GREENLEAF TRUST

Perspectives

A Greenleaf Trust Newsletter

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William D. Johnston
Chairman, Greenleaf Trust

Economic Commentary

Real gross domestic product increased at an annual rate of 3.2% in the third quarter of 2016 according to the Bureau of Economic Analysts in their second estimate release. This reflects an increase from their first estimate of 2.9%. During the same release the second quarter's growth estimate of 1.4% was affirmed. If the estimate holds true the third quarter growth rate will be the highest quarterly growth in eight quarters.

The increase in real GDP reflected an increase in private inventory for sale investment, which is not unusual during most third quarters, as well as personal consumption, exports and government spending. There were fewer reductions in state and local spending during the period as well. Categories hurting growth in the quarter continued to be imports as well as residential and non-residential fixed investment.

The primary driver of Q3 growth has been increased consumer or household spending which continues to be somewhat offset by weak business investment. For the period, personal incomes as well as wages grew continuing the in-place trend of the previous three quarters. While the November jobs report has not been released at this writing, ADP, which is the largest payroll processing entity in the country and whose data is often used for estimating the Bureau of Labor's jobs report, indicates that 216,000 jobs were created in November. If the number is consistent with the Bureau's release on December 2nd, it will be well ahead of the 165,000 number that was estimated.

Inflation through October is growing 1.6% year over year, and is approaching the 2% Fed target. The current run rate of inflation represents the largest increase since October of 2014. Core inflation that excludes food and energy accelerated faster at 2.1% over the same period.

Unemployment rates remain unchanged at 4.9%, while U-6 (last hired, first fired) unemployment remained at 9.1%. The job creation pace remains below the pace of 2015; however, it continues to be at the level (180,000 per month average) to reduce unemployment claims and keep unemployment below 5%.

What, then, is the Federal Reserve expected to do in their December meeting? The bond market already reflects the expectation of a 25 basis

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Commentary, continued

point increase in the Fed Funds rate and it is likely that action will take place this month. The Fed is looking and analyzing the obvious data points. Employment is stable and around the range of full employment, GDP growth is increasing, consumer spending remains robust, household incomes as well as wages continue to increase and inflation has ticked up. Global economic demand has not grown at the rate of the United States, but can be described as more stable than earlier in the year (directly after the Brexit vote) and, therefore, threats to exports from a global perspective seem to have been somewhat mitigated. With this picture in mind, and the election behind us, there are presently fewer obstacles to a rate hike than there have been in over eight years. Ten year treasury yields are currently at 2.37%, measuring a full 100 basis point increase from the 1.37% measured in July of 2016.

The Fed conversation now isn't about will a rate hike occur, but rather when will the next hike follow? The answer to that will come from future data points and inflation expectations going forward. Remember that the Fed, on the inflation front, fights not only current inflation data but also the country's as well as globe's expectation of future inflation. The levers that pull to tighten are impacted by both.

> "The Fed conversation now isn't about will a rate hike occur, but rather when will the next hike follow?"

Post-election I have received numerous e-mails that ask about the economic implications of a Trump presidency. What will be his administration's economic policies? How will those policies impact our economy, GDP, inflation, employment and deficits? The answer is unclear at this point. Political capital is earned in elections, and this election was no exception. It is not a coincidence that elected Presidents often have a "First 100 Days in Office" plan. Political capital, while earned in the election, evaporates quickly and fades well before the first 100 days are past. Glimmers of policies can begin to be seen by the appointments that are made to cabinet and leadership positions. Senate Majority Leader McConnell and Speaker Ryan currently remain in power and leadership roles in each chamber of the House and Senate and could be expected to put forth the party's policies with respect to trade, regulation, environment, tax, education health and welfare, foreign relations and defense. Presidents are, in most cases, the head of their political party and the members of their party in the House and Senate are expected to carry the water with respect to legislation that will enact the President's policies.

This was not a traditional election, where the candidate of the party came from within the party's organizational structure. President-elect Trump never served in office nor was he a part of the political industrial complex of the Republican Party. For most of his campaign he was at war with the party's political establishment. For those who are long-term members of the political industrial complex "rallying around," it may be awkward, especially if the policies are in conflict with traditional Republican platforms. Those within the party who are thinking, "finally we get our way, we have both the Senate and the House as well as our party in the White House" may be surprised at the conflicts that will most likely occur in getting their perceived agendas enacted.

