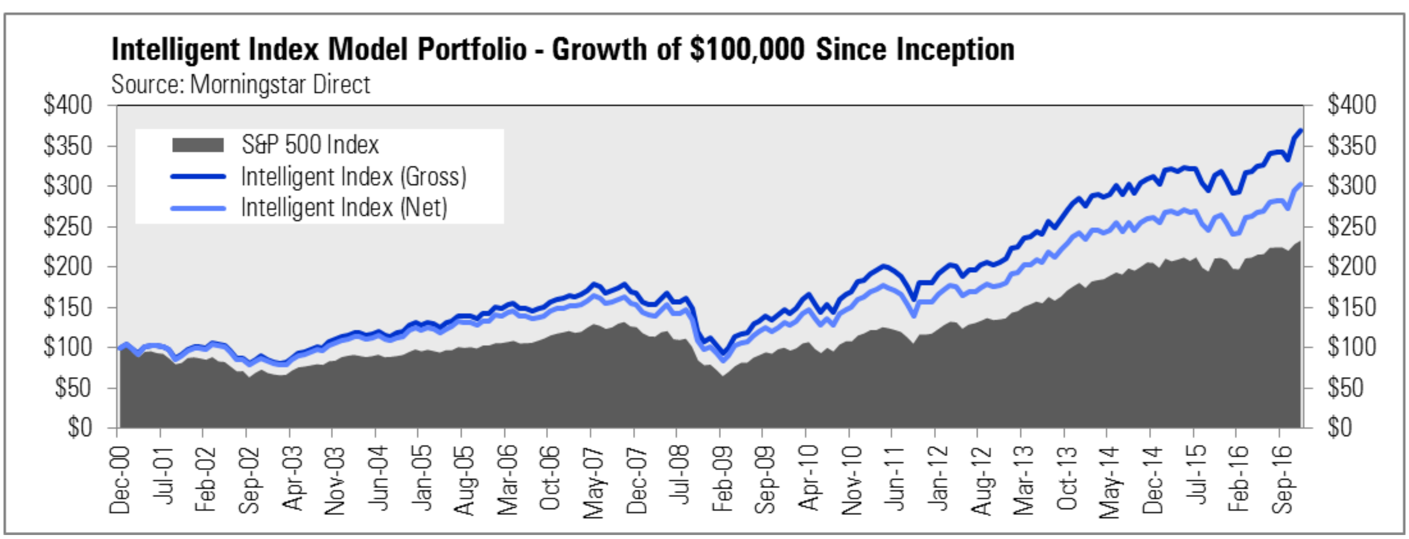
During years or economic cycles when flight to quality or other dynamics have put these small and mid-cap sectors out of favor, we stay the course even if it impacts performance in the short term. As the following chart shows, as we entered 2016, small and mid-cap stocks had underperformed large-cap stocks in 2014 and 2015. However, the strong year-end rally in small and mid-caps has propelled them past large-caps for the three year period.



Looking Forward

The stock market certainly ended the fourth quarter and 2016 on a high note, with expectations that a number of Donald Trump's policy proposals would be implemented. These include corporate income tax reform and infrastructure spending plans, among others. However, it remains to be seen to what extent these proposals will indeed be implemented, and it is likely that the market will trade on news out of Washington here in the first quarter of 2017. In addition, should the proposals be implemented as planned, any benefits will take time to work their way through the economy, and also risk being negated by certain new tariffs and/or trade policies.

While we are constructive that the economy is poised to do better, a lot of this news is already factored into the market, and thus we expect more average returns moving forward. We are of the opinion that investment returns in the US equity markets in 2016 were a gift, a while appreciated, are unlikely to be duplicated in the next several years. As always, we encourage investors to stick to a long-term investment discipline, which is required to earn such returns. The chart below illustrates that over the long-term, sticking with the Intelligent Index strategy has indeed added value in excess of owning the S&P 500 Index, something we hope will continue in the future.



We look forward to updating you at the end of the first quarter. As always, please feel free to contact us with any thoughts or questions you may have.

Sincerely,

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Clients of Centerpoint should contact us if there have been any changes to your financial situation or investment objectives, or if you wish to place or modify any restrictions on the management of your accounts.

S&P 500 Index: Measures the performance of the largest 500 U.S. common equity securities. S&P 500 Large Cap Growth Index: An unmanaged index consisting of stocks within the S&P 500 Index that exhibit strong growth characteristics. The S&P 500 Large Cap Value Index: An unmanaged index consisting of stocks within the S&P 500 Index that exhibit strong value characteristics. The S&P 400 Mid Cap Growth Index: An unmanaged index consisting of stocks within the S&P 400 Index that exhibit strong growth characteristics. The S&P 400 Mid Cap Value Index: An unmanaged index consisting of stocks within the S&P 400 Index that exhibit strong value characteristics. The S&P 600 Small Cap Growth Index: An unmanaged index consisting of stocks within the S&P 600 Index that exhibit strong growth characteristics. The S&P 600 Small Cap Value Index: An unmanaged index consisting of stocks within the S&P 600 Index that exhibit strong value characteristics. Russell 3000 EW (equal weight) Index: An unmanaged index consisting of the largest 3,000 US stocks my market capitalization. The index is equally weighted among its constituents.