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— WEALTH —
ADVISORY

An Independent Registered Investment Advisor.

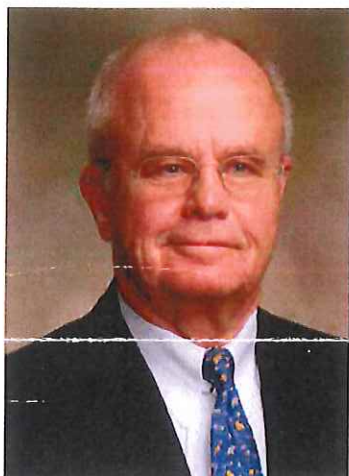
Spring 2017

Investor's Quarterly

Eye on the Market

"Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves."

– Peter Lynch



Stocks rally for the first quarter

The domestic equity markets just closed a stellar first quarter, marking six consecutive quarters of gains. A quiet January was overshadowed by new highs reached in February as well as March's steady growth for all three major U.S. stock indices. While the indices dipped slightly as March came to a close, they ultimately proved positive for the quarter but not necessarily the month. The S&P 500 was up 5.5% for the quarter and basically flat for the month, while the Dow Jones Industrial Average gained 4.6% over the past three months and dipped 0.71% for March. The NASDAQ had the biggest quarterly gain, up 9.8% and 1.5% for the month, while Russell 2000 climbed 2.12% for the quarter and

was flat for the month.

Investor focus seems to be on political events both at home and in Europe, where "Brexit" proceedings have begun in earnest. The stock market has unwound part of the so-called Trump trade. The failure of the House of Representatives to repeal the Affordable Care Act has cast doubt on the ability to move other agenda items, such as broad tax reform. However, tax cuts are still possible – and the economy remains in good shape. The Federal Reserve, focused on the tightening job market, raised short-term interest rates further in mid-March – and is expected to gradually tighten again in the months ahead. Below are additional thoughts on various factors that are influencing the domestic and global markets. Please let me know if you have any questions about how these factors may impact your overall financial plan or ability to reach your long-term goals.

Here's a look at what else is going on in the economy and capital markets, as well as key factors we are keeping an eye on.

Eye on the Market continues on next page.

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Eye on the Market *(continued)*

	12/30/16 Close	3/31/17 Close	Change	Gain/Loss
DJIA	19,762.60	20,663.22	+900.62	+4.58%
NASDAQ	5,383.12	5,911.74	+528.62	+9.82%
S&P 500	2,238.83	2,362.72	+123.89	+5.53%
MSCI EAFE	1,644.00	1,792.98	+108.98	+6.47%
Russell 2000	1,357.13	1,385.92	+28.79	+2.12%
Bloomberg Barclay's Aggregate Bond Index	1,976.37	1,990.03	+13.66	+0.69%

Performance reflects price returns as of 4:30 p.m. EDT, on March 31, 2017.

Barclay's Aggregate reflects the previous day's close.

Economy

- The Federal Open Market Committee raised its target range for the federal funds rate by 25 basis points on March 15, citing realized and expected improvement in the job market. The move was broadly factored into the markets. Fed officials expect to raise rates a bit more aggressively in 2017 and should begin reducing the size of its portfolio later this year.
- Recent economic data suggests a sharp slowing in the pace of consumer spending growth in the first quarter, according to Raymond James Chief Economist Scott Brown. However, such a slowdown appears to be due to transitory restraints and is not too worrisome given the fourth quarter's strength and the soundness of the household sector fundamentals.
- First quarter data suggests real gross domestic product growth of around 1% to 2%, Brown notes.

Equities

- For the first quarter, the estimated earnings growth rate for the S&P 500 is 9.1%, which marks the highest year-over-year earnings growth for the index since fourth quarter 2011 (11.6%).
- Oil prices have recently broken above \$50, after Saudi Arabia publicly complained about the lack of cooperation from the rest of OPEC with regard to cutting production. The market has become more skeptical about an extension of the OPEC/Russia agreement, which is the main reason for the drop in prices in late March, notes Pavel Molchanov, Senior Vice President and Energy Analyst at Raymond James. However, our energy analysts continue to envision prices recovering to cyclical highs by the end of 2017.
- As for the healthcare reform debate, Scott Stolz, Senior Vice President for Raymond James Private Client Group, Investment Products, notes that as healthcare costs continue to climb, lawmakers are finding it difficult to balance the desire for those covered under the Affordable Care Act to continue their existing coverage with the unwillingness of others to continue to subsidize premium costs either as a result of paying higher than necessary premiums and/or higher taxes or penalties. He predicts similar debates with tax reform because every adjustment will lead to "winners" and "losers."
- If it becomes obvious that tax reform is not going to happen or will be much less robust than expected, it is possible that much of the "Trump rally" could be undone as expectations shift, Stolz notes. In the long run, this likely would be a healthy adjustment for the market.

Eye on the Market continues on next page.