Those items talked about by those closest to President-elect Trump post-election are trade, tax, healthcare reform (otherwise referred to as repeal and replace) infrastructure spending and immigration.

Of those policy categories, trade, infrastructure spending and tax have the most impact upon GDP and the economy. Republicans traditionally have favored tax cuts as an economic stimulation tool (often referred to by opponents as trickle-down stimulus). President-elect Trump will find eager supporters in the legislature to pass his tax reform quickly. Economists are divided with respect to opinions on how tax cuts increase economic activity. Analysis of periods of low tax rates and high economic growth rate (GDP) do not show much correlation. Infrastructure spending does have a real impact upon the supply chain side of products, commodities and labor that could increase demand, employment, production and therefore GDP. The impact of any comprehensive legislative package would not occur in 2017; nonetheless the longer term impact would be felt. Republicans will have to grow to like deficits, however, if they are to abandon their line in the sand on paying for spending bills and tax cuts so that deficits don't increase. It will become interesting to see how they manage the spin necessary to cut taxes and spend more in order to get the policies through the Congress.

Trade is probably the largest unknown with respect to the new administration. Renegotiating current trade deals as well as pulling out of others already identified has many CEOs of S&P 500 companies concerned. Tariffs on imports are not a one way street and negotiations on new trade deals must not just reflect fair competition within the US but also fair pathways for exports that don't penalize US producers of goods, services and agricultural products. Much remains unknown with respect to policy details. Absent of those details it is too early to forecast either impediments or enhancements to growth within the US economy.

"Tariffs on imports are not a one way street and negotiations on new trade deals must not just reflect fair competition within the US but also fair pathways for exports that don't penalize US producers…"

Michael F. Odar, CFA
President

What Does That Mean to Me?

For at least the last couple of years, I have been trying to focus my newsletter articles on what has been happening at Greenleaf Trust. The thought was that readers, especially clients, would enjoy knowing more about the talent, culture, and strategy at the company to whom they have entrusted the management of their wealth. That's why a question from my review of our latest Client Survey caught my eye. How do all of the "great" things happening at Greenleaf Trust affect me? I immediately began to think about my last article where I talked about the last two awards that we won – Best Small and Medium Workplaces by consulting firm Great Place to Work® and Fortune magazine and one of the Cool Places to Work in Michigan by Crain's.

I believe those types of awards should be meaningful to clients because they help measure the engagement of our teammates within our culture as well as help attract new talent to our company. These awards and others like them in combination with our own measurements tell me that we have a highly engaged work force focused on serving our clients. When I asked our teammates what they were most pleased with in our annual Strategic Planning Questionnaire, the top three answers this year remained the same as in year's past – our culture, clients, and teammates. These awards also help us attract new diverse and uniquely talented members to our team. So far in 2016, we have added 20 new team members to the Greenleaf Trust Team. Engagement drives impact. A diversely talented, growing team working in a client focused high performance culture should benefit the clients it is working for. That is our goal.

"These awards and… our own measurements tell me that we have a highly engaged work force focused on serving our clients."

For example, the breadth and depth of services that we can provide clients is directly related to our growth and the addition of new talent to our culture. Most recently, that has included the development of a more sophisticated investment platform that provides the ability to offer access to highly sought after managers and alternative asset exposure to client portfolios through hedge funds and separately managed accounts (SMA's).

I also believe clients directly benefit from a team that asks questions, listens, and is empowered to make changes. We had been hearing in client meetings and then teammate surveys that our interaction with clients through technology could improve. As a result, we are set to launch our new web-based client interface that will help clients view, analyze, organize, and more collaboratively work with their Client Centric Team on planning solutions.

In summary, our culture is thriving and our talent base is growing. Since our priorities are client first and foremost, it is our mission to continue to make a difference in their lives however possible. In the near term, that may involve the development of different services that they say they need. Longer term, that may simply involve being around from generation to generation.

Tax Reform in 2017? What to Expect

George F. Bearup
Senior Trust Advisor

Since the presidential election I have been asked by a few people what I think will happen to the tax laws with a Republican controlled Congress. Like everyone else, I have some guesses, but that is all, just guesses. Below are some estate planning strategies that might be impacted in light of what potential tax reform might look like.

