MACROVIEW
INVESTMENT MANAGEMENT LLC

Quarterly Market Review

January 2018

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Introduction: 2017 Defied Expectations

Indeed, the dozen seers we've surveyed all have penciled in higher stock prices in 2008, although their estimated gains vary widely, from 3% to 18%. On average, the group sees the Standard & Poor's 500 at 1,640 by the end of next year, or about 10% higher than the recent 1486 with global growth and a benevolent Federal Reserve serving as twin crutches for the aging bull.

-Barron's, "A Bullish Call" December 17, 2007

IF THE REPUBLICANS DON'T make progress with their proposed reforms by mid-2017, say the strategists, the market will correct. For the moment, however, there is hope—and plenty of it. Collectively, the strategists' mean expectation for the Standard & Poor's 500 puts the index at 2380 by the end of next year, up about 5% from last week's 2258. In years past, top forecasters often called for a market gain of up to 10%, but the second-longest bull market ever is getting on in years, and besides, it has rallied furiously in the past five weeks.

-Barron's, "This Bull Market Has Legs" December 17, 2016

Given synchronized global growth and rising corporate profits, 2018 could be another good year for stocks, notwithstanding the bull's advancing age. The S&P 500 could gain about 7%, mirroring similar gains in corporate profits, according to the consensus forecast of 10 investment strategists at major U.S. investment banks and money-management firms surveyed by *Barron's* each December. The group's predictions range from 2675 to 3100, with a mean estimate of about 2840.

-Barron's, "The Bull Market's Next Act" December 9, 2017

The adjoining excerpts come from past Barron's Annual Outlook cover articles. Every December the magazine presents a consensus opinion from 10-12 of Wall Street's most trusted strategists on what the year ahead might hold. As the comments from the 2007 and 2016 features show, Wall Street's best and brightest don't have a crystal ball either.

Coming into 2017 many forecasts called for muted, mid-single digit stock returns citing the advanced age of the current bull market and the uncertainty that accompanied a Trump presidency. In hindsight, those predictions were clearly far too conservative as stocks, both in the U.S. and globally, posted huge gains.

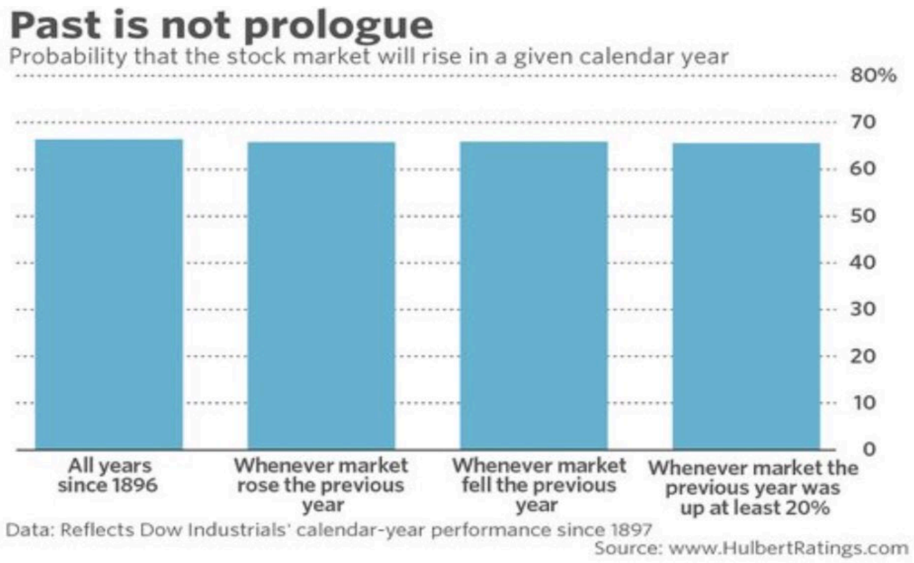
The strategists polled in Barron's December 2017 edition played it "safe" yet again and predicted the S&P 500 will return 7% in 2018 on the back of corporate profit strength.

While we nor they haven't any clue where stocks will finish 2018, history shows that betting on a positive finish has been a favorable wager regardless of what's happened in the recent past…

Can Markets Continue Their Rise?

- While we probably shouldn't expect 2017-like performance in the coming year, history also says we should not expect stocks to fall.

- Regardless of what occurred in the prior year, stocks have been more likely to rise in any given year.

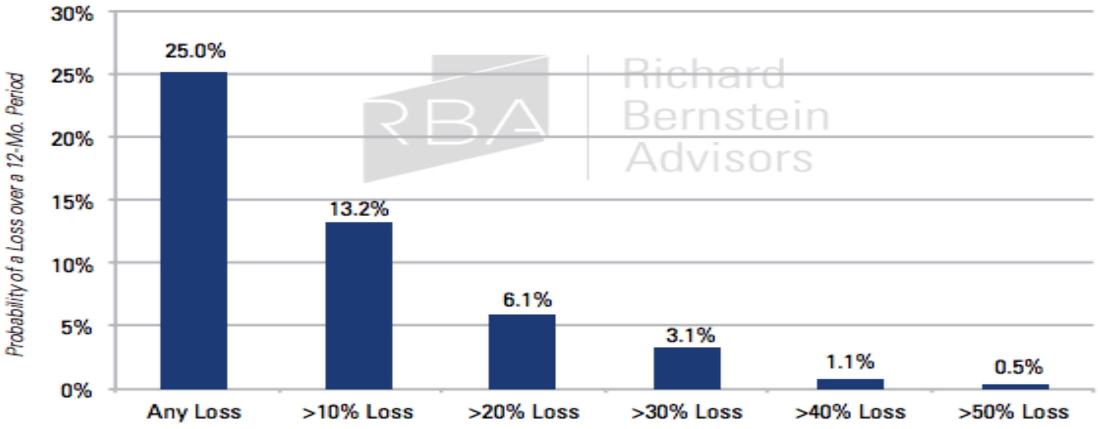


Betting On The Market To Fall? Not So Fast…

- And even if stocks do fall in 2018 (or any 12-month period for that matter), the likelihood of bear market conditions showing up have historically been fairly remote (see chart).

- For context, since October 31, 2008, the S&P has fallen in just 11 out of a possible 100 rolling 12-month windows. This captures most of the financial crisis and the ensuing rebound. Of those 11 one-year periods that finished negative, only one had a loss of greater than 3% (Feb. 28, 2015 to Feb. 29, 2016 which fell -8.2%).

S&P 500®: Historical Probability of a Loss
(Rolling 12-Month Total Returns, Dec. 1926 - Nov. 2017)



Source: Richard Bernstein Advisors LLC., Morningstar(Ibbotson)

Equity Market Update

- Global equity markets surged higher throughout 2017 as signs of economic recovery were abound, corporate earnings strengthened, downside political risks stayed contained and market volatility essentially disappeared.

- In the U.S., the S&P 500 ended the year strong by posting a near 7% gain in the fourth quarter. The market rallied on the reality of the long-awaited tax reform bill with permanent tax cuts for corporations as the centerpiece of the legislation. The index finished 2017 with a 22% gain as investors cheered GDP growth, continued strong employment data and no surprises out of the Federal Reserve.

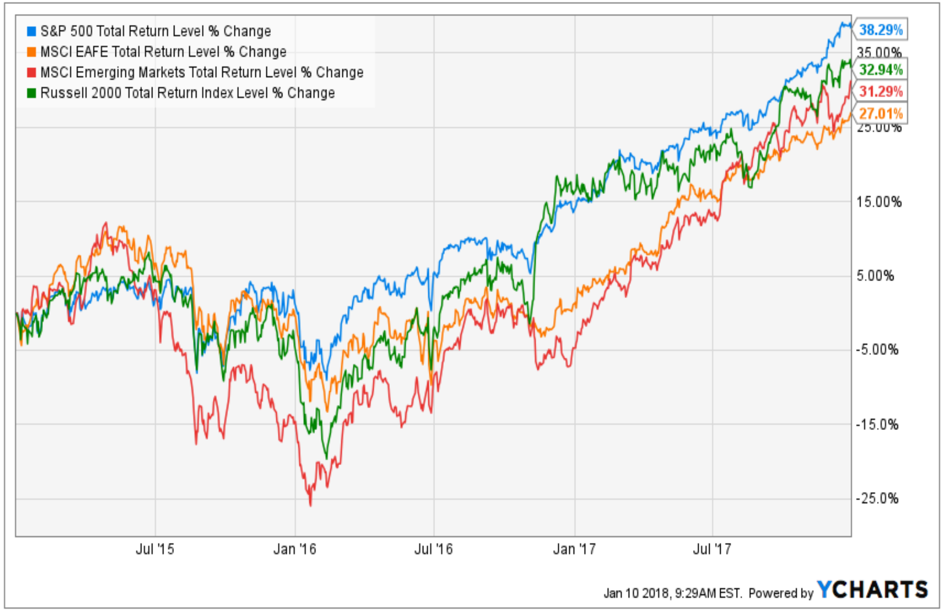
- Developed international equities also turned in a very impressive year even though Q4 was a mixed bag. Eurozone markets ended 2017 with small losses in the fourth quarter while the UK (+5%) and Japan (+8.7%) showed gains. Broadly speaking, the themes currently at play in many developed foreign economies are: synchronized corporate recovery, falling unemployment, accommodative central bank policy and reassuring political developments.

- The story in emerging markets looks very similar to what's occurring in developed regions. EM equities roared higher last year as a weakening U.S. dollar, a rebound in company earnings, positive political developments, tech stock strength and a boost in some industrial commodities contributed to a 7.5% gain for the MSCI Emerging Markets Index in Q4. The index finished 2017 with an awesome 38% gain.

Equity Market Update

Equity Market Update

Major Index 3-Year Total Return Performance



Major Index 5-Year Total Return Performance

**As of 12/31/2017; Cumulative*

U.S. Equity Market Performance

As of 12/31/2017

	Trailing Returns (%)						5-Year Risk Stats		Benchmark
	Last Qtr	YTD	1-Year	3-Year	5-Year	10-Year	Std. Dev.	Max. Loss	
Bellwethers									
S&P 500	6.6	21.8	21.8	11.4	15.8	8.5	9.5	(8.4)	*S&P 500*
DJIA	11.0	28.1	28.1	14.4	16.4	9.3	10.2	(9.0)	*Dow Jones Industrial Avg.*
Market Cap									
Mega	7.3	22.8	22.8	12.3	15.3	8.0	9.7	(8.4)	*Russell Top 50*
Large	6.8	23.0	23.0	11.9	16.0	8.4	9.6	(8.6)	*Russell Top 200*
Mid	6.1	18.5	18.5	9.6	15.0	9.1	10.4	(12.8)	*Russell Midcap*
Small	3.3	14.6	14.6	10.0	14.1	8.7	13.9	(16.8)	*Russell 2000*
Micro	1.8	13.2	13.2	8.9	14.3	7.7	15.1	(21.0)	*Russell Micro Cap*
Style									
Value	5.1	13.2	13.2	8.7	13.9	7.2	10.1	(10.4)	*Russell 3000 Value*
Core	6.3	21.1	21.1	11.1	15.6	8.6	9.8	(8.8)	*Russell 3000*
Growth	7.6	29.6	29.6	13.5	17.2	9.9	10.1	(8.8)	*Russell 3000 Growth*
S&P 500 Sectors									
Consumer Discretionary	9.9	23.0	23.0	12.8	17.6	13.5	11.6	(8.0)	*S&P 500/Cons. Disc.*
Consumer Staples	6.5	13.5	13.4	8.4	13.3	10.1	10.4	(7.5)	*S&P 500/Cons. Staples*
Energy	6.0	(1.0)	(1.0)	(0.2)	2.8	1.2	16.6	(27.6)	*S&P 500/Energy*
Financials	8.6	22.2	22.2	13.9	18.2	3.8	13.5	(15.2)	*S&P 500/Financials*
Health Care	1.5	22.1	22.1	8.3	17.6	11.0	11.8	(11.8)	*S&P 500/Health Care*
Industrials	6.0	21.0	21.0	11.9	16.7	8.6	11.3	(11.3)	*S&P 500/Industrials*
Information Technology	9.0	38.9	38.9	18.7	20.9	11.9	12.5	(8.2)	*S&P 500/Info. Tech.*
Materials	6.9	23.8	23.8	9.8	12.2	6.2	14.3	(22.7)	*S&P 500/Materials*
Telecomm	3.6	(1.3)	(1.3)	8.0	7.7	5.1	14.6	(13.8)	*S&P 500/Telecomm*
Utilities	0.2	12.1	12.1	7.5	12.6	6.3	13.8	(12.7)	*S&P 500/Utilities*

Source: Morningstar Direct. Performance greater than one year is annualized. Performance is represented by the benchmark listed in the "representative benchmark" column. See important disclosures and definitions included with this publication.

