

JANUARY 2017 - ADVISORY COMMENTARY

U.S. STOCK MARKETS CONTINUED TO PUSH HIGHER IN DECEMBER AS THEY EXTENDED THEIR ENORMOUS POST-ELECTION RUN. THIS HUGE RUN-UP OVER THE LAST SEVEN WEEKS ALLOWED 2016 TO BE TRANSFORMED FROM A VOLATILE, MODERATE-RETURN YEAR, INTO ONE THAT PRODUCED SOLID BULL-MARKET TYPE GAINS.

TRADITIONAL "VALUE" STOCKS PRODUCED THE LION'S SHARE OF THESE GAINS WITH BANKS AND ENERGY STOCKS LEADING THE WAY. SMALL CAP STOCKS ALSO SAW SOME DRAMATIC UPSIDE TO FINISH THE YEAR WITH AN ENORMOUS 21.3% GAIN FOR ALL OF 2016.

WE ARE NOW IN A VERY UNIQUE TRIPLE SITUATION OF VERY EXPENSIVE HISTORICAL VALUATIONS FOR STOCKS, INTEREST RATES MOVING HIGHER AND FINALLY THE OVERALL SWITCH FROM A MASSIVE MONETARY STIMULUS TO NEWLY-MINTED FISCAL POLICIES DESIGNED TO BOOST THE ECONOMY.

THE MARKETS HAVE ALREADY PRICED IN A LOT OF PROMISED CHANGES TO OUR TAX, REGULATORY AND HEALTHCARE SYSTEMS. IT REMAINS TO BE SEEN IF WE CAN CONTINUE TO MOVE HIGHER FROM HERE AS THESE POLICIES WORK THEIR WAY THROUGH THE POLITICAL GAUNTLET, OR IF WE WILL TAKE A BIG BREATH IN ORDER TO BALANCE OUT THE GAINS WE'VE SEEN WITH THE REALITY ON THE GROUND.

POLITICS WILL LIKELY BECOME A MUCH LARGER FACTOR IN INVESTMENT RETURNS IN 2017 AS WE SEE THE MARKETS MOVE IN LINE WITH EXPECTATIONS OF THE ECONOMIC AND REGULATORY REFORMS THAT COULD COME ABOUT IN THE NEW TRUMP ADMINISTRATION.

SINCERELY,



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DECEMBER 2016 - MARKET UPDATE

EQUITY MARKETS

- S&P 500 INDEX TR +1.98%
- DOW JONES INDUSTRIAL AVERAGE TR +3.34%
- NASDAQ COMPOSITE INDEX +1.12%
- RUSSELL 3000 INDEX TR +1.95%
- CBOE SPX MARKET VOLATILITY INDEX +5.33%

FIXED INCOME MARKETS

- BARCLAYS U.S. AGGREGATE BOND INDEX +0.14%
- BARCLAYS U.S. TREASURY BOND INDEX -0.11%

ALTERNATIVE INVESTMENTS, COMMODITIES & CURRENCIES

- S&P GSCI TOTAL RETURN INDEX +4.72%
- GSCI WEST TEXAS INTERMEDIATE EXCESS RETURN +6.57%
- U.S. DOLLAR INDEX +0.80%
- GOLD SPOT -2.73%
- DOW JONES COMPOSITE REIT INDEX TR +4.22%
- CBOE BUYWRITE MONTHLY INDEX +0.11%

ANCHORED GROWTH BENCHMARK +1.40%

(70% RUSSELL 3000, 25% BARCLAYS U.S. AGGREGATE BOND INDEX, 5% CASH)

FOUNDATION TOTAL RETURN BENCHMARK +1.04%

(50% RUSSELL 3000, 40% BARCLAYS U.S. AGGREGATE BOND INDEX, 10% CASH)

INFLATION-PLUS INCOME BENCHMARK +0.08%

(40% BARCLAYS U.S. AGGREGATE BOND INDEX, 40% BARCLAYS U.S. TREASURY SHORT INDEX, 20% CASH)

*SOURCE: KWANTL.COM (1/11/17). INDEXES ARE UNMANAGED AND CANNOT BE INVESTED INTO DIRECTLY. UNMANAGED INDEX RETURNS DO NOT REFLECT FEES, EXPENSES, OR SALES CHARGES. INDEX PERFORMANCE IS NOT INDICATIVE OF THE PERFORMANCE OF ANY INVESTMENT. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.



The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system.

The NASDAQ Global Market Composite consists of 1,450 stocks that meet NASDAQ's strict financial and liquidity requirements, and corporate governance standards. The Global Market Composite is less exclusive than the Global Select Market Composite.

The Russell 3000 Index is a market capitalization weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire U.S. stock market. More specifically, this index encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S.

The CBOE SPX Market Volatility Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk and is often referred to as the "investor fear gauge."

The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

The Barclays US 7-10 Year Treasury Bond Index measures the performance of U.S. Treasury securities that have a remaining maturity of at least seven years and less than 10 years.

The S&P GSCI is recognized as a leading measure of general price movements and inflation in the world economy. The index – representing market beta – is world-production weighted. It is designed to be investable by including the most liquid commodity futures, and provides diversification with low correlations to other asset classes.

The GSCI West Texas Intermediate Excess Return Index reflects the returns that are potentially available through an unleveraged investment in the West Texas Intermediate (WTI) crude oil futures contract plus the Treasury Bill rate of interest that could be earned on funds committed to the trading of the underlying contracts.

The U.S. Dollar Index is a measure of the value of the U.S. dollar relative to majority of its most significant trading partners. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies.

Gold Spot refers to the price paid for current delivery of 1 ounce of physical gold.

The Dow Jones Composite REIT Index contains all publicly traded U.S. REITs in the S&P Dow Jones Indices U.S. stock universe that are classified into one of three subcategories—equity, mortgage or hybrid—as defined by the REIT/RESI Industry Classification Hierarchy.

The CBOE S&P 500 BuyWrite Index (BXM) is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index.



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