Estate Tax: There is a good chance the dreaded death tax will finally meet its maker in 2017. Those married couples considering reciprocal marital deduction trusts might want to slow down and await the repeal of the estate tax. Do not be surprised, however, if some states act to fill the void and enact their own estate tax to generate diminished tax revenues at the state level. If states start to impose their own estate taxes, estate planning will become far more complicated if clients own assets in several states. If there is the possibility that assets owned by a surviving spouse will dramatically increase in value after the owner's death, it might make sense for the owner to use a credit-shelter trust arrangement to hold those assets so that the surviving spouse will have access to the income generated by them, but the assets will avoid the deemed sale on death capital gains tax (see below).

> "There is a good chance the dreaded death tax will finally meet its maker in 2017."

Gift Tax: There will still be the need for a gift tax. Not because of the revenues the gift tax generates, but to act as a backstop to the income tax laws. Without a gift tax, parents in high income tax brackets could otherwise gift income producing assets to children, who are in lower income tax brackets, to affect a shift of the taxable income to a potentially lower marginal income tax bracket. Later, if the parent needed more income, the children could gift the income producing asset back to their parent. In order to prevent shifting income back and forth to play the marginal income tax bracket game, there needs to be a gift tax in place. Currently, the lifetime federal gift tax exemption is $5.45 million. It would not surprise me to see that lifetime gift tax exemption come down, especially if the estate tax is repealed, to something like $2.0 million per taxpayer.

For wealthy folks a lifetime gift to an irrevocable trust for their spouse's lifetime benefit (called a SLAT) is still is a good strategy to pursue. While assets held in the SLAT do not have their income tax basis stepped up on the spouse's death, it may actually provide a benefit if the 'deemed sale on death' rule (see below) replaces the estate tax. Moreover, a SLAT provides lifetime creditor protection to the spouse, regardless of what tax reform brings.

Tax Reform 2017, continued

For folks who are considering the sale of an appreciated asset to an intentionally defective grantor trust (IDGT) to exploit the current law's valuation discount rules associated with a lack of control and a lack of marketability, an IDGT still makes sense. Like the SLAT strategy, there will be no income tax basis step-up in the assets sold to the IDGT, but the same assets will not be exposed to the deemed sale on death capital gain tax either. Another reason the IDGT continues to be a viable strategy is that the IDGT is classified as a grantor trust for income tax reporting purposes caused by the settlor's retained power to substitute assets of equivalent value with the IDGT's assets. That means the settlor of the IDGT pays the tax on the income the IDGT generates. The settlor's payment of that income tax liability is not treated as a taxable gift by the settlor to the IDGT's beneficiaries. Thus, if a taxpayer's lifetime gift tax exemption is reduced as part of tax reform, the taxpayer will be able to preserve their gift tax exemption to be used for other income-shifting opportunities.

"With the potential loss of revenue from the possible repeal of the federal estate tax, expect Congress to look for new ways to recover those lost revenues."

Capital Gains Tax: With the potential loss of revenue from the possible repeal of the federal estate tax, expect Congress to look for new ways to recover those lost revenues. Thus, there is a good chance that the estate tax will be replaced with a taxation system comparable to Canada's, which is a deemed sale on death tax. In short, Congress swaps a death tax for a capital gains on death tax. Under Mr. Trump's proposal, the first $10 million of a decedent's assets that pass at death would be exempt from this deemed sale on death tax. If this exchange occurs, it will be a big improvement over the existing estate tax exemption of $5.45 million per taxpayer; $10 million is excluded from the deemed capital gain per taxpayer, or $20 million could be transferred by a married couple to their children without any tax.

For very wealthy individuals, if this deemed sale on death tax is enacted there will still be the need for liquidity to pay the sudden capital gain tax on death. Consequently, there is still a good reason to maintain an irrevocable life insurance trust (ILIT) to provide that needed liquidity when the insured dies.

Comparable to avoiding the current federal estate tax, many families will want to avoid the deemed sale on death capital gains tax. As a result some families should look at creating a dynasty trust that provides for several generations of family members, but without exposing the trust's assets to either the estate tax (current) or the deemed sale on death tax (future), as the assets held in trust benefit the family members, but none of those family members will be treated as owning the dynasty trust's assets.