"The Streak"

- The S&P 500 went undefeated on a total return basis in 2017 as all 12 months finished with gains. This had not happened since 1958.

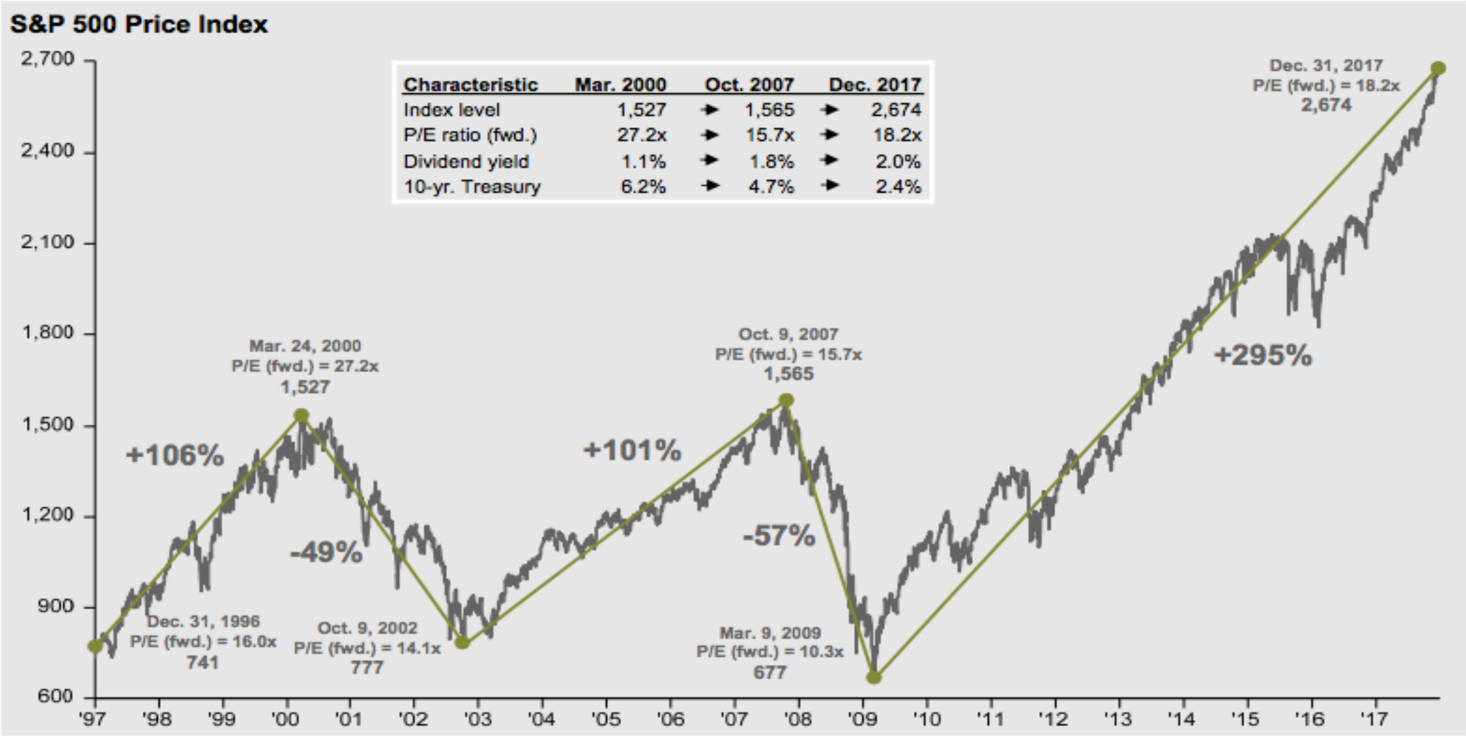
S&P 500 Monthly Total Returns

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	1.9%	4.0%	0.1%	1.0%	1.4%	0.6%	2.1%	0.3%	2.1%	2.3%	3.1%	1.1%
2016	-5.0%	-0.1%	6.8%	0.4%	1.8%	0.3%	3.7%	0.1%	0.0%	-1.8%	3.7%	2.0%
2015	-3.0%	5.7%	-1.6%	1.0%	1.3%	-1.9%	2.1%	-6.0%	-2.5%	8.4%	0.3%	-1.6%
2014	-3.5%	4.6%	0.8%	0.7%	2.3%	2.1%	-1.4%	4.0%	-1.4%	2.4%	2.7%	-0.3%
2013	5.2%	1.4%	3.8%	1.9%	2.3%	-1.3%	5.1%	-2.9%	3.1%	4.6%	3.0%	2.5%
2012	4.5%	4.3%	3.3%	-0.6%	-6.0%	4.1%	1.4%	2.3%	2.6%	-1.8%	0.6%	0.9%
2011	2.4%	3.4%	0.0%	3.0%	-1.1%	-1.7%	-2.0%	-5.4%	-7.0%	10.9%	-0.2%	1.0%
2010	-3.6%	3.1%	6.0%	1.6%	-8.0%	-5.2%	7.0%	-4.5%	8.9%	3.8%	0.0%	6.7%
2009	-8.4%	-10.6%	8.8%	9.6%	5.6%	0.2%	7.6%	3.6%	3.7%	-1.9%	6.0%	1.9%
2008	-6.0%	-3.2%	-0.4%	4.9%	1.3%	-8.4%	-0.8%	1.4%	-8.9%	-16.8%	-7.2%	1.1%
2007	1.5%	-2.0%	1.1%	4.4%	3.5%	-1.7%	-3.1%	1.5%	3.7%	1.6%	-4.2%	-0.7%
2006	2.6%	0.3%	1.2%	1.3%	-2.9%	0.1%	0.6%	2.4%	2.6%	3.3%	1.9%	1.4%
2005	-2.4%	2.1%	-1.8%	-1.9%	3.2%	0.1%	3.7%	-0.9%	0.8%	-1.7%	3.8%	0.0%
2004	1.8%	1.4%	-1.5%	-1.6%	1.4%	1.9%	-3.3%	0.4%	1.1%	1.5%	4.0%	3.4%
2003	-2.6%	-1.5%	1.0%	8.2%	5.3%	1.3%	1.8%	2.0%	-1.1%	5.7%	0.9%	5.2%
2002	-1.5%	-1.9%	3.8%	-6.1%	-0.7%	-7.1%	-7.8%	0.7%	-10.9%	8.8%	5.9%	-5.9%
2001	3.5%	-9.1%	-6.3%	7.8%	0.7%	-2.4%	-1.0%	-6.3%	-8.1%	1.9%	7.7%	0.9%
2000	-5.0%	-1.9%	9.8%	-3.0%	-2.1%	2.5%	-1.6%	6.2%	-5.3%	-0.4%	-7.9%	0.5%
1999	4.2%	-3.1%	4.0%	3.9%	-2.4%	5.5%	-3.1%	-0.5%	-2.7%	6.3%	2.0%	5.9%
1998	1.1%	7.2%	5.1%	1.0%	-1.7%	4.1%	-1.1%	-14.5%	6.4%	8.1%	6.1%	5.8%
1997	6.2%	0.8%	-4.1%	6.0%	6.1%	4.5%	8.0%	-5.6%	5.5%	-3.3%	4.6%	1.7%
1996	3.4%	0.9%	1.0%	1.5%	2.6%	0.4%	-4.4%	2.1%	5.6%	2.8%	7.6%	-2.0%
1995	2.6%	3.9%	3.0%	2.9%	4.0%	2.3%	3.3%	0.3%	4.2%	-0.4%	4.4%	1.9%
1994	3.4%	-2.7%	-4.4%	1.3%	1.6%	-2.5%	3.3%	4.1%	-2.4%	2.2%	-3.6%	1.5%
1993	0.8%	1.4%	2.1%	-2.4%	2.7%	0.3%	-0.4%	3.8%	-0.8%	2.1%	-1.0%	1.2%
1992	-1.9%	1.3%	-1.9%	2.9%	0.5%	-1.5%	4.1%	-2.0%	1.2%	0.3%	3.4%	1.2%
1991	4.4%	7.2%	2.4%	0.2%	4.3%	-4.6%	4.7%	2.4%	-1.7%	1.3%	-4.0%	11.4%
1990	-6.7%	1.3%	2.6%	-2.5%	9.7%	-0.7%	-0.3%	-9.0%	-4.9%	-0.4%	6.5%	2.8%

Source: LPL Research, FactSet 12/29/17

US Equity Markets

- The S&P 500 is now up 295% since its March 2009 bear market bottom and 71% from the pre-financial crisis high set in October 2007.



Characteristic	Mar. 2000		Oct. 2007		Dec. 2017
Index level	1,527	→	1,565	→	2,674
P/E ratio (fwd.)	27.2x	→	15.7x	→	18.2x
Dividend yield	1.1%	→	1.8%	→	2.0%
10-yr. Treasury	6.2%	→	4.7%	→	2.4%

JP Morgan

US Equity Performance By Sector

- Technology stocks (growth) were, by head-and-shoulders, the sector winners of 2017 with a near 40% rise. The market was fairly broad based however with Consumer Discretionary, Materials, Financials, Industrials and Health Care also returning more than 20%. Energy and Telecom were the only S&P industries to turn in negative performance for the full year.

