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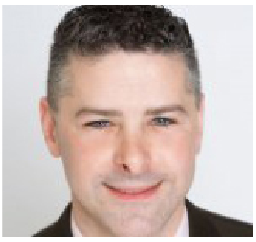


November 2016

Market Update

(all values as of 10.31.2016)

Stock Indices:

Dow Jones	18,142
S&P 500	2,126
Nasdaq	5,189

Bond Sector Yields:

2 Yr Treasury	0.86%
10 Yr Treasury	1.84%
10 Yr Municipal	1.75%
High Yield	6.19%

YTD Market Returns:

Dow Jones	4.12%
S&P 500	4.02%
Nasdaq	3.63%
MSCI-EAFE	-2.95%
MSCI-Europe	-5.94%
MSCI-Pacific	3.03%
MSCI-Emg Mkt	13.97%
US Agg Bond	4.90%
US Corp Bond	8.23%
US Gov't Bond	5.52%

Commodity Prices:

Gold	1,278
Silver	17.90
Oil (WTI)	46.71

Currencies:

Dollar / Euro	1.09
Dollar / Pound	1.33
Yen / Dollar	104.69
Dollar / Canadian	0.74

Macro Overview

Pre-election jitters led to market stagnation as equities struggled through October. With this extraordinary political year coming to a close, the results of the election will carry over to 2017 as markets digest new policies and legislative changes.

It has been eight years since the financial crisis climaxed in the fall of 2008 when tremendous uncertainty and pessimism lurked throughout the markets. Today, the stimulus efforts that were set into motion by the Fed are for the most part still in effect. Many agree that the markets today are far less precarious than they were in 2008, yet the Fed's stimulus efforts have yielded minimal, if any, sustainable economic growth.

A topic of contention during the election was how to tax profits of large U.S. companies with overseas operations. About 50 U.S. companies account for $1.7 trillion of the $2.9 trillion of profits held overseas. So for every product a U.S. multi-national such as Apple, GE, or Microsoft sells in another country, any profits made are taxed when the money is brought back to into the U.S.

A research report released by the National Institute on Retirement Savings identified that working individuals are actually trying to save more as they approach retirement, while spending less at the same time. This is counterintuitive to what the Fed was hoping for as part of its stimulus efforts. (Sources: Fed, National Institute on Retirement Savings)

Election Day Trivia – Historical Note

During the mid 1800's, the United States was mostly an agricultural society whose citizens were farmers and field workers. Since the country was very much a religious nation, voting day was established in the middle of the week, allowing citizens time to travel to and from polling places without interfering with Sunday religious services. Ample time was needed to travel because horse and buggy was the only form of travel.

Since farmers had such an influence over society and lawmakers, November was designated as the most convenient month for farmers and rural workers to travel to the polls. The fall harvest was over and throughout most of the nation the weather was still mild enough to allow travel over dirt and makeshift roads.

The right to vote wasn't extended to all citizens for decades. In 1870, the 15th Amendment removed the restriction of race and color from voting. Women gained the right to cast ballots in 1920 with the ratification of the 19th Amendment. For decades, the minimum age to vote was 21, until the 26th Amendment took effect in 1971 granting voting rights to 18 year olds. (Source: U.S. National Archives)

THE ENERGY SECTOR MAKES UP 7.3% OF THE S&P 500 INDEX

Equity Update – Domestic Equities Update

A strong dollar eroded some corporate earnings as U.S. companies with offshore revenue found it tougher to generate profitable sales. The U.S. dollar has been moving higher against most developed and emerging currencies in anticipation of a rate rise before year-end.

The energy sector, which currently represents 7.3% of the S&P 500 Index, has been a significant distracter of earnings for equities. With continued low oil prices, earnings for energy companies have also fallen, making earnings for the S&P 500 look dismal. Optimistically, when stripping out energy sector earnings, the rest of the S&P 500 sectors are roughly unchanged.

U.S. banks reported stronger than anticipated quarterly earnings as trading helped banks keep profitable. Recent contentions surrounding banking practices might lead to reformed legislation for banks, disallowing them of some activities that have added to their profitability.

