

~ FEBRUARY 2017 NEWSLETTER ~

Monthly Summary

As with January, investment markets were well-behaved in February. All major asset classes added to year-to-date gains. Notable was the dichotomy of currency impacts on foreign markets. Dollar movement was a modest negative for developed markets, but a strong positive for emerging economies. Growth stocks continued to outperform value in February. Likewise, larger companies have modestly outperformed their smaller counterparts in 2017.

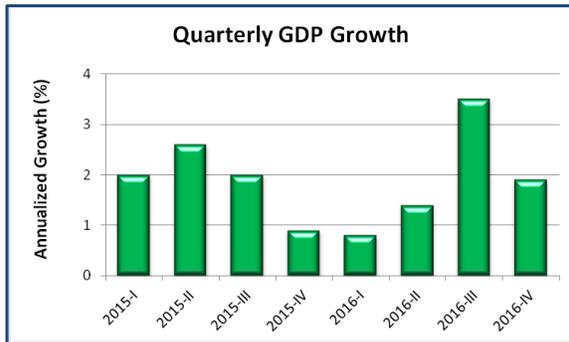
This year's favorable investment dynamics are often ascribed to U.S. election results. Indeed, political changes in Washington are likely causal in many respects, particularly when it comes to certain market sectors such as Financial and Industrials. That said, investors should recognize and appreciate the foundation for market gains is broader based than what has been dubbed the "Trump Rally." Global purchasing managers surveys have been strong, inflation has ticked higher, and wage growth has improved. Consumer confidence also hit a post crisis high in February and retail sales have been healthy. As for corporate fundamentals, the S&P 500 index has put up two quarters of revenue growth (absent in recent years) and the same is expected in the first quarter. Finally, Federal Reserve rhetoric, suggesting both a near-term hike and the potential for a faster pace of tightening, reinforces a picture of improving growth.

Economic Data

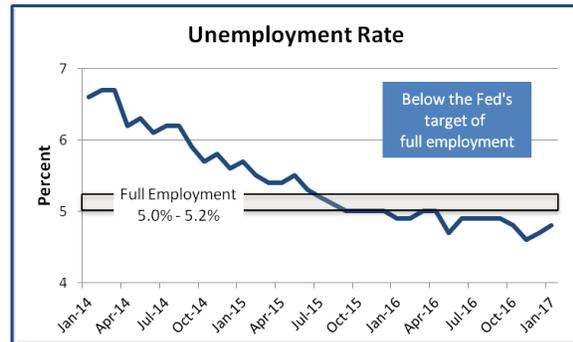
General	Prior	Current
GDP growth	3.5% (Q3)	1.9% (Q4)
Trade balance	-\$45.7B (Nov)	-\$44.3B (Dec)

Employment	Prior	Current
Initial jobless claims	238,000 (2/18)	244,000 (2/25)
Continuing claims	2.1MM (2/11)	2.1MM (2/18)
Change in nonfarm payrolls	157,000 (Dec)	227,000 (Jan)
Unemployment rate	4.7% (Dec)	4.8% (Jan)
Average weekly hours	34.4 (Dec)	34.4 (Jan)

Consumer	Prior	Current
Consumer confidence index (Conf. Board)	111.6 (Jan)	114.8 (Feb)
Retail sales growth (YoY)	4.5% (Dec)	4.9% (Jan)
Change in consumer credit	\$25.2B (Nov)	\$14.2B (Dec)



Data Source: U.S. Bureau of Economic Analysis

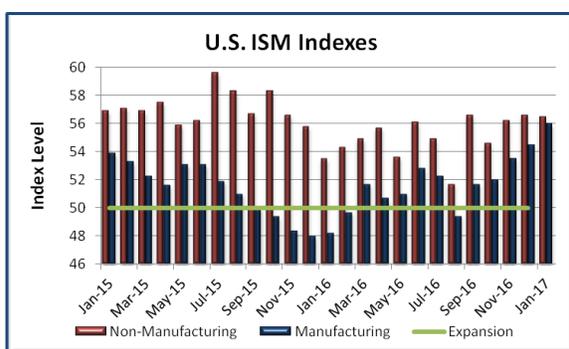


Data Source: U.S. Bureau of Labor Statistics

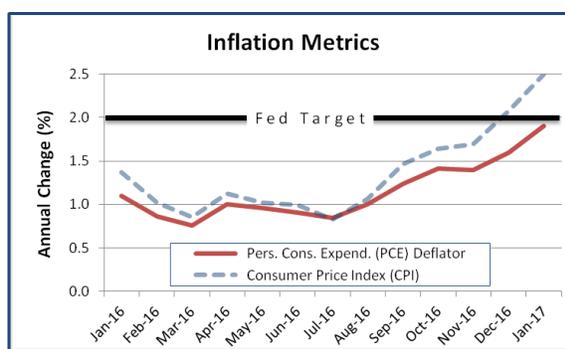
Manufacturing & Service	Prior	Current
ISM manufacturing index	54.5 (Dec)	56.0 (Jan)
ISM non-manufacturing index	56.6 (Dec)	56.5 (Jan)
Durable goods orders growth	-0.8% (Dec)	1.8% (Jan)
Industrial production growth	0.6% (Dec)	-0.3% (Jan)
Capacity utilization	75.6% (Dec)	75.3% (Jan)

Real Estate	Prior	Current
New home sales	535,000 (Dec)	555,000 (Jan)
Existing home sales	5.7MM (Dec)	5.5MM (Jan)
S&P CoreLogic CS home price index (YoY)	5.6% (Nov)	5.9% (Dec)

Inflation	Prior	Current
Consumer price index/Core (YoY growth)	2.1%/2.2% (Dec)	2.5%/2.3% (Jan)
Producer price index/Core (YoY growth)	1.6%/1.6% (Dec)	1.6%/1.2% (Jan)



Data Source: Institute for Supply Management



Data Sources: U.S. Bureau of Labor Stats. & Econ. Analysis

Market Returns

	Feb 2017	YTD 2017
Fixed Income		
Barclays Aggregate Bond	0.7%	0.9%
Barclays Municipal Bond	0.7%	1.4%
Barclays Gbl Agg. ex. U.S.	0.3%	2.2%
Alternatives		
Bloomberg Commodity	0.2%	0.3%
DJ US Real Estate	4.4%	4.6%

Data Source: Morningstar

	Feb 2017	YTD 2017
Domestic Equities		
Wilshire 5000	3.7%	5.6%
S&P 500	4.0%	5.9%
Russell 2000	1.9%	2.3%
International Equities		
MSCI EAFE (Developed)	1.4%	4.4%
MSCI EM (Emerging)	3.1%	8.7%

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