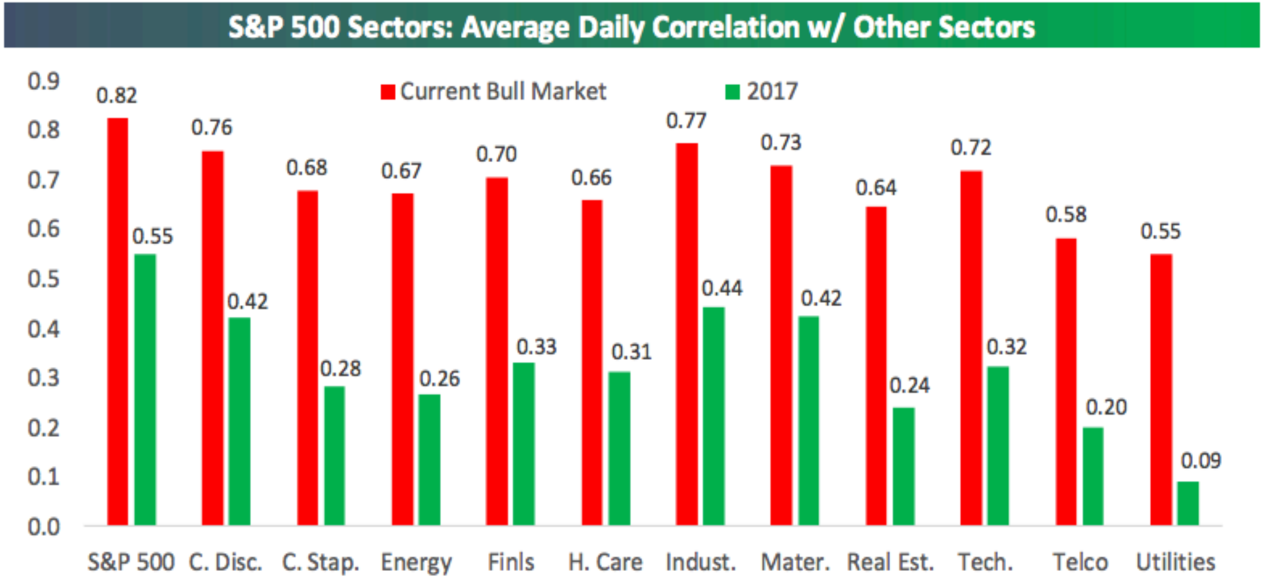
- Tech and Consumer Discretionary stocks were the biggest gainers in Q4 2017 with each rising over 9% for the quarter.

	Financials	Real Estate	Materials	Industrials	Cons. Discr.	Technology	Energy	Health Care	Telecom	Cons. Staples	Utilities	S&P 500 Index
S&P weight	14.8%	2.9%	3.0%	10.3%	12.2%	23.8%	6.1%	13.8%	2.1%	8.2%	2.9%	100.0%
Russell Growth weight	3.4%	2.5%	3.7%	12.8%	18.1%	37.9%	0.9%	12.8%	1.0%	6.8%	0.0%	100.0%
Russell Value weight	26.6%	4.7%	3.0%	8.4%	6.8%	8.5%	11.0%	13.5%	3.0%	8.6%	5.9%	100.0%
QTD	8.6	3.2	6.9	6.1	9.9	9.0	6.0	1.5	3.6	6.5	0.2	6.6
YTD	22.2	10.8	23.8	21.0	23.0	38.8	-1.0	22.1	-1.3	13.5	12.1	21.8

Goldman Sachs

Sector Correlations: A Stock Picker's Market

- We noted throughout the year that 2017 had revealed itself to be a "Stock Picker's" market. In contrast to prior years of the current bull run, 2017 featured a dramatic fall in sector correlations. This is the type of environment you want to see if you seek out active-management strategies. Portfolio managers that run concentrated, stock-specific strategies should have been able to outperform their passive, broad-based benchmarks.



Bespoke

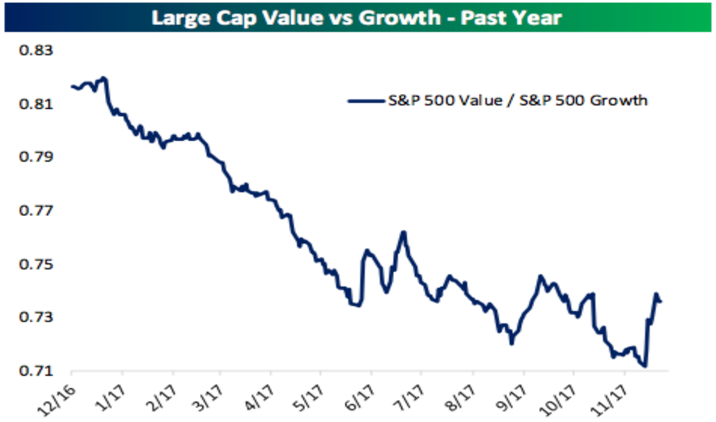
Market Cap and Style Analysis

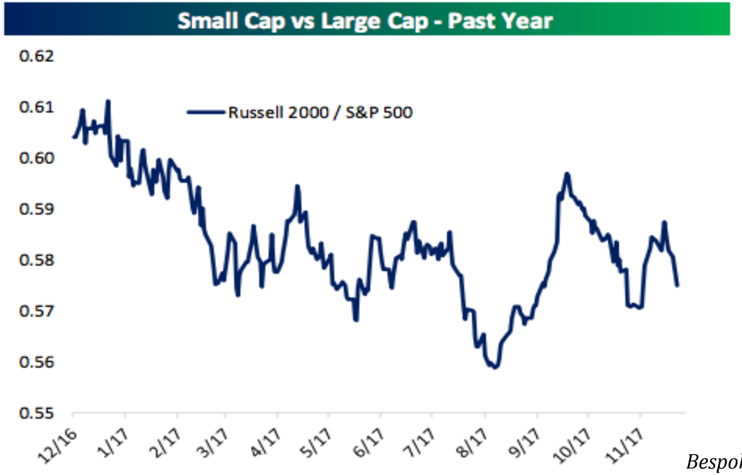
- In late 2016 (post-election), we saw value stocks dramatically outperform growth stocks into year-end. Many saw this as a harbinger for what might occur in 2017....and they were exactly wrong. Growth dominated value across the capitalization spectrum last year until a slight reversal in Q4.

- Large Cap stocks outpaced Small and Mid Caps primarily because of their strength in Q1 2017. The remainder of the year basically resulted in a draw.

2017

	Value	Blend	Growth
Large	13.7%	21.8%	30.2%
Mid	13.3%	18.5%	25.3%
Small	7.8%	14.6%	22.2%





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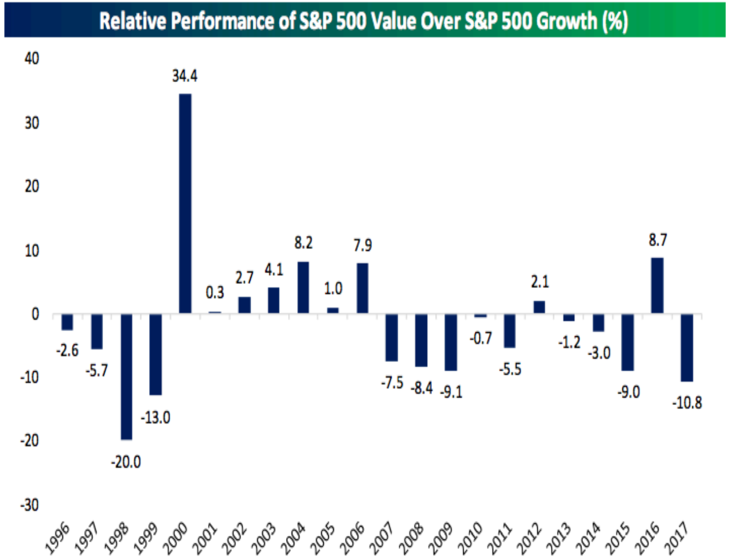
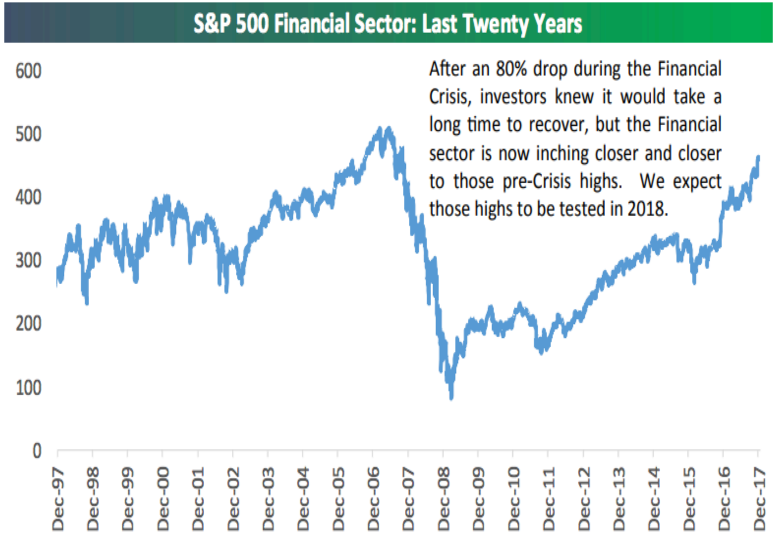
Market Cap & Style Analysis

- Value stocks have struggled pretty consistently versus growth stocks over the last decade. While that relationship may not change in 2018, certain value-tilt sectors (like Financials) may offer attractive opportunity for gains. The S&P 500 Financial sector should look to take out it's pre-financial crisis highs at some point this year.





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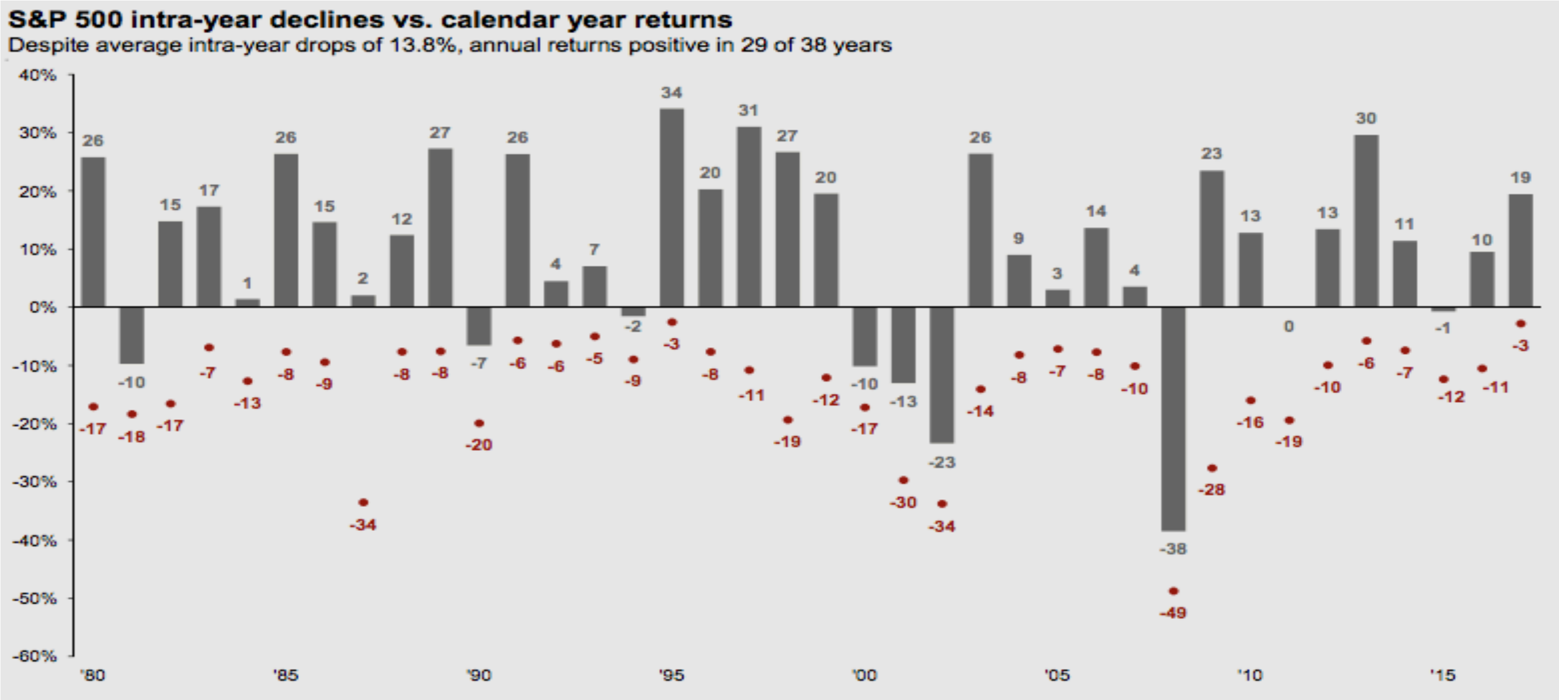
Low Volatility? No Volatility (#1)

- Only once (1995) in the last 37 years has the market offered the serene conditions we saw in 2017. On average, the S&P experiences an intra-year drawdown of roughly 14%. Clearly last year was an outlier.



