

February 24, 2017

As we write this, roughly thirty days into the Trump presidency, it bears reminding to our clients that we remain politically agnostic in our professional lives. Our mission is to put your interests first, always, and we continue our efforts at stewarding your investments and helping them grow.

It feels like we've been at this a *long* time already. To his credit, President Trump has been a one-man beehive of activity most weeks, and his work ethic is genuine. Depending on the day, he is signing Executive Orders for the TV cameras, hosting heads of state, convening multiple CEO roundtables, nominating a Supreme Court justice, conducting diplomacy over a round of golf, and, of course, tweeting. He is intent on fulfilling his campaign promises, from tightening immigration to reworking trade agreements to driving tax and regulatory reform. It's a bold agenda, and it's almost sure to be leavened by Washington's political realities, in time.

Our underlying economy is in good shape. In fact, it was getting better before President Trump's election. The job market is firm, and wage pressures are growing, to the point that the economy will likely begin to pull in sidelined workers. Car sales and housing numbers remain at strong levels. Globally, too, we are encouraged by what we're seeing, with improving growth in Europe, and global PMIs (sentiment indices, from supply chain managers) pointing to improving conditions across a host of goods and service industries. Corporate profits look poised to grow in 2017, eventually making value more apparent in stock prices.

Markets have risen steadily since the election, in anticipation of an even stronger economy ahead. We expect the gains to moderate, and perhaps reverse somewhat, in time. Stocks have run higher, faster, than have company earnings. As a result, investors are paying more to own stocks at present. Stated differently, there is good (future) news baked in to stock prices. Common sense tells us a modest stock correction can be expected, its timing uncertain. At present, the upward trend remains in place, despite overbought conditions.

It's likely a true statement that both the President's supporters and his detractors are watching developments with a wary eye. The Administration's start to governing has been erratic, most notably on the seven-nation travel ban that quickly gave rise to protests in the streets and airports, and to a string of court losses for the initiative. The President is learning that a massive governmental bureaucracy can't be run like a family business. There are three equal branches of government, and there are checks and balances on one from the others.

President Trump's honeymoon will someday be complete, and the next phase of his term will begin, that of dealmaking with Congress (both parties, likely) to get his agenda passed, or as much of it as can be passed. It will be a "real" reality show for President

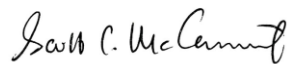
Trump then. Health care reform, in particular, will prove an especially vexing issue to address.

Still, the President's reform agenda, particularly on lowering taxes and lessening the regulatory burden on business, is market-friendly. President Trump is serious in wanting to get the country "moving" again, whatever that means to him, but his pro-business, pro-market agenda cannot be disputed.

We're comparatively less concerned about the path of conventional domestic politics, even with this unconventional President, than we are about the potential for unexpected crises that are international in origin. President Trump is not one to back down from confrontation, and rogue states such as North Korea or Iran could provoke an ill-considered response directed by our Commander in Chief. Even more worrisome is the substantial Russian intrigue in our politics, and among the President's people, where there are too many unanswered questions at present. We will continue to monitor events and respond with our best judgment on your behalf.

As always, your comments and feedback are most welcome.

With regards,



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