2017 THIRD QUARTER REPORT

The last few years of a bull market can be a bit of a mystery to professional investors. Often, the market rises faster than it did in the early, cautious years when nobody believed there was a bull market. This fast growth in its mature stage can happen even though there appear to be fewer fundamental or economic reasons for it. Despite some worries and negative predictions, the current bull market churns on. Investors who bail out in anticipation of a downturn do so at the risk of missing out on an untold number of months or years of gains.

Looking back, a breakdown shows that just about everything gained at least modestly in value these last three months.

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<thead>
<tr>
<th>Quarter</th>
<th>1 Year</th>
<th>3 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays U.S. Aggregate Bond</td>
<td>0.85</td>
<td>0.07</td>
</tr>
<tr>
<td>Barclays U.S. Corporate Bond</td>
<td>0.76</td>
<td>1.82</td>
</tr>
<tr>
<td>Barclays U.S. Government Bond</td>
<td>0.38</td>
<td>-1.56</td>
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In the bond markets, coupon rates on 10-year Treasury bonds have risen incrementally from 2.30% at this point three months ago to 2.33%, while 30-year government bond yields have also risen incrementally, from 2.83% to 2.86%.

Barclays U.S. Aggregate Bond 0.85 0.07 2.71
Barclays U.S. Corporate Bond 0.76 1.82 2.37
Barclays U.S. Government Bond 0.38 -1.56 2.01

One might imagine that the uncertainties around government policy and fundamental economic issues (failed attempts to repeal the Affordable Care Act and a new promise to rewrite the tax code, for example) would spook investors, and if those weren’t scary enough, there’s the nuclear saber rattling with North Korea. Hurricanes have disrupted economic activity in Houston and large swaths of Florida, while Puerto Rico lies in ruins. Yet the bull market sails on unperturbed.

How can this be? Because if you look past the headlines, the underlying fundamentals of our economy are still remarkably solid this deep into our long, slow economic expansion. Corporations reported a better-than-expected second quarter earnings season, with adjusted pretax profits reaching an annualized $2.12 trillion—which means that American business is still on sound footing. Unemployment continues to trend slowly downward and wages even more slowly upward. The economy as a whole grew at a 3.1% annualized rate in the second quarter, which is at least a percentage point higher than the recent averages and marks the fastest quarterly growth in two years. Economists tell us that the multiple whacks of hurricane damage will slow down economic growth figures

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<tr>
<td>S&amp;P 500 Index ex Div</td>
<td>3.96</td>
<td>16.19</td>
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<tr>
<td>Russell 2000</td>
<td>5.67</td>
<td>20.74</td>
</tr>
<tr>
<td>Wilshire U.S. REIT</td>
<td>0.76</td>
<td>10.18</td>
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As nice as the returns have been domestically, international stocks this year have been even kinder to investment portfolios. The broad-based EAFE index of companies in developed foreign economies is now up 12.53% in calendar 2017 while the Russell 2000 Small-Cap Index is up 10.94% this year.

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<td>MSCI EAFE Ex Div</td>
<td>4.81</td>
<td>15.99</td>
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<tr>
<td>MSCI EM Ex Div</td>
<td>7.02</td>
<td>19.73</td>
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We are glad for the continued bull market and cheer each new high, but we also believe that as this bull market marches on, it is prudent to rebalance regularly and to be mechanical about maintaining the recommended allocation. We will continue to recommend that you do so if stock prices continue their climb.

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1. Update your passwords, especially for online financial accounts. Try to make them as long and complex as possible.
2. Monitor your bank and credit card statements for any inquiries or charges you did not make.
3. Yes, it’s OK to check to see if you are impacted by the breach. However, at this point it’s probably better to assume you are impacted and act accordingly.
4. Consider signing up for a monitoring service like LifeLock or at least the free services offered by Equifax. Keep in mind that these services do not protect your credit, but will quickly alert you to unauthorized use of your information.
5. Fraud Alerts can be set up to verify your identity before issuing a credit card, opening a new account or increasing a credit limit on an existing account. A fraud alert will not prevent a lender from opening credit in your name, but it does require lenders to take additional steps to verify your identity.
6. Freezing your credit with all three major bureaus is also an option—this choice locks your credit files so only institutions that you already do business with can access your data. Once frozen, you can unfreeze your credit if you plan on applying for a loan or credit card. There is a fee to freeze/unfreeze, and the process requires a PIN for security.
7. Review your credit reports from AnnualCreditReport.com. Look for names, addresses, phone numbers and accounts you do not recognize. This should be done on a regular basis to keep up with changes to the report.
8. Close any open accounts that are not being used—store credit cards, for example.

Continued from side 1

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In the markets, there is hope that the new tax package will prove as business-friendly as the Trump Administration is promising. There are still potential speed-bumps down the road. Although valuations are high, bull markets don’t generally end due to high stock prices. Instead, recessions are nearly always the cause of bear markets. Right now there are no economic indicators that would signal a recession on the near horizon, and one of the potential triggers—a Federal Reserve Board decision to recklessly raise interest rates—seems unlikely given the Fed’s extremely cautious approach so far. Other concerns include the Federal Reserve Board poorly managing the end of quantitative easing, a slowdown in China’s GDP growth, and geopolitical issues caused by rising tensions overseas.

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