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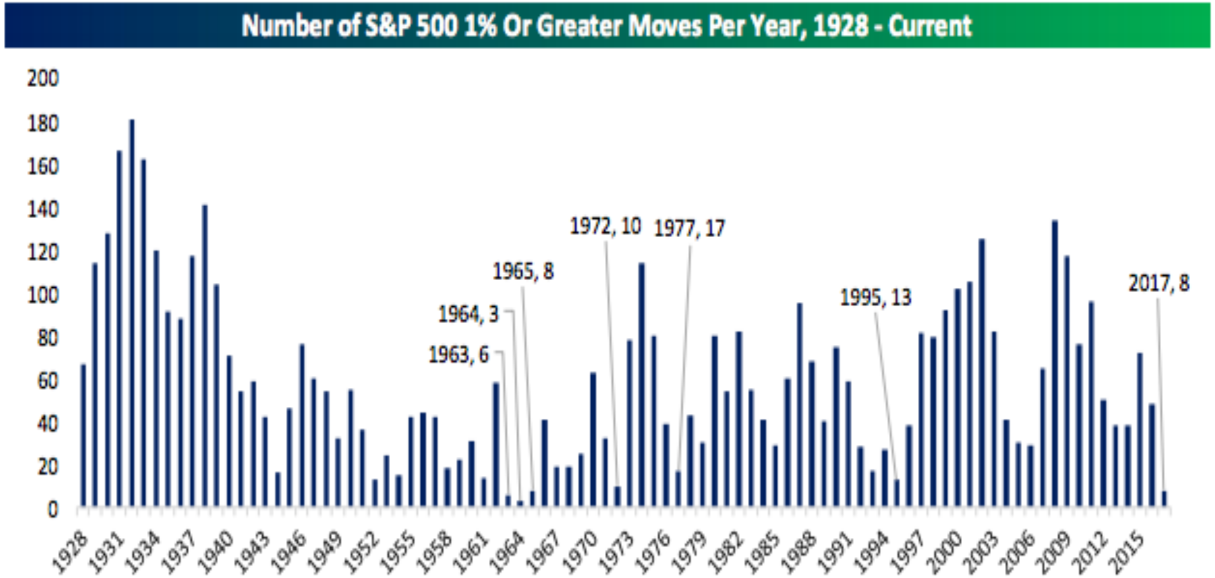
Low Volatility? No Volatility (#2)

- It wasn't just a lack of downside volatility either. 2017 featured just 8 days where the S&P finished higher or lower by more than 1%. The fewest number of 1% days since 1965.



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Low Volatility? No Volatility (#3)

- The charts below all tell a similar story: If you were waiting to buy equities on a pullback, even a tiny one, you never got the opportunity in 2017. The S&P hasn't seen a 3% drop since just before the 2016 election. We're now at the 2nd longest span ever without a 5% fall and the 9th longest stretch without a 10% correction.

Longest 3%+ Rallies w/o 3%+ Correction

Start	End	Start Price	End Price	% Change	Days
11/4/2016	12/18/2017	2085.18	2690.16	29.01%	409
12/8/1994	12/13/1995	445.45	621.69	39.56%	370
4/26/1993	2/2/1994	433.54	482.00	11.18%	282
2/25/1958	11/17/1958	40.61	53.24	31.10%	265
9/21/1953	5/28/1954	22.88	29.19	27.58%	249
6/28/1965	2/9/1966	81.60	94.06	15.27%	226
7/17/2006	2/20/2007	1234.49	1459.68	18.24%	218
11/15/1949	6/12/1950	15.75	19.40	23.17%	209
10/25/1960	4/17/1961	52.30	66.68	27.50%	174
11/22/1963	5/12/1964	69.61	81.16	16.59%	172

Longest 5%+ Rallies w/o 5%+ Correction

Start	End	Start Price	End Price	% Change	Days
12/18/1957	8/3/1959	39.38	60.71	54.16%	593
6/27/2016	12/18/2017	2000.54	2690.16	34.47%	539
11/22/1963	5/13/1965	69.61	90.27	29.68%	538
12/8/1994	5/24/1996	445.45	678.51	52.32%	533
10/9/1992	2/2/1994	402.66	482.00	19.70%	481
9/14/1953	1/3/1955	22.71	36.75	61.82%	476
10/25/1960	12/12/1961	52.30	72.64	38.89%	413
10/23/1962	10/28/1963	53.49	74.48	39.24%	370
6/13/1949	6/12/1950	13.55	19.40	43.17%	364
4/28/1942	4/6/1943	7.47	11.76	57.43%	343

Longest 10%+ Rallies w/o 10%+ Correction

Start	End	Start Price	End Price	% Change	Days
10/11/1990	10/7/1997	295.46	983.12	232.74%	2,553
3/11/2003	10/9/2007	800.73	1565.15	95.47%	1,673
10/3/2011	5/21/2015	1099.23	2130.82	93.85%	1,326
10/23/1962	2/9/1966	53.49	94.06	75.85%	1,205
7/24/1984	8/25/1987	147.82	336.77	127.82%	1,127
7/17/1950	1/5/1953	16.68	26.66	59.83%	903
11/29/1943	2/5/1946	10.99	18.70	70.15%	799
9/14/1953	9/23/1955	22.71	45.63	100.92%	739
2/11/2016	12/18/2017	1829.08	2690.16	47.08%	676
12/4/1987	10/9/1989	223.92	359.80	60.68%	675

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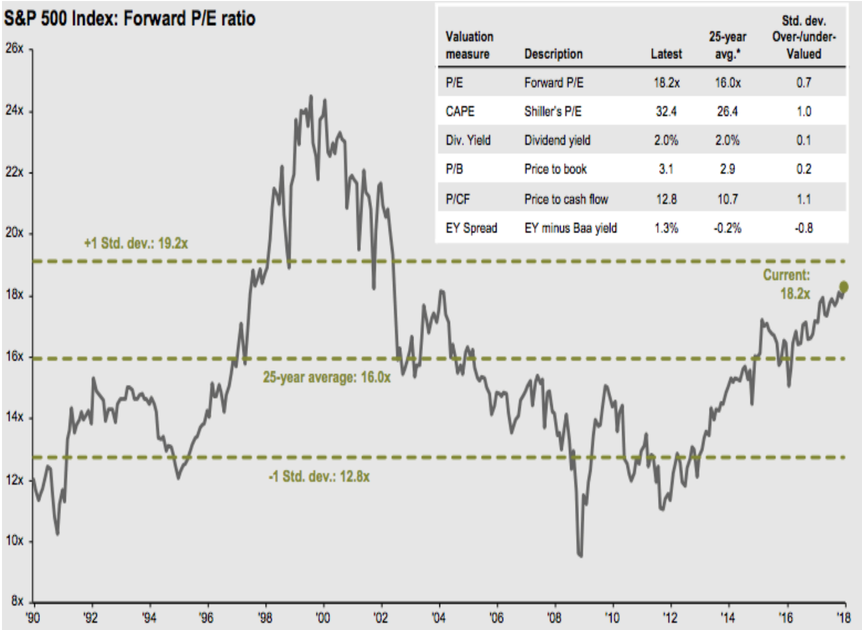
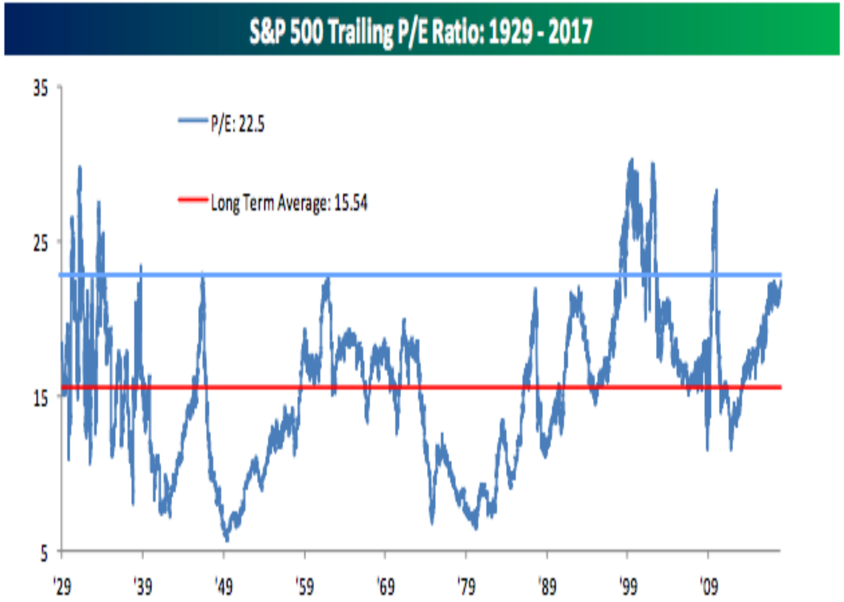
⚠ Pay Attention To Valuations

- While much of the current evidence supports higher stock prices in 2018, it's important to take note of valuations (both forward and trailing) being historically high. Such levels have not typically had much impact on short-term market movements but high valuations can be a contributing factor to lower future returns over extended timeframes.



Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	18.2x	16.0x	0.7
CAPE	Shiller's P/E	32.4	26.4	1.0
Div. Yield	Dividend yield	2.0%	2.0%	0.1
P/B	Price to book	3.1	2.9	0.2
P/CF	Price to cash flow	12.8	10.7	1.1
EY Spread	EY minus Baa yield	1.3%	-0.2%	-0.8

JP Morgan



Bespoke

Correction Update

- While high valuations are unlikely to be the primary cause of a near-term pullback, if one started today (Jan. 9, 2018) the chart below offers some important levels to watch. A 5% fall in the S&P would take the index back to where it was in early December, a 10% drop would take the it back levels last visited in early September and a 20% drop (gasp!) would wipe out 2017's gains and take us back to early December 2016.

