



First Quarter 2017 Review

Dear Clients:

I write with an update on your investments.

In the first quarter, US stocks increased 5.8%, world stocks increased 6.9%, and US bonds increased 1.0%, as represented by the S&P 500 Index, the All Country World Index, and the Barclays Aggregate Bond Index. In the last two weeks, the stock indexes have declined about 1% while the bond index has gained about 0.75%. Factors include the reduced likelihood of a tax overhaul and a souring relationship with Russia following the latest Syrian gas attack.

Chief Allocation Strategist Steve Bobo and I have had plenty to discuss during the threats and opportunities portion of our biweekly outlook meetings. We have concluded each time that our strategic allocation remains sound. Our disciplined deployment each month of excess cash into the most undervalued asset classes continues to position your portfolios for long-term success. And we take comfort in our modest tactical shift to active management last quarter.

International stocks performed better than US stocks last quarter. This is a big shift after several years in which US stocks provided significantly higher returns. We expected this shift, and it is nice to be rewarded after continuing to direct cash to international stocks when they were underperforming. The strengthening dollar further amplified our purchasing power as it made foreign purchases less expensive. At some point the dollar will weaken against other currencies, and we will likely be able to trim our international holdings at an advantageous rate. We seek every benefit that we can.

Please refer to the following statements for your assets' performance and quarter-end balances, and please contact us if you have any thoughts or concerns about your accounts. Our money continues to be invested right alongside yours.

Sincerely,

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