More equity analysts are not just looking at company earnings to determine stock valuations, but are also eyeing interest rate levels and how much cash is being returned to shareholders.

Recent divergent stock sector performance is being caused by the anticipation of rising rates, earnings, and mergers. Assets moving from one sector to another (known as sector rotation) is also being induced by the coming rate rise and earnings expectations. (Sources: S&P, Bloomberg)

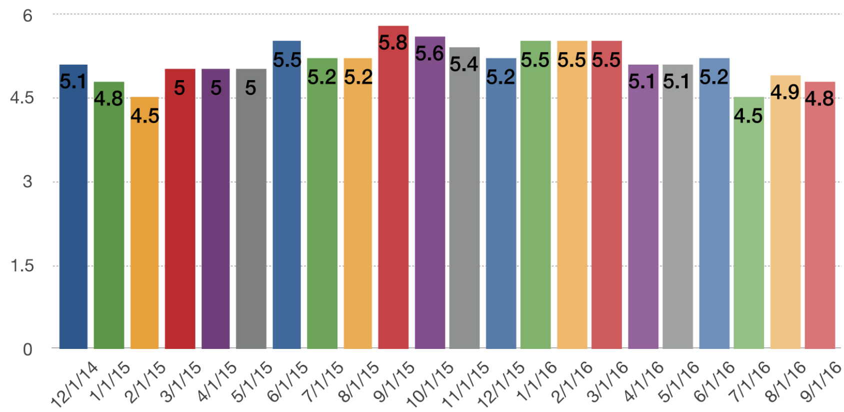
Shortage of Homes Still An Issue – Housing Market Update

Building of new single-family houses rose 8.1 percent in September, according to the most recent data made available by the Commerce Department. Yet the annual rate of 783,000 housing starts remains well below the historical average of more than one million new homes per year.

While demand is high and enthusiasm for home ownership is apparent, the Fed's Beige Book Report, which surveys all of the 12 Fed Districts, found that residential construction and real estate activity has expanded further, yet low home inventories continued to constrain sales.

Construction of new homes has been despondent, as a lack of qualified workers has hindered the home building industry since the displacement of jobs during the real estate downturn following 2007. The challenge of hiring stems from skilled workers that left the industry during the downturn and have found other occupations since then.

Month's Supply Of Housing Available (Dec 2014-Sept 2016)
(Source: Federal Reserve Bank Of St. Louis)



An improving jobs market along with growing families has helped escalate the demand for homes across the nation. (Sources: Federal Reserve Beige Book Report (Oct 2016 Release), Commerce Dept.)

THE BRITISH POUND IS OFF 22% FROM ITS HIGHS BEFORE THE BREXIT VOTE

Fixed Income Update – Global Bond Markets

Money market fund reforms took effect on October 14^{th}, which indirectly led to an increase in short term rates. A key lending rate known as the Libor (London Interbank Offered Rate) rose to 0.87%, a rise from 0.32% a year ago. It is expected that some variable mortgages indexed to the Libor might start to see increases.

Brazil's central bank cut its key lending rate in October for the first time in 4 years. The monetary policy committee cut its benchmark rate by 25 bps to 14% from 14.25%, to hopefully combat recent political and economic turmoil.

Yields on U.S. corporate and government bonds rose in October, as a rate rise sentiment impeded any rise in bond prices. The 10-year U.S. Treasury yield rose from 1.60% at the end of September to 1.84% on October 31^{st}. Short term government rates have also risen recently, with the 2-year Treasury note edging up to 0.86% as of October 31^{st}. The slight upward shift in both short-term and long-term rates is indicative of a shift up in the yield curve, meaning that an overall change in rates is occurring. (Sources: U.S. Treasury, Fed, Bloomberg)

British Pound At Lowest Levels Since 1985 – Currency Overview

The pound traded at its lowest levels versus the dollar since 1985, off 22% from its June high before the Brexit vote. The pound's strength has become incredibly contingent on the outcome of Brexit, placing tremendous pressure on the currency at a critical time.