Source: Stockcharts.com

International Equities

As of 12/31/2017

Asset Class/Region	Trailing Returns (%)						Annual Returns (%)			Benchmark
	Last Qtr	YTD	1-Year	3-Year	5-Year	10-Year	2016	2015	2014	
Broad Developed Markets										
Developed Markets (USD)	4.2	25.0	25.0	7.8	7.9	1.9	1.0	(0.8)	(4.9)	*MSCI EAFE (Net) USD*
Developed Markets (Local Currency)	3.7	15.2	15.2	8.5	11.4	3.3	5.3	5.3	5.9	*MSCI EAFE (Net) Local*
Currency Effect (USD - Local Returns)	*0.5*	*9.8*	*9.8*	*(0.7)*	*(3.5)*	*(1.4)*	*(4.3)*	*(6.1)*	*(10.8)*	
Broad Emerging Markets										
Emerging Markets	7.4	37.3	37.3	9.1	4.4	1.7	11.2	(14.9)	(2.2)	*MSCI Emerging Markets (Net)*
BRIC	6.6	41.8	41.8	11.2	5.2	(0.2)	12.4	(13.3)	(2.6)	*MSCI BRIC*
Returns by Style										
Value	3.2	21.4	21.4	6.4	7.0	1.15	5.0	(5.7)	(5.4)	*MSCI EAFE Value*
Growth	5.2	28.9	28.9	9.2	8.8	2.3	(3.0)	4.1	(4.4)	*MSCI EAFE Growth*
Large Cap	4.0	24.0	24.0	7.1	7.3	1.6	1.1	(2.1)	(5.5)	*MSCI EAFE Large Cap*
Mid Cap	5.2	29.0	29.0	10.7	10.6	3.6	0.7	4.4	(2.1)	*MSCI EAFE Mid Cap*
Small Cap	6.1	33.0	33.0	14.2	12.9	5.8	2.2	9.6	(4.9)	*MSCI EAFE Small Cap*
Returns by Region										
Europe	2.2	25.5	25.5	6.7	7.4	1.3	(0.4)	(2.8)	(6.2)	*MSCI Europe*
Japan	8.5	24.0	24.0	11.6	11.2	3.2	2.4	9.6	(4.0)	*MSCI Japan*
Pacific (ex Japan)	7.0	25.9	25.9	7.5	5.5	3.6	7.9	(8.5)	(0.5)	*MSCI Pacific ex Japan*

Morningstar

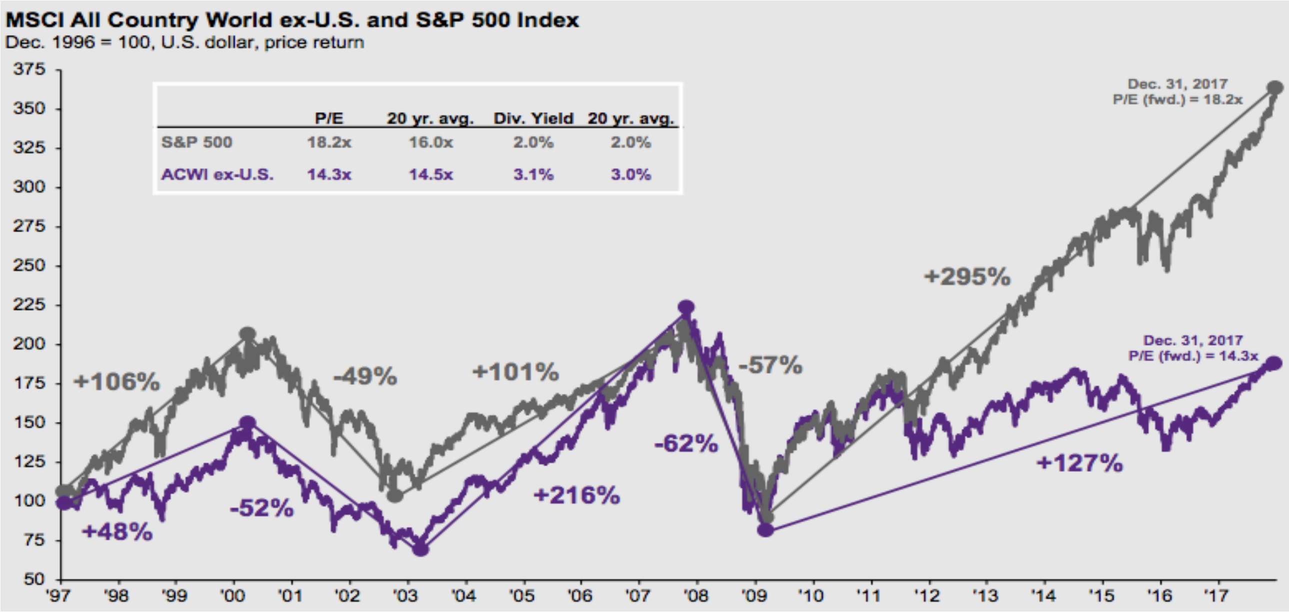
International Equities

- Foreign stocks as a group (MSCI World Ex US Index) look primed to firmly break and stay above levels last seen in 2014. Such a confirmation of strength would offer a green light of sorts for further investment in the space.

Source: Stockcharts.com.

Some Catching Up To Do

- International Stocks have dramatically underperformed the S&P since the March 2009 bottom. As economic recoveries take hold in regions around the world, there will be opportunities for outperformance in foreign equities.



	P/E	20 yr. avg.	Div. Yield	20 yr. avg.
S&P 500	18.2x	16.0x	2.0%	2.0%
ACWI ex-U.S.	14.3x	14.5x	3.1%	3.0%

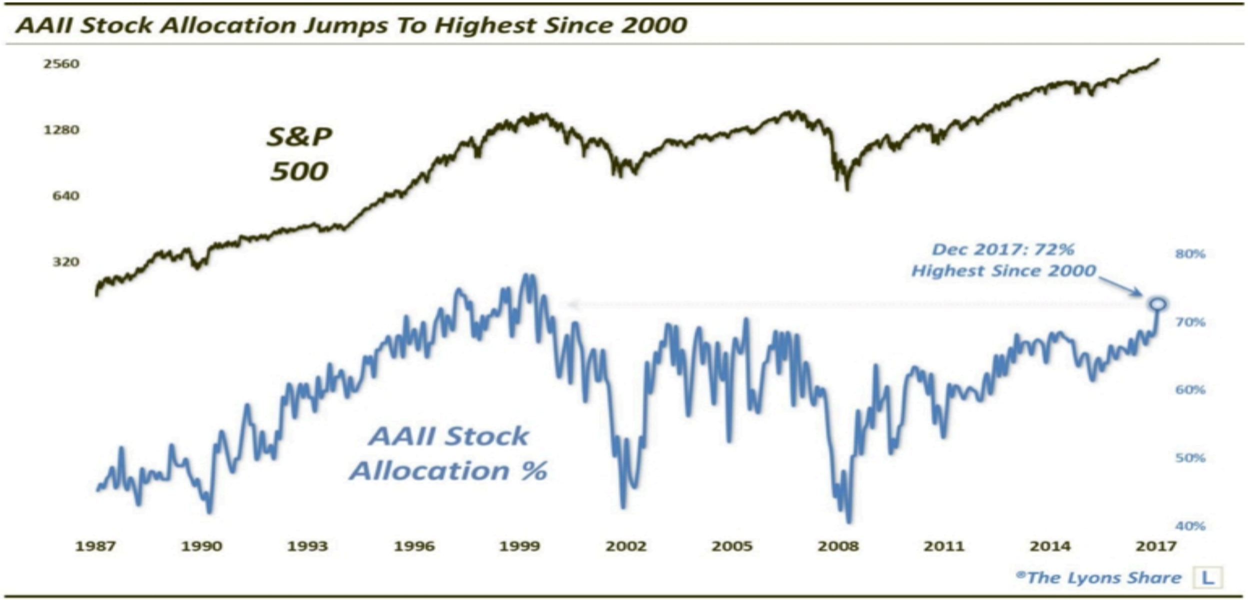
JP Morgan

Emerging Markets Break Out

- The MSCI Emerging Markets Index continued to make headway in terms of relative performance versus U.S. stocks in 2017. After 7 years of underperformance, EM appears to have bottomed out in early 2016 relative to U.S. equities (chart below – EEM:SPY) and broke above the relationship's 30-month moving average for the first time since 2011. Conditions appear favorable for EM stocks to continue to post attractive performance in 2018.

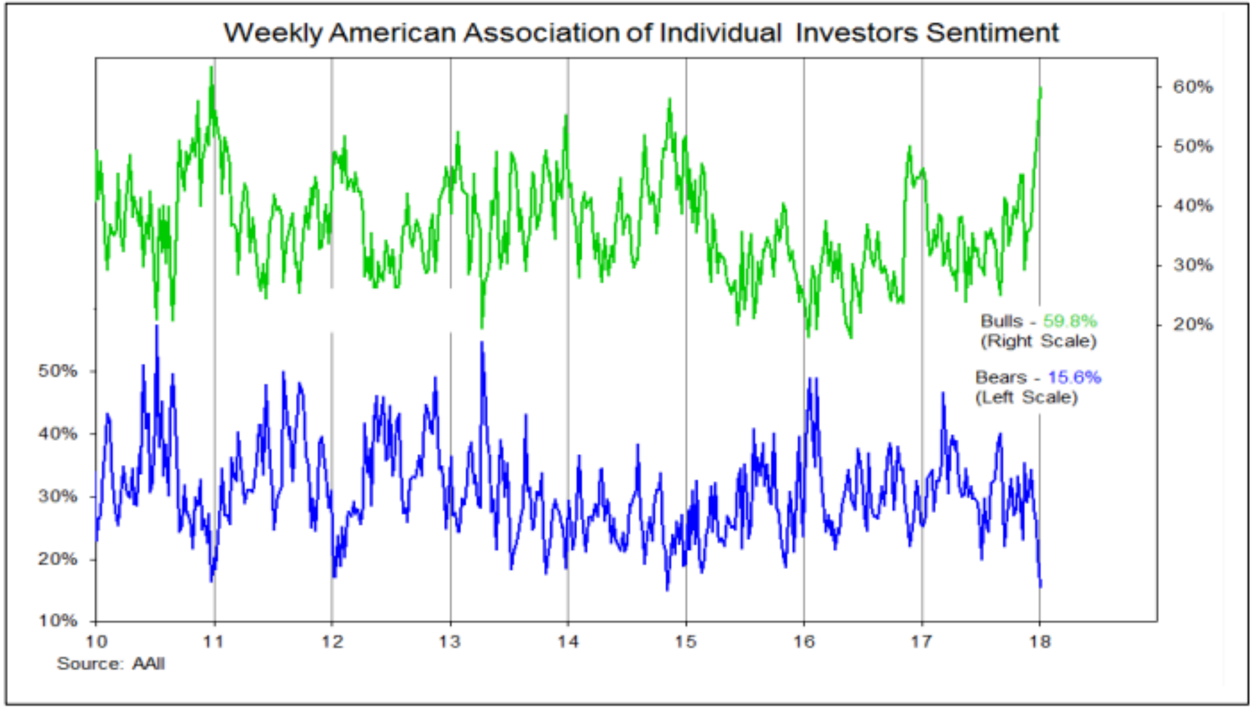
- The December 2017 AAII (American Association of Individual Investors) Asset Allocation Survey contained some revealing sentiment data. The survey, which can be a useful barometer of longer-term investor sentiment, showed that individual investor stock allocations had jumped to their highest levels since the peak of the dotcom bubble in early 2000. December's 3% jump in equity allocation was also the largest monthly increase since 2014.

- As the late 1990's portion of the chart shows, equity allocations can, and have, stayed elevated for years so this data does note imply that a correction is near. However, if the market does start to head lower these levels could exacerbate the fall as more and more investors look to sell stocks.



