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INVESTMENT SUMMARY

1st Quarter 2017

Upon the inauguration of our 45th President, Donald J. Trump, coupled with the Republican sweep of Congress, investors were expecting new policy direction for our country and an increase in market volatility that is typically associated with this type of uncertainty and change. Instead, the first quarter was marked by an orderly rise in markets around the world, which included a 6% return for the S&P 500 and even better performance on the part of international and emerging market equities. In its eighth year, this bull market has proven to be both resilient and rewarding for long-term investors.

In conjunction with rising stock prices, the U.S. economy has registered a strong showing in the first months of 2017. This is a welcomed change from prior years, when key drivers of U.S. GDP routinely sputtered in the first quarter, held back by winter related challenges such as heavy snow or collapsing commodity (oil) prices. The strong start to this year is encouraging, with trends in housing, business investment, and consumer spending working in harmony to further improve sentiment and confidence. With potential fiscal stimulus on the way from the Trump White House, expectations are building for an acceleration of business activity into 2018.

With the market being buoyed by optimism, and priced for perfection, it is important to keep in mind that the charged political environment around the world has the capacity to disrupt the global economy. In the U.S., questions remain whether the Trump vision of lower taxes, less regulations, and “Buy American” trade policies will come to fruition, given the level of animosity in Washington, D.C. Overseas, the United Kingdom is moving forward with Brexit, and bracing for an expected downturn in local business activity post the separation. Finally, recent military initiatives in Syria and saber rattling towards North Korea also pose key risks to global markets, given the sensitivity that interest rates, global currencies, and commodity prices have towards geopolitical unrest and the threat of military conflict.

Despite the prospects for a 10% increase in corporate profits for the just completed quarter, we remain cautious in our outlook for the markets. This economic upturn is reaching a decade in length and becoming extended in nature, with inflation beginning to percolate by way of higher wage growth and rising energy prices. The Federal Reserve is watching these developments closely, and is already underway with its program to raise interest rates. If history is any guide, this tightening in monetary policy should, by design, play a role in tempering future economic growth.