If the deemed sale of death tax becomes law, it could change how we look at assets in estate planning. Rather than planning for a full step-up in income tax basis of those assets on the owner's death, we may find that steps will be taken to increase the basis in assets during the owner's lifetime to minimize the capital gain recognized on the owner's death. That might also mean transferring low basis assets to irrevocable trusts and the owner retaining high basis assets in order to minimize the deemed sale on death tax.

Generation Skipping Tax: Mr. Trump proposes the repeal of the generation skipping transfer tax (GST) as well. If that occurs, that would bring a new reality to the oft-used phrase tax simplification. If repeal of the GST becomes a reality, existing GST exempt trusts that were segregated to minimize the impact of this tax can now be consolidated with other trusts. If a GST exempt trust is being contemplated at this time, it would be wise to add a trust protector to that instrument and expressly give to the trust protector the ability to amend or consolidate the trust with other trusts to simplify future trust administration.

> "If repeal of the GST becomes a reality, existing GST exempt trusts that were segregated to minimize the impact of this tax can now be consolidated…"

Income Tax: Mr. Trump proposes the repeal of the 3.8% net investment income surtax and also the elimination of the top income tax rate of 39.6%. With the elimination of these tax rates it might make sense to defer an IRA Roth conversion until 2017 when the income tax burden that results from that conversion will be less.

Qualified Plan Distributions: In 2016, the Senate Finance Committee unanimously approved a proposal to effectively eliminate stretch IRAs. Rather than permit an inherited IRA account to be withdrawn and taxed over the beneficiary's life expectancy (perhaps over decades) almost all IRAs and qualified plan accounts would have to be distributed (and taxed) to the beneficiary over a period of 60 months after the account owner's death. Many IRA beneficiary designations that deliberately named grandchildren as beneficiaries to exploit the existing stretch IRA distribution rules may have to be revisited due to the proposed maximum 60 month distribution period. In light of potentially losing the tax benefit of spreading the retirement income over several decades, it might be worthwhile to consider reducing the amount in the IRA with a qualified charitable IRA. This rule permits a required minimum distribution from an IRA to be directly transferred to a charity, up to $100,000 per calendar year.

In the end, we all know that nothing Congress does is ever permanent. What comes as tax reform or tax simplification in 2017 can easily be changed in the years to come. In the meantime it makes sense to look at some end-of-the year planning strategies and identify how they might be impacted with the promise of tax law changes next year.

Allison L. Birmingham, CWS®
Wealth Management Advisor

Trump in the Driver's Seat

Born and raised in a south Detroit suburb, with a long line of family in the auto industry, my heart remains closely tied to the success and setbacks of Detroit automakers. We have now approached a fork in the road with a new president-elect coupled with a shift in government.

What turns shall we expect from the president-elect? Whatever they may be, some tighter than others, each turn taken will make a profound impact on the US, notably Michigan's, automobile industry. Certainly it is much too early to understand the sweeping effect of campaign promises — if and when they could take place, we must still recognize the trickling effect of what those ideas could do for residents of Michigan, and our domination in vehicle manufacturing. Automakers and consumers alike have endured uncertainty leading up to the election and now continuing into post-election. This will cause most investments and purchases to remain on the sideline as Trump's cabinet fills in and new propositions come to light.

"… each turn taken will make a profound impact on the US, notably Michigan's, automobile industry."

Trade Deals

Automakers such as GM and Ford are using this time, post-election, to begin a flex production system and regional sales figures to mitigate potential tariff costs anticipated via Trump's campaign. Proposed tariffs could be a significant impact to new car sales adding upwards of $5,000 to a $15,000 vehicle. This impacts blue collar consumers the most, which owned the majority of Republican votes in the Midwest. It is difficult for any new president to conduct a U-turn, especially when considering trade pacts such as the North American Free Trade Agreement; however, it is yet to be endured what, if any, negotiations will be reconsidered. If Trump becomes unsuccessful with agreement renegotiations, he has indicated a strong increase in such taxes, 10 to 35 percent on vehicles and parts made in Mexico and imported into the US. It's simple: his desire is for jobs to remain in the US. Ultimately, NAFTA provides access to cheaper labor, albeit, outside the United States, which Trump will strive to avoid.