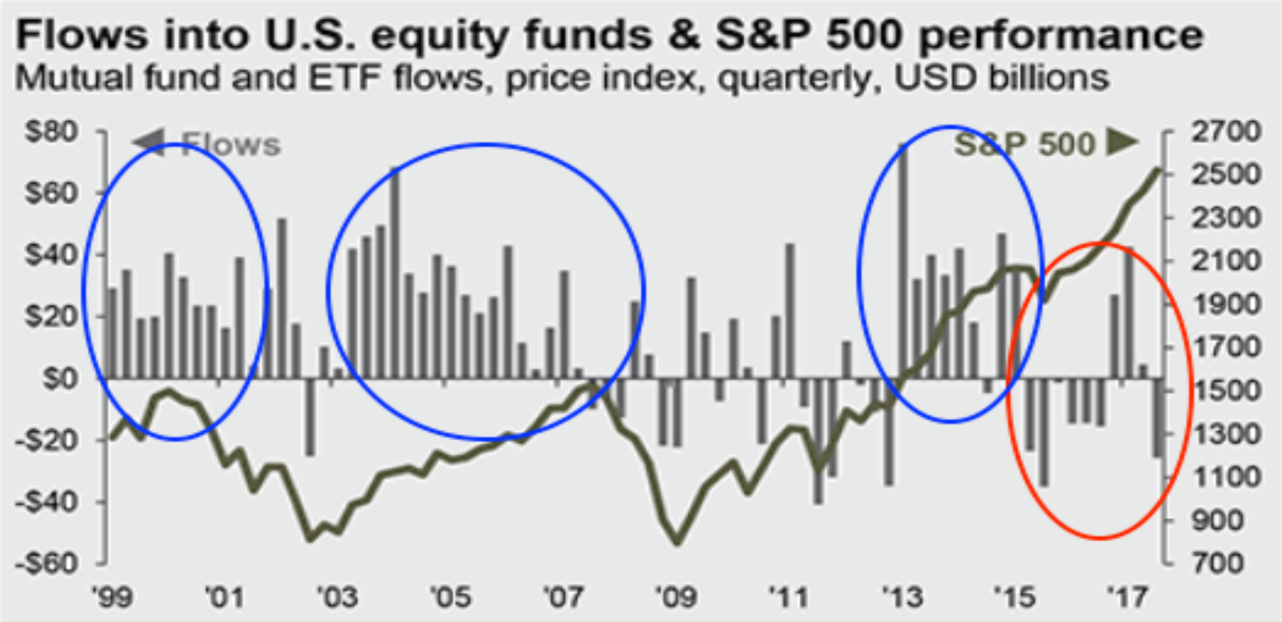
Investors More Optimistic

- AAII's weekly sentiment poll is confirming is, no surprise, confirming its investor allocation data. The poll just recorded its highest level of "Bullish" investors since late 2010 while "Bears" have dropped to levels seen just a few times since the 2009 bottom.



Fund Flow Analysis

- Contradicting AAII's data is the continued flow of dollars ***OUT*** of U.S. equity mutual funds and ETFs. As shown below, the 2000 and 2007 equity peaks were joined by steady fund inflows. That, so far, has been absent in the current run-up as 7 of the last 10 quarters have featured outflows from U.S. equity mutual funds and ETFs.

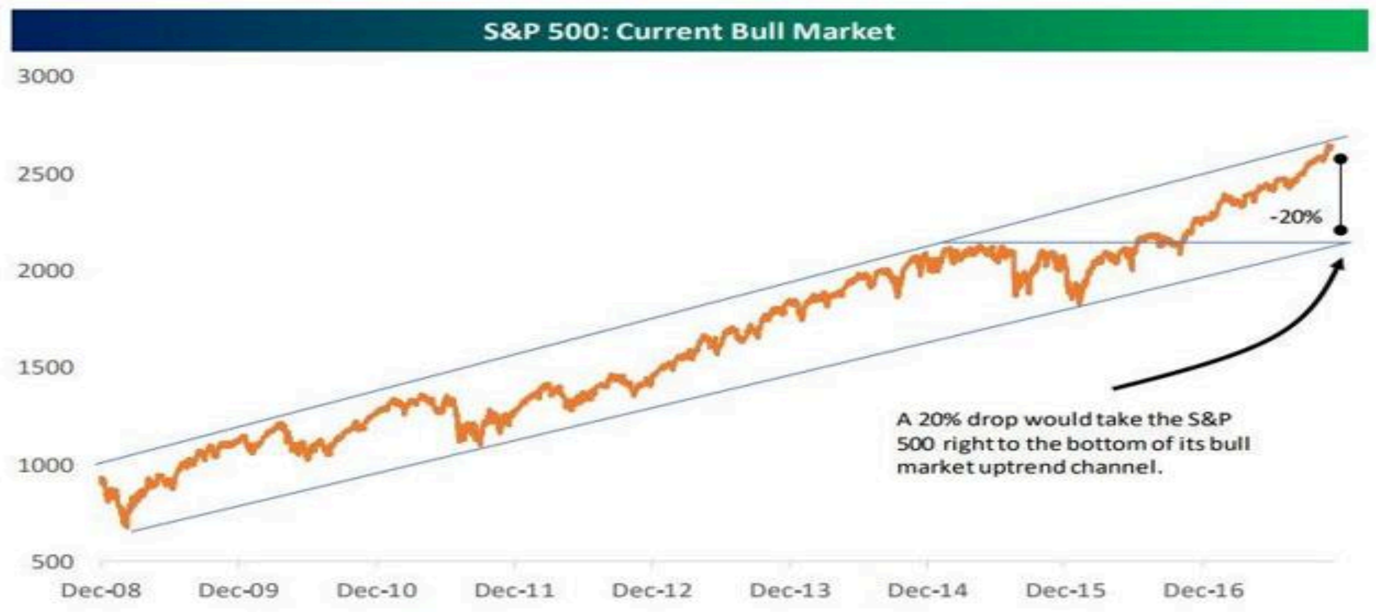


More Room To Run?

- A long-term monthly view of the S&P 500 shows the index last moving back above its 20-month moving average in early 2016. Prior such occurrences (seen: 2003 – 2008 and 2011 – 2015) tended to feature an upward bias for the index for the next 4+ years…

More Room To Run?

- And even when the long-awaited correction does occur, a 20% fall would take the S&P back to the lower end of its long-term channel while not disrupting the overall trend.



Source: Bespoke

Strength Begets Strength

- The S&P 500 is currently in the midst of its 2nd longest streak above the 200-day moving average in the last 60 years.

S&P 500: Longest Streaks Above the 200-day Moving Average (1957-Present, Includes Intraday)			
Rank	Start Date	End Date	Trading Days Above 200-day Moving Average
1	11/21/12	10/10/14	475
2	6/29/16	1/9/18	386
3	1/5/95	7/12/96	385
3	11/26/63	6/7/65	385
5	4/18/58	9/14/59	355
6	10/20/92	3/1/94	345
7	8/24/82	12/13/83	332
8	8/1/96	10/27/97	314
9	11/28/88	1/15/90	286
10	8/6/84	9/16/85	282
11	12/7/60	1/17/62	279
12	4/21/03	5/11/04	268
13	11/28/62	11/21/63	249
14	8/16/06	7/31/07	240

Pension Partners THE ATAC ROTATION MANAGER @CharlieBilello

Month By Month Asset Class Performance

- The beginning of the year tends to offer a favorable backdrop for most asset classes.

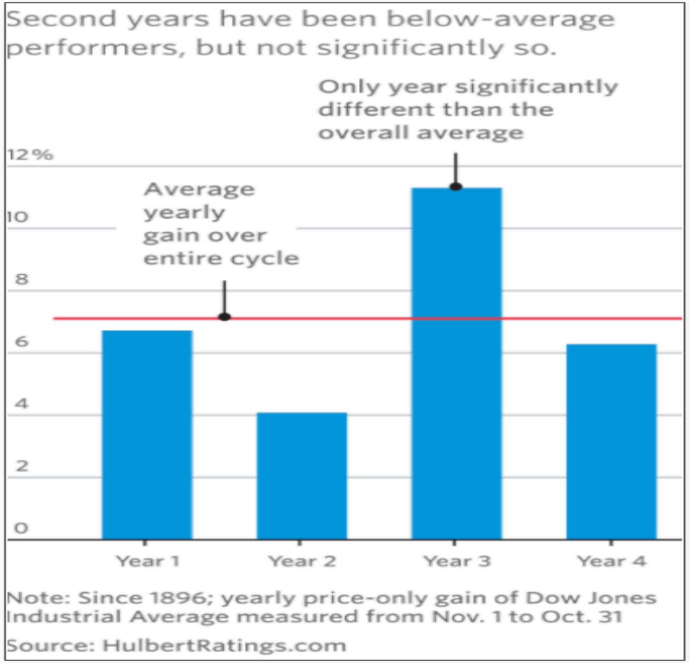
Average Monthly Performance for Indices, Sectors, and Commodities: 1980 - 2016

	Average Monthly Percent Change (%)											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
S&P 500	0.8	0.4	1.2	1.6	1.0	0.1	0.8	-0.1	-0.7	1.3	1.6	1.5
Mid Caps (since 1982)	0.8	1.4	2.0	1.6	1.4	0.1	0.1	0.3	-0.6	0.6	1.8	2.7
Russell 2000	1.2	1.3	1.3	1.5	1.5	0.4	-0.4	0.0	-0.5	0.0	1.9	2.5
Consumer Discret.	0.8	1.9	2.8	2.0	2.1	0.2	-0.1	-0.2	-0.7	1.0	2.1	0.8
Consumer Staples	-0.7	1.1	1.6	1.1	1.9	0.7	0.7	0.5	0.0	2.2	1.7	1.4
Energy	0.0	1.3	1.9	3.2	0.7	-0.2	0.5	0.3	-0.3	0.6	0.5	1.2
Financials	0.1	0.3	2.2	2.5	1.4	-0.6	0.1	0.0	-0.8	0.8	1.6	1.9
Health Care	1.0	0.2	1.0	1.5	1.5	1.1	0.6	0.2	0.4	1.3	2.2	1.5
Industrials	0.5	0.7	1.6	2.2	0.8	-0.3	0.6	-0.3	-0.8	0.8	2.1	2.1
Materials	-0.2	2.0	1.6	2.6	0.8	-0.7	0.4	0.3	-2.4	0.2	2.4	1.8
Real Estate	1.0	-0.2	1.5	1.5	0.2	-0.1	1.1	-0.4	-0.3	-0.5	-0.4	2.1
Technology	2.5	0.2	-0.2	2.1	0.7	0.1	0.7	0.7	-0.6	1.2	2.3	1.4
Telecom Svcs	0.5	-1.3	1.1	1.3	1.0	0.6	0.0	-0.8	0.8	0.9	0.9	1.7
Transports	1.0	0.8	2.0	1.7	1.1	-0.3	1.3	-1.2	-1.0	2.6	2.5	1.5
Utilities	0.4	-1.2	0.8	1.7	0.7	0.3	0.2	0.8	-0.4	1.3	-0.2	1.9
CRB Commodity	0.0	0.2	0.6	0.6	-0.3	-0.1	-0.4	0.4	-0.3	-0.5	0.0	-0.3
US Dollar Index	1.4	0.1	0.3	-0.6	0.8	0.0	-0.2	0.2	-0.6	0.0	0.2	-0.7
Long Bond	0.2	-0.1	-1.0	-0.1	0.4	0.3	0.4	1.1	0.0	0.7	0.9	-0.5
Crude Oil	-0.9	0.3	3.1	3.3	0.8	0.4	1.2	2.6	1.6	-2.4	-2.6	-0.6
Gold	1.0	0.0	-1.1	0.7	-0.3	0.1	0.0	1.7	1.3	-0.7	0.9	-0.1
MSCI World Index	0.3	0.5	1.1	2.3	0.1	-0.3	0.9	-0.3	-0.7	1.2	1.2	1.9

Bespoke

Trump: Year 2

- Historically, a president's 2nd year in office tends to be accompanied by the weakest stock market return of their 4-year term.



