



Portfolio Shift Commentary: December 5, 2016

This has been a year of surprises. The vote to exit the European Union by the United Kingdom and uncertainty surrounding those changes has continued to lead to uncertainty in the UK market. Europe is bracing for another potential populist backlash with the upcoming Italian constitutional referendum coming up on December 4th. France's conservative candidate is up for election next year. Overall there is plenty of uncertainty in the European markets. Lower exposure in Europe remains the best path in our opinion for now. We are underweight European Equities.

The implications of the surprising election results in the U.S. has accelerated the trends prior to the outcome. Bond prices are reflecting expectations of reflation as the yield curve continues to steepen. The stock market has shifted from risk-off to risk-on. The election of Donald Trump, the populist or the pragmatist, will determine much in the market going forward. We proceed with caution but feel that the growth of the economy and lower regulations will fuel future growth and inflation. We are overweight US equities compared to markets overseas.

The likelihood is almost certain that the Federal Reserve will raise interest rates by 25 basis points in December. The Fed continues to use a cautionary approach as the economy is heating up. The expectation of fiscal spending on infrastructure, although this may not happen for a year or two, will continue to put downward pressure on bonds and increase interest rates in our opinion. The dollar is extending the pre-election rally as commodity prices continued to rise. We have taken measures to protect further downside in bonds.

We will continue to monitor policies and changes in the marketplace that impact on our portfolios and make adjustments as necessary. Thank you for your continued support and we look forward to discussing your portfolio and your thoughts.

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