Jobs

Since 2010, Michigan companies have invested more than $20 billion in automotive, in-turn creating excess of 65,000 jobs; however, the United States has lost more than 5 million factory jobs since 2000. Trump has indicated he will continue to support domestic production and manufacturing via government tax incentives, and he has vowed to keep the more than 12 million manufacturing jobs here in the US. To do this,

his plan is to avoid automakers establishing new manufacturing plants in Mexico and elsewhere, which will inevitably move jobs outside the US. Detroit needs the jobs. Michigan needs the jobs. Our country's economy needs the jobs.

Economy

Since Election Day the markets have been on a upward slope leaving the Dow at a current record high. Also resulting from this short term rally is ease of credit in the auto-lending and leasing space. However, the Federal Reserve is likely to raise rates in December to cool down the running economy and slow inflation. This course of action is sure to slow any new auto sales, outside of any other variables such as lower gas prices and accelerating average vehicle age. Companies are expected to be more generous with bonuses this holiday season, which will in-turn boost consumer spending. We may continue to see a strong economy early in Trump's tenure if the speed of the market continues as such, gas prices remain subdued, and pocket change increases. However, with the likelihood of rising rates in December stronger than ever, most of the aforementioned could be a moot point when the New Year arrives.

When I am back to the east side of the state, it is evident there have been hard times in the Detroit Metro area. They say Michigan will be the comeback state; I have no doubt it will be Detroit that will pave the way. They have come far and continue to make strides, beginning with automotive, while partnering with impactful players who believe in the city. Trump seems to have his direction and turns mapped out, however, it will come down to the approval from Congress and his cabinet leaders to determine which route is best for the US Economy. Set your cruise control for now, nothing will happen overnight. As always, we will remain in the forefront of moves that could impact investment decisions. For now, drive safely, and enjoy the holiday season.

"They say Michigan will be the comeback state; I have no doubt it will be Detroit that will pave the way."

Lorey L. Matties
Participant Services Specialist

Cost-of-Living Adjustments to Retirement Plans for 2017

The Social Security Administration (SSA) announced cost-of-living adjustments to the maximum amount of earnings that are subject to the Social Security tax, as well as a nominal increase to monthly Social Security and Supplemental Security Income benefits. The Social Security Wage Base will increase in 2017 from $118,500 to $127,200.

The Social Security tax functions very much like a flat tax. The taxable wage base caps the amount of employee compensation subject to the 6.20% Social Security tax rate imposed on both employers and employees. In 2017, employers must withhold Social Security tax on each employee's first $127,200 of compensation. This means that the employer and employee must each pay $7,886. Compensation above the $127,200 is not subject to Social Security taxes.

The Internal Revenue Service (IRS) also recently announced various dollar limitations applicable to retirement plans for 2017. Some 401(k)/403(b) and IRA plan limits will remain unchanged because the Consumer Price Index did not meet the statutory thresholds for their adjustment. Highlights include the following:

"Some... plan limits will remain unchanged because the Consumer Price Index did not meet the statutory thresholds for their adjustment."

Retirement Plan Limitations	2017	2016
Annual 401(k), 403(b) and 457 deferral limit	$18,000	$18,000
401(k), 403(b) and 457 contribution catch up limit	$6,000	$6,000
Annual benefit limit "415 limit"	$215,000	$210,000
Annual contribution limit "415 limit"	$54,000	$53,000
Annual compensation limit	$270,000	$265,000
Highly Compensation employee definition	$120,000	$120,000
Key employee definition for top-heavy plan	$175,000	$170,000
Income subject to Social Security (wage base)	$127,200	$118,500
Annual IRA contribution limit	$5,500	$5,500
Annual IRA catch up contribution limit	$1,000	$1,000

The Saver's Tax Credit for low- and moderate-income workers will reflect modest adjustments as well. The credit is between 10-50% of the individual's eligible contribution up to $2,000. The limit for 2017 is $31,000 for singles; $46,500 for head of household; and $62,000 for married couples filing jointly.

Should you have any questions regarding the various limitations that apply to retirement plans, including some that are not included in the above table, please contact our Retirement Plan Services Team.

