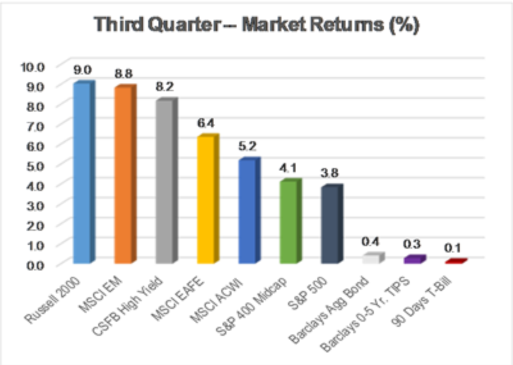
"You get recessions, you have stock market declines. If you don't understand that's going to happen, then you're not ready, you won't do well in the markets." Peter Lynch

The close of the third quarter saw the continuation of positive momentum for financial markets. Expectations of continued favorable monetary policies coupled with the potential for more stimulative fiscal policies post-Brexit resulted in a "risk-on" environment driving strong returns across capital markets.



While returns were strong across asset classes, the third quarter marked the continuation of the rolling corrections that have been occurring internally within the market since the fourth quarter of 2014. Defensive sectors, including "bond-substitutes" such as utilities, performed poorly as the market shifted towards sectors more leveraged to improving economic growth. Likewise, in fixed income, high yield significantly outperformed more traditional fixed income investments as the combination of attractive spreads (valuation) and an improving economic outlook drove equity-like returns.

The Elephant(s) in the Room

As we enter the fourth quarter, two primary topics will continue to dominate the news and investor sentiment: the presidential election and the Federal Reserve. While historical precedent may seem irrelevant in what appears to be an unprecedented election, the evidence suggest that investors assign far greater importance to the outcome of presidential elections in the weeks leading up to elections than post-election experience supports. In fact, looking at prior cycles, the first year of a president's term is in line with historic market returns suggesting investor focus is more appropriately centered on the underlying economy.

S&P 500 Performance in Presidential Election Years Is In Line with Other Years

				S&P 500 Performance			
Year	President	Senate	House	Jan - Aug	Sept - Oct	Nov - Jan	Dec - Nov
1972	Republicar	Democrat	Democrat	10.91	0.93	4.72	-15.16
1976	Democrat	Democrat	Democrat	17.03	0.67	0.21	-2.68
1980	Republicar	Republicar	Democrat	17.56	5.03	2.82	-5.37
1984	Republicar	Republicar	Democrat	4.29	0.41	9.39	28.96
1988	Republicar	Democrat	Democrat	8.49	7.16	7.64	30.84
1992	Democrat	Democrat	Democrat	1.27	1.52	5.55	10.10
1996	Democrat	Republicar	Republicar	7.45	8.54	12.01	28.51
2000	Republicar	Democrat	Republicar	4.11	-5.68	-4.15	-12.22
2004	Republicar	Republicar	Republicar	0.42	2.63	4.96	8.44
2008	Democrat	Democrat	Democrat	-11.39	-24.21	-14.09	25.39
2012	Democrat	Democrat	Republicar	13.51	0.69	6.75	30.30
Election years ex 2008 (avg)				8.51	2.19	4.99	10.17
All years ex 2008 (avg)				7.44	0.76	4.34	11.64

Recessions

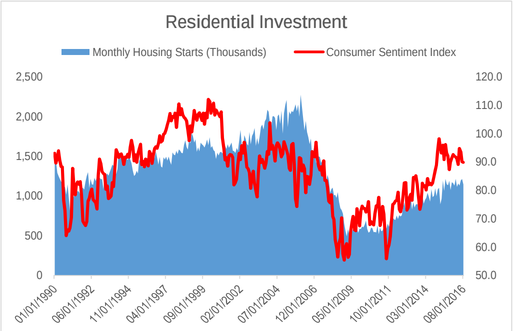
The second dynamic weighing on investor sentiment leading up to year-end is the potential for the Federal Reserve to resume steps to normalize interest rates. Looking back to last December, the increase in the Fed Funds rate and expectations for potentially four additional increases in 2016 heightened volatility in the financial markets, ultimately resulting in a 13% correction in equity prices and a significant widening in credit spreads to start the year. While the Fed has been increasingly transparent that future interest rate increases will be gradual, a December rate increase appears to be a foregone conclusion barring a significant deterioration in economic fundamentals or an exogenous shock. Our expectation remains that any rate hikes will be accompanied by more favorable underlying growth prospects; however, a likely increase in volatility associated with shifting monetary policy suggests our bias towards higher quality remains appropriate.

Economic Outlook

Our base case view with respect to the US economic outlook remains a lower growth but longer economic cycle. Our partners at BCA support this view and, in fact, are becoming increasingly positive with respect to an

Disclosures: Past performance is no guarantee of future results. No assurance can be given that an investor will not lose invested capital. The investments discussed and securities mentioned in this presentation are not intended to provide sufficient basis to make an investment decision. It is not intended for the purpose of recommending the purchase or sale of any security.

accelerating economy in 2017. As mentioned above, our expectation of a December rate hike is based on recent data confirming our view of an improving economy. Stronger than expected reports from the ISM manufacturing and non-manufacturing indexes, factory orders, unemployment claims and consumer confidence all suggest an economy on increasingly solid footing. Looking forward, the outlook is bolstered by a more favorable backdrop for residential investment, business capital spending, fiscal policy (regardless of the election outcome) and a turning inventory cycle.



Overseas, falling unemployment, solid credit demand and improving wage growth coupled with continued easy monetary policy and looser fiscal policy are supportive of improving growth.

Equity Market Outlook

Our equity market views remain consistent with our views from a quarter ago: equity valuations remain attractive relative to fixed income alternatives although absolute valuations suggest lower future returns from both equities and fixed income. While we remain mindful of potential volatility associated with shifting monetary policy, earnings growth appears poised to accelerate on the backs of easing comparisons, particularly in the energy sector, and an accelerating global economy. International equities remain attractively priced with improving underlying fundamentals, although geopolitical risks will likely drive periods of higher volatility.

Looking to the US dollar, the combination of accelerating economic growth and tightening on the part of the Fed is likely to reverse the weakness seen in the first half of 2016. International markets will be beneficiaries of dollar strength although access will be best achieved through dollar-hedged investments.

Conclusion

While the presidential election and speculation around Federal Reserve monetary policy actions are likely to dominate the news, and thus investor sentiment, underlying fundamentals suggest any volatility should be viewed as a potential buying opportunity. While we recognize recessions and market drawdowns are inevitable, it is difficult at present to see the seeds of a near term recession being sewn. It is during these periods of transition in the market where asset allocation takes on increasing importance. As discussed last quarter, we will continue to focus on higher quality investments with tactical shifts in the portfolio considered from a position of caution. In this manner, we can help clients meet their long-term goals.

In closing, we want to reiterate our appreciation for the trust our clients have bestowed upon us. As we move forward, we are committed to earning your trust and serving your specific needs.