Fixed Income Update

- Fixed income markets provided solid returns in 2017. Municipals outperformed treasuries and volatility remained relatively muted as three rate hikes by the Federal Reserve were telegraphed well in advance and key economic indicators remained subdued.

- The US Treasury yield curve continued to flatten, with short term yields climbing significantly and long term yields moving down slightly. As an example, the 2-year treasury rose almost 0.7% and the 30-year treasury went down over 0.3%.

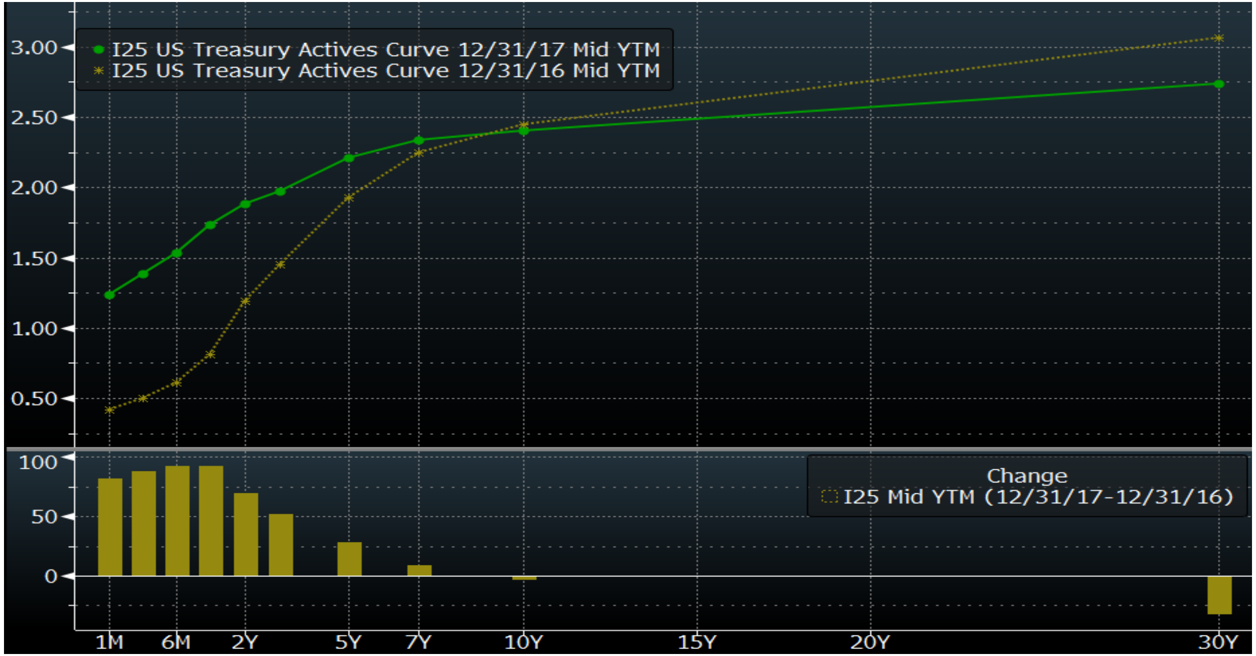
- The Federal Reserve dot plot projects 3 rate hikes in 2018, while the market estimate based on futures is closer to 2. It will be interesting to see if new Fed Chair Jerome Powell follows a measured, data dependent approach like that of former chair Janet Yellen.

10-Year Makes A Round Trip

- The 10-year treasury finished the year where it started, right around a yield of 2.4%. Geo-political tension combined with Congressional setbacks help yields decline for the first part of 2017. The second half saw tax-reform steal the headlines. The pro-growth tax reform along with the Federal Reserve tightening monetary policy caused rates to round-trip.

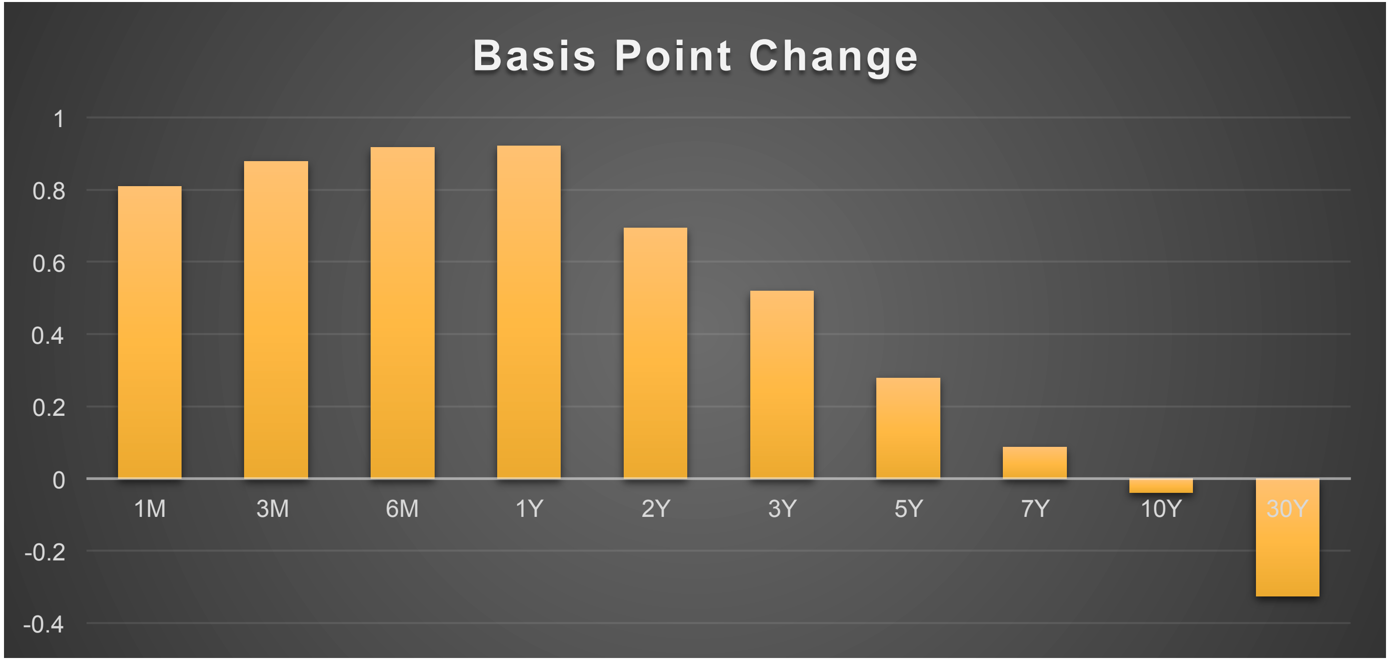
The Short-End Rises

- While the 10-year treasury finished the year where it started, the same cannot be said for the rest of the yield curve. With the Fed raising overnight rates 3 times in 2017, the short-end of the yield curve rose dramatically. The chart below shows how much each year of the yield curve changed throughout 2017.



2017 Yield Curve Summary

- The chart below further breaks down the basis point change at each year of the yield curve. The short-end of the curve rose dramatically while the 10 and 3-year yield actually declined in 2017.



Inverted Yield Curve Coming?

- Another common tool we use to measure how much the yield curve has flattened is the difference between the 2-year and 10-year treasuries. This spread is the lowest since the 2008 financial crisis. Inverted yield curves (where 2-year yields are greater than 10 year) have historically been a good leading indicator of a recessionary environment.

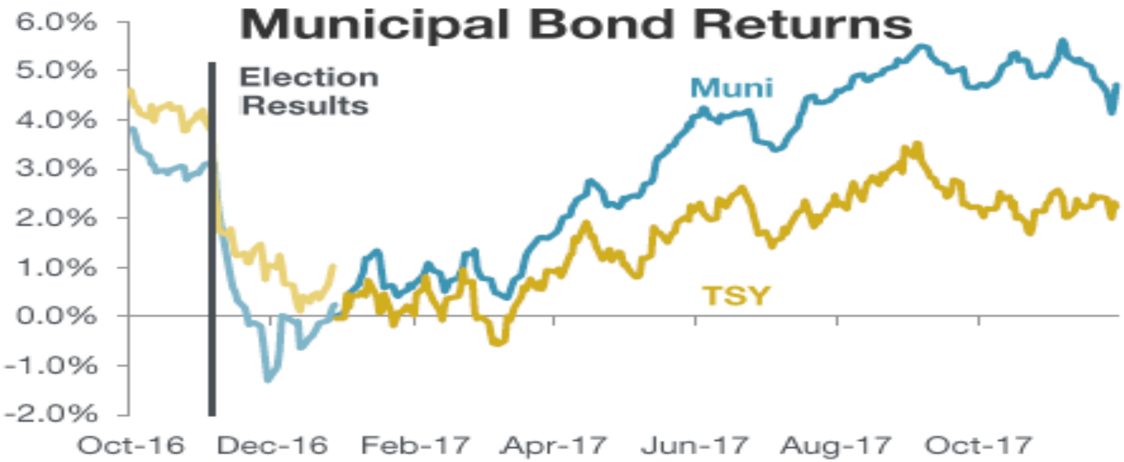
Munis Outperform Treasuries

- Another way to show municipal yields declining at a faster rate than treasuries is the chart below which graphs the percent ratio between 10-year municipal yields and 10-year treasury yields. A declining percentage demonstrates municipal bond outperformance. This ratio was a little over 95% at the start of 2017 and ended the year at 83%.

Munis Outperform Treasuries

- This chart further shows municipal bond outperformance over treasuries in 2017.

