

Dear Client,

As the third quarter comes to a close, we find ourselves looking back on the past nine months and making some predictions about the future. One particular prediction we are often asked to make is the outcome of the Presidential election and the corresponding effect on the stock market. Given that this is a family-friendly letter, we won't delve too deep into politics per se, but rather on the overarching implications of the various outcomes.

Markets hate uncertainty. Markets can handle good news, bad news, and anything in between, but like a blackjack pro seated next to a novice at the green felt table, they abhor that which cannot be assumed. This election cycle has turned so many formerly solid assumptions on their head that it becomes nearly impossible to handicap. One thing is for certain: As the great Richard Bernstein recently said, "the importance of an issue is inversely related to how much people are talking about it." In other words, something that is constantly being agonized over in the financial press is 1. Already reflected in stock prices and 2. Not very relevant to your portfolio. For example, health care stocks are the worst performing sector of the S&P 500 this year, for obvious reasons. All you have to do is google "high drug prices" and you will pull up hundreds of stories about price gouging, rapacious CEOs, and lapdog corporate boards. People forget the astronomical sums and incredibly long gestation periods required to launch a blockbuster drug. Would society really be better off if the biotech industry was NOT incentivized to risk billions inventing life changing new drugs? The reason the industry is granted the opportunity to earn high profits on a new breakthrough, is that, without such incentive, there would be no new cure, and millions would suffer.

The most likely outcome of the election is that we continue to have divided government. People on either end of the spectrum can debate whether this is good or bad, but as far as the market is concerned, this is the outcome which yields the most certainty and predictability. See the first sentence in paragraph two above.

So we are not convinced that the pharmaceutical industry is about to be nationalized if Hillary Clinton wins. We also don't think foreign trade with the US will grind to a halt if Donald Trump wins. These industries and issues are just too important to the welfare of society. We are optimists at heart, and we believe that the American economy will continue to lead the world in innovation, growth, and opportunity. That is why we are staying invested in an appropriate mix of equities, bonds, and alternative investments to help our clients reach their long-term goals.

Please note that the year-end is fast approaching and we need to address things like tax-loss planning, gifting, and mandatory IRA distributions. Please make every effort to reach out to us by December 15<sup>th</sup> so we can accommodate you by the end of the tax year.

Regards,



Samuel Gross  
Sr. Vice President



Joseph Brady  
Sr. Vice President



Tonya Rasmussen  
Financial Advisor

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