Post-Election Market Reaction

Dave P. Mange, CFA
Vice President
Senior Research Analyst

Christopher D. Burns, CFA, CPA
Fixed Income Analyst

Regardless of one's political predilection, our task as investors is to make a dispassionate assessment of the themes that might affect US and global financial markets during the next four years. Post US Presidential election, investment markets have had time to rapidly place some bets, rethink those bets and partially settle back. With inauguration day still nearly two months away, we have seen the "Trump rally" and the death of the Trump rally come and go in US stocks. My colleague Chris Burns and I will look at some themes to consider as the US political landscape transitions.

With the likely unnecessary reminder that there is often a very wide gap between Presidential intentions, campaign rhetoric and actual policy, let alone the law of unintended consequences, some major themes include:

- Corporate tax reduction and simplification
- Simplifying and flattening individual income taxes
- A lack of an articulated revenue plug to compensate for those tax reductions, potentially accelerating the budget deficit
- Increased tension in global trade agreements, possibly resulting in tariffs, and restricted flow of goods

US Equities

Since the election, the US stock market has seen some notable sector rotations based on a view that some combination of the aforementioned themes is now imminent.

Healthcare

This sector is in decline since the election. Perhaps no sector better illustrates the potential cross currents of the Trump administration. A positive catalyst could be that some of the feared draconian drug price controls, including California's proposition 61, will be avoided. An unknowable potential negative would be the repeal of the Affordable Care Act if there is not a corresponding plan to cover those currently in insurance exchanges.

Financials/Banks

This sector has been the biggest winner so far, due to a perception that regulation might be loosened, and that interest rates will rise, allowing banks, insurance companies and credit card issuers to earn higher net interest margins.

"Post US Presidential election, investment markets have had time to rapidly place some bets, rethink those bets and partially settle back."

Post-Election Market, continued

Utility Sector

After utility stocks declined in the first two weeks after the election, a recent rebound has given the sector a slight positive return since November 8, though the sector still trails the broader S&P 500 index.

S&P 500 dividend SPDR– after an early post-election sell off, this ETF which carries a dividend yield higher than the S&P 500 benchmark is up more than most sectors. Of course, this does not square with the rising interest rate theory that has been partially responsible for propelling the financial sector stocks forward.

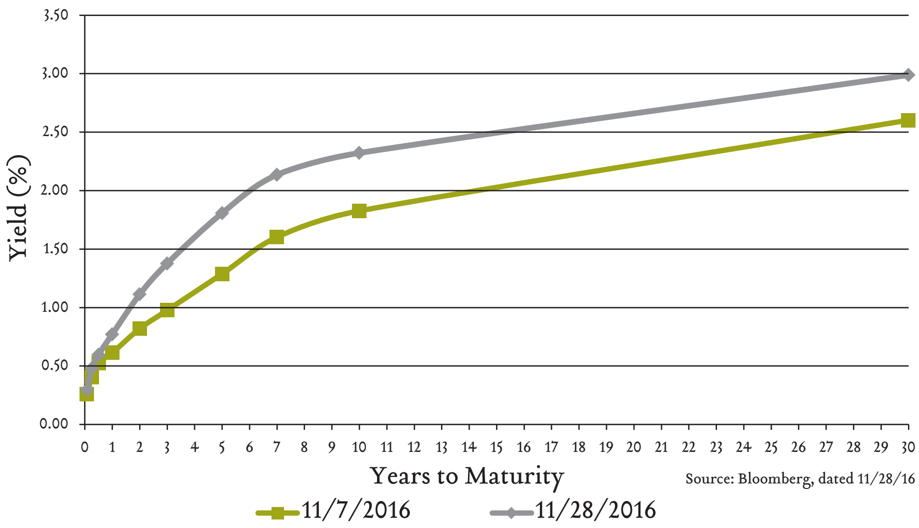
If this sounds like the Presidential election did not create notable equity market clarity, you are following our reasoning accurately. The election did not change our long run view that asset returns may be lower than the historical averages.

"If this sounds like the Presidential election did not create notable equity market clarity, you are following our reasoning accurately."

US Fixed Income

Perhaps the most significant and surprising capital markets reaction to the election of Donald Trump as US President has been a steep increase in US bond yields.