Figure 2:...as munis outperformed Treasuries over the year with an attractive positive result



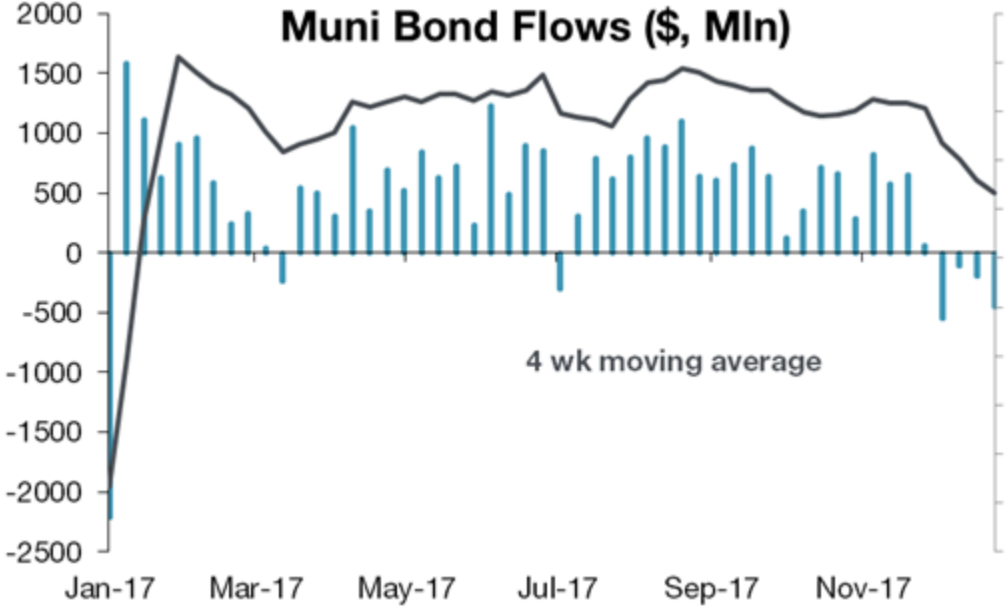
Source: Bloomberg, Piper Jaffray

Muni Supply & Demand

- While 10-year treasury yields did not change much in 2017 from start to finish, 10-year muni yields were 30 points lower than where they started the year. Demand for municipal bond funds remained high throughout 2017. In addition, tax-reform did not have of as much of a negative effect on the municipal market as originally anticipated. In fact, one could argue tax-reform may help the municipal market as a whole. Between the elimination of tax-exempt pre-refunding bonds reducing supply and the cap on state and local tax exemption increasing the need for tax-exempt vehicles, there are positives on both the supply and demand side as we head to 2018.

Muni Market Inflows

- Inflows into municipal bond mutual funds were consistent and strong throughout 2017. 45 of the 52 weeks saw inflows with a net inflow of over $25 billion.



How Many Rate Hikes In 2018?

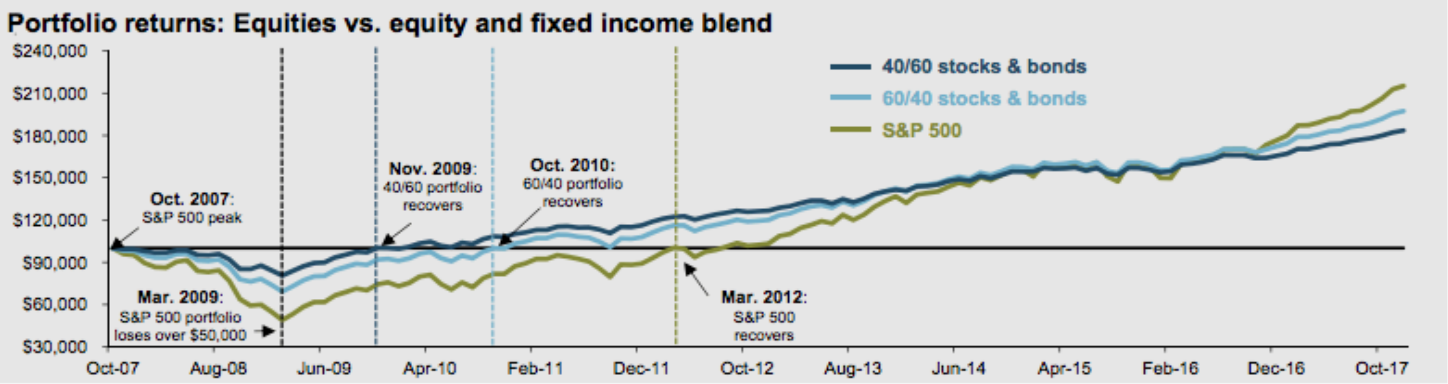
- The Federal Reserve dot plot predicts 3 rate hikes in 2018 while the market estimates closer to 2. This will be something to follow closely as the yield curve continues to flatten.

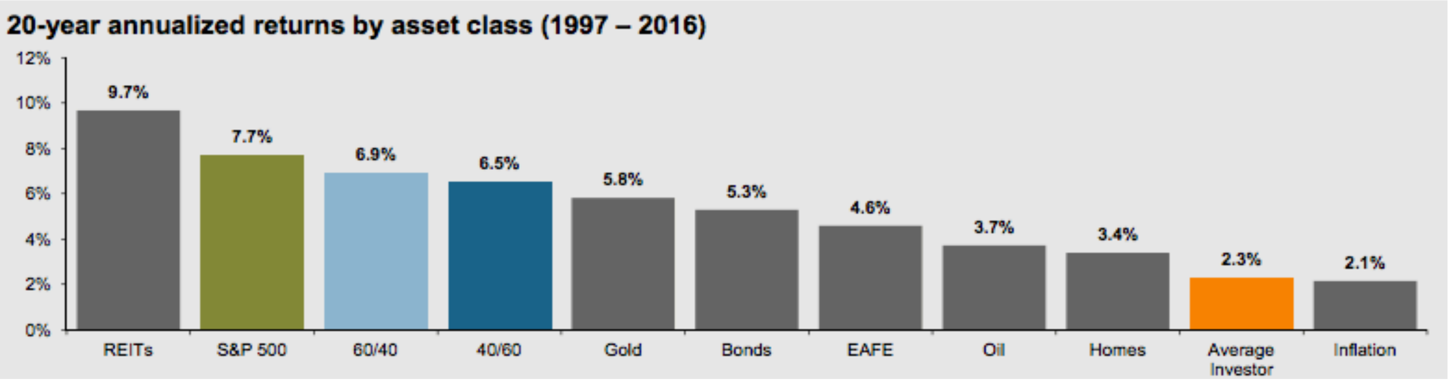
Meeting	Hike Prob	Cut Prob	1-1.25	1.25-1.5	1.5-1.75	1.75-2	2-2.25	2.25-2.5	2.5-2.75
01/31/2018	0.0%	1.2%	1.2%	98.8%	0.0%	0.0%	0.0%	0.0%	0.0%
03/21/2018	68.8%	0.4%	0.4%	30.9%	68.8%	0.0%	0.0%	0.0%	0.0%
05/02/2018	70.3%	0.3%	0.3%	29.4%	66.9%	3.4%	0.0%	0.0%	0.0%
06/13/2018	87.9%	0.1%	0.1%	12.0%	44.5%	41.4%	2.0%	0.0%	0.0%
08/01/2018	88.8%	0.1%	0.1%	11.1%	41.9%	41.6%	5.2%	0.2%	0.0%
09/26/2018	92.9%	0.1%	0.1%	7.0%	30.4%	41.7%	18.7%	2.0%	0.1%
11/08/2018	93.2%	0.1%	0.1%	6.7%	29.4%	41.2%	19.7%	2.7%	0.1%
12/19/2018	95.4%	0.1%	0.1%	4.6%	22.1%	37.4%	26.6%	8.2%	1.0%

Benefits of Asset Allocation

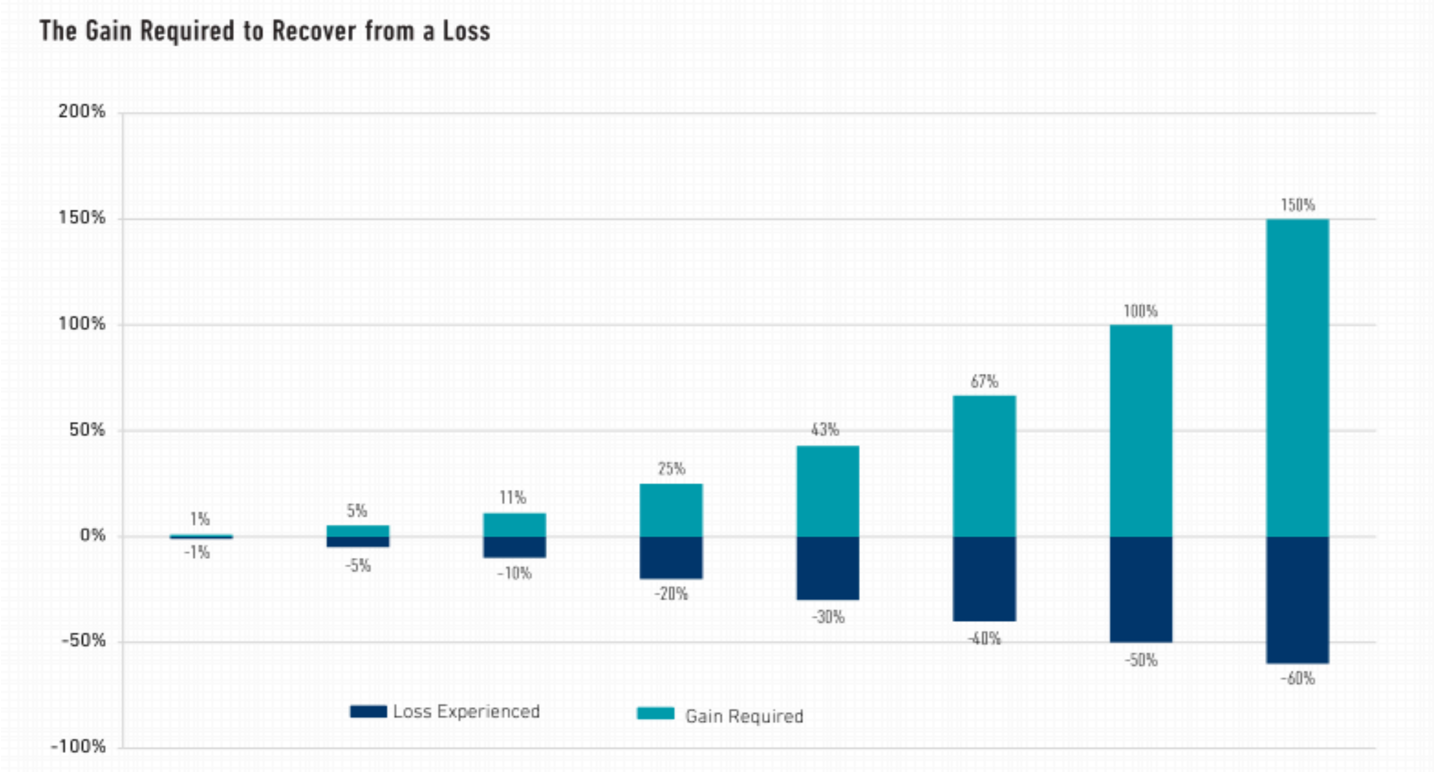
															2003 - 2017	
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Ann.	Vol.
EM Equity 56.3%	REITs 31.6%	EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	EM Equity 12.7%	EM Equity 23.0%
Small Cap 47.3%	EM Equity 26.0%	Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Small Cap 11.2%	REITs 22.3%
DM Equity 39.2%	DM Equity 20.7%	DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs 11.1%	Small Cap 18.8%
REITs 37.1%	Small Cap 18.3%	REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	Large Cap 9.9%	Comdty. 18.8%
High Yield 32.4%	High Yield 13.2%	Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	High Yield 9.6%	DM Equity 18.4%
Large Cap 28.7%	Asset Alloc. 12.8%	Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	DM Equity 8.6%	Large Cap 14.5%
Asset Alloc. 26.3%	Large Cap 10.9%	Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Asset Alloc. 8.3%	High Yield 11.3%
Comdty. 23.9%	Comdty. 9.1%	High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Fixed Income 4.1%	Asset Alloc. 11.0%
Fixed Income 4.1%	Fixed Income 4.3%	Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	Cash 1.2%	Fixed Income 3.3%
Cash 1.0%	Cash 1.2%	Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	Comdty. -0.3%	Cash 0.8%

Benefits of Asset Allocation





Benefits of Asset Allocation



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