Eye on the Market *(continued)*

International

- China's economic transition is expected to remain bumpy. However, the outlook for the rest of the world is brighter.
- The White House has softened its anti-trade rhetoric, reducing the risk that a misstep on trade policy will disrupt supply chains.
- Asian equity markets have enjoyed a good first quarter, and opportunities still look apparent with the Chinese National People's Congress reiterating both continuing solid economic growth levels and ongoing internal reform, which helps to make the local economy more dynamic. Regional tensions have been focused on the Korean peninsula, with missile noises and rhetoric from the North and the removal of the president in the South after a corruption inquiry.
- The two-year window for Brexit negotiations was opened, and Chris Bailey, European Strategist, Raymond James Euro Equities*, expects the detangling to intensify a year from now. The British pound struggled again for much of March but has not reached new lows, reflecting the already negative perceptions toward both the UK currency and domestic economy.
- Evidence of economic improvement in Europe and fewer political risks now that several countries have held important elections have buoyed European markets with several trading at multi-year highs.

Fixed income

- Despite two Fed hikes since December, the 10-year Treasury yield is only ~100 basis points from its all-time low (1.32%) set in July. Since the mid-March rate hike, yields are down across the curve, according to Ben Streed, CFA, Raymond James Strategist, Fixed Income.
- Municipal investors seem anxious about the proposed tax code changes. Since 1986 there have been three increases and five decreases. Despite all the changes, issuance has steadily increased and the ratio of municipal to Treasury bonds (an often used indicator of relative value) hasn't been influenced, according to Raymond James Senior Fixed Income Strategist Doug Drabik. The bottom line: historical relationships suggest that changing the top federal tax rate, by itself, does not govern the (value) ratio of municipal bonds to Treasuries nor is it impactful enough to eradicate demand or issuance of municipal bonds.
- The yield curve is flattening as long-term rates remain mostly static but short-term rates are higher. Should this turn into a flat or inverted curve, history suggests we should take heed, since a similar inversion preceded the recessions experienced in 1981, 1991, 2000 and 2008.
- Demand for fixed income remains solid as evidenced by the strong pace of fund flows into bonds.

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Eye on the Market (continued)

Bottom line

- U.S. equities have enjoyed a post-election rally, but we suggest maintaining a long-term view when it comes to diversification and achieving your financial goals. This should allow you to participate in upside potential, while serving as ballast for any short-term volatility that may arise.
- We, of course, will continue to monitor political developments and economic shifts here and abroad, carefully assessing how they may affect your financial plan.

Should anything change, I'll be sure to keep you updated on anything that could affect your long-term financial plan. Thank you for your trust in me.

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Random Thoughts

There was no shortage of anxiety in the investment world that a Trump victory in last year's election would send the market spinning downward, at least in the immediate aftermath of a Trump win.

In reality, just the opposite happened with stocks surging in the wake of his surprise victory. Obviously, the pre-election day conventional wisdom didn't pan out.

Instead, investors warmed to the idea that a Republican president and a Republican congress would quickly enact a pro-business agenda that would potentially fuel economic growth and corporate profit again.

It was an ambitious agenda that included steep tax cuts both individually and corporate, regulatory reform and new outlays for infrastructure and national defense. And then there is the Affordable Care Act, A.K.A. Obamacare, something the Republicans haven't been shy about in trying to replace.

Well, proposing policy changes while on the sidelines is one thing. Enacting these changes is another.

Let me emphasize that I am not taking a stance on Obamacare, nor am I arguing that the House Republican plan to repeal and replace was the right thing to do.

Instead I want to view what happened in Washington and what effect, if any, it has on the investment world. If Republicans can't enact their agenda, won't that kill the so-called Trump rally? Won't the market take a beating? Heaven knows, the headlines sure suggest such a scenario.

I believe the stock market reaction to the failed repeal and replace effort sheds some light as to how the market may react to the potential gridlock on Trump's agenda, including tax reform.

The failure of the Republican healthcare plan has highlighted the deep divisions in the Republican party. No longer do investors expect corporate and individual tax reform to sail through congress – a stark contrast to market sentiment of last year.

So, what if tax reform goes the way of repeal and replace? Will stocks go down? Unlike the mixed reaction to healthcare reform, investors have been looking forward to a cut in taxes.

There was little fallout in the market from the failure of Republican healthcare, with most major indexes rising in the week following the decision to shelve the bill.

While a cut in corporate taxes might be considered a bonus for the market, what investors want is respectable economic growth that produces respectable corporate profit growth.

Put another way, if it doesn't materially impact the US economy outlook, investors have historically turned their focus back to fundamentals.

Currently, Thomas Reuters estimate 1st quarter S&P 500 profits will rise a strong 10% (estimate as of March 31), the best year over year advance in over two years. And estimates for the remainder of the year are promising.

Ultimately, I believe investors who maintain a disciplines approach and avoid being whipsawed by shifting bullish/bearish sentiment stand the best chance of reaching their financial goals.

Equity Investors Focused on Tax Reform Possibilities

Mike Gibbs, Managing Director of Equity Portfolio & Technical Strategy, discusses the recent influence of politics on investor sentiment.