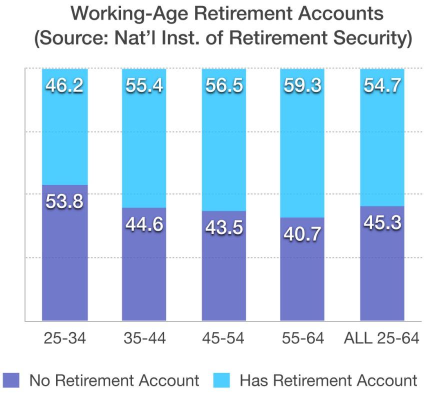
There has been a steady descent in the pound since the vote. Markets are concerned that as Britain plans its exit, which is expected to happen in the next two years, it will dramatically hinder the financial and banking sectors. The reason is that exports of British products to the EU might be severely limited once the exit has taken effect. Britain's current prime minister has expressed priority in limiting the influx of immigrants into England from the EU. This stance could very well become a significant issue with the EU, since not allowing immigrants from the EU the rights out to access Britain would surely threaten Britain's ability to trade and travel freely throughout the EU. The most vulnerable sector to such retaliations are the financial and banking sector, which heavily rely on free movement of employees throughout the various country's in the EU. The financial and banking sector accounts for 12% of Britain's GDP, a considerable portion of the economy.

Since Britain's economic future has become contingent on the outcome of Brexit, the IMF downgraded its growth forecast for the country, predicting that the British economy will only grow a paltry 1.1% in 2017. (Source: IMF, Bloomberg, Reuters)

IT'S ESTIMATED THAT MARIJUANA COULD GENERATE UP TO $28 BILLION IN TAXES

Over 45% of Households Have No Retirement Assets – Retirement Planning

As the Baby Boom generation has begun to retire, more attention is being paid to retirement savings and how much retirees will have to live on. In addition to Social Security, a primary source of retirement funds for decades has been pension plans, also known as Defined Benefit (DB) plans. Over the years private sector companies have shifted away from traditional DB plans to Defined Contribution (DC) plans, including 401k Plans. As employers and employees have shifted their assets from traditional pension plans to 401k plans, the onus of funding and managing these retirement assets has migrated to the individual employee. It used to be that employees were automatically covered by pension plans and funded on their behalf. Today, most 401k plans are voluntary and funded not by employers but by employees themselves.



Many believe that the shift from traditional pensions to 401ks has made it difficult for employees to save. When the average length of employment with a company was much longer years ago, it was feasible to have employers fund their employee's retirement accounts. The benefit is also used as an incentive for employees. Modern day dynamics have made employees much more mobile, making 401k plans more popular and practical as retirement savings vehicles. (Source: National Institute on Retirement Security)

Where Marijuana Adds To Higher State Tax Revenues – Fiscal Policy Review

For years the discussion as to whether or not to legalize marijuana (also known as cannabis, pot or weed) has been a contentious issue. Currently, the use, possession, sale, cultivation, and transportation of cannabis is illegal under federal law in the United States. However, the federal government did articulate that states have the ability to be more liberal with their pot laws, as long as they pass a law to decriminalize cannabis for recreational or medical use only. Unlike several of the individual states, the federal government classifies marijuana as a Schedule I substance, meaning that it has a high potential for being abused by users and has no acceptable medical purposes.

As of October 2016, the four states that have legalized marijuana are Alaska, Colorado, Oregon, and Washington State. The District of Columbia has legalized marijuana for recreational and medical purposes only, but not for recreational uses. Aside from the claimed medical benefits offered by cannabis, tax revenue benefits have come to the forefront as a key factor. Marijuana tax collections for Colorado and Washington which both starting taxing cannabis in 2014, have both exceeded initial estimates. Colorado brought in over $129 million of tax on cannabis during its first fiscal year. Washington state brought in over $67 million in its first year of taxing pot. This data is just for two states, yet the expectation is that other states will eventually follow suit. The Tax Foundation, a non partisan independent tax policy research organization, projects that an established marijuana industry could eventually generate up to $28 billion in federal, state, and local tax revenue nationally. (Sources: Tax Foundation)