The failure to pass healthcare reform is a chink in the armor of the reflation trade. With tax reform and infrastructure spending yet to be addressed, it may be a precursor of additional challenges to the Trump administration's agenda. For now, **the bullish undertones in the market remain**, as equities managed to shake off the healthcare setback as investors quickly shifted their attention to the more important (to the market) attempt to reform taxes. If all goes well, equities are likely to remain undeterred. Yet, with the Republicans far apart regarding the border adjustment tax and reduction of current deductions, another battle could be brewing. A reach across the aisle may be needed to move the legislation through, but at this point it is uncertain if the Democrats are willing to work with the President on anything. We feel something will eventually be done that the markets will deem beneficial, but as the back and forth process plays out, we also feel investor emotions will be tested numerous times.

For the near term, a government shutdown in late April is a possibility if the Freedom Caucus digs in on certain issues such as Planned Parenthood. The shutdown would only be a short term minor hit to GDP growth and should not derail the positive market tone. More importantly, such action by this faction of the Republican Party will refocus investor attention to the challenges tax reform may face. **Volatility is likely to increase in the months ahead** as the process plays out.

In the next few weeks as Q1 earnings are reported, **fundamentals will join politics as key market influences**. An exceptional quarter of 9.1% growth is expected, according to FactSet. While this is down from the 12% expected on 12/31/16, the revisions are less pronounced than in recent years (FactSet). Nevertheless, the lower revisions are an issue if they continue with equities reaching ~20x trailing earnings recently. Forward guidance offered by companies during earnings season will be a key to help determine if the revisions will lessen in the coming periods.

For the intermediate term, **this technical backdrop rates as healthy**. In this context, pullbacks, such as the 3.2% retreat from 2400 on March 1 to an intraday low on March 27 should be purchased. The market seems to be following the script as it found support near the 50 day moving average. The next phase will help determine if the index can resume the upward slope or if a consolidation or deeper pullback period is in the offing. A failure to take out overhead resistance (2390 2400) along with a move to a new reaction low (below 2322) will raise the odds a consolidation period has set in. Given our view that the political process will remain a challenge, we think **a consolidation period is likely just ahead**.

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Personal



Today is April 5, this is Master's week, the start of golf season, at least for me. My favorite tournament of the year. Sukey & I just got back from vacation, Cabo San

Lucas. Relaxing, good to get away for a short period. Elizabeth, Aimy & families are in Siesta Key, FL, this week, good timing, all of Ohio down there for spring break.

Can't wait for the weather to break, love sitting on patio with the fire going and having a glass of wine.

Martin K. "Bo" Brown, CFP®, CIMA®
Financial Consultant



Recipe of the Quarter

Karen's Ham and Cheese Sliders

by Karen Lewis

- 1 pack of Hawaiian Sweet Rolls
 - Ham
 - Swiss Cheese
 - Mayo
 - 3 Tbsp Melted Butter
 - 1½ tsp Yellow Mustard
 - 1 Tbsp Poppy Seeds
 - ½ tsp Worcestershire Sauce
1. Slice the buns and assemble the sliders with ham, swiss and mayo.
 2. Place the sliders in a greased baking dish.
 3. Mix the remaining ingredients (butter, mustard, poppy seeds and Worcestershire sauce) and brush the mixture over top of the sliders.
 4. Cover and bake at 350° for 15 minutes.
 5. Uncover and bake for 2 minutes.



Bo's Wine Cellar

**2009 Ducru-Beaucaillou,
Saint-Julien Grandc Ru**

Bordeaux left bank. Blends of Cabernet Sauvignon and Merlot. Notes of cassis and cedar. Goes well with beef, lamb and game.

Office News

Hard work pays off. Sara is graduating from the University of Dayton with a degree in Accounting. The future looks bright, the possibilities endless!

As a reminder, our regular office hours are from 8:30 AM to 5:00 PM, Monday thru Thursday. Note that the office will be open from 8:30 AM to 12:00 PM on Fridays.

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Portfolio Investment Strategy

Asset Class Target Allocations (Current)

Portfolios*

Asset Class	1		2		3		4	
	Current Weight	Change	Current Weight	Change	Current Weight	Change	Current Weight	Change
Investment Grade Bond	15%	0	12%	0	3%	0	0	0
Multi-Sector Bond	13%	0	7%	0	2%	0	0	0
High Yield	5%	0	10%	0	7%	0	0	0
Global Market Bond	13%	0	8%	0	6%	0	0	0
Large Cap Equity	30%	0	31%	0	43%	0	56%	0
Small/Mid Cap Equity	5%	0	10%	0	10%	0	15%	0
International Equity	15%	0	15%	0	23%	0	26%	0
Alternative Investment	4%	0	4%	0	3%	0	0	0
Cash	3%	0	3%	0	3%	0	3%	0
	100%		100%		100%		100%	

Portfolio*

Name

Neutral Allocation %

1

Conservative Balance

60% Bonds, 40% Equity

2

Balance

40% Bonds, 60% Equity

3

Equity Balance

25% Bonds, 75% Equity

4

Equity

0% Bonds, 100% Equity

*Allocation weightings are as of March 2017 and may change based on fluctuations of the underlying investments. High-yield (below investment grade) bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio. Please note that international investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility. Investing in small-cap stocks generally involves greater risks and, therefore, may not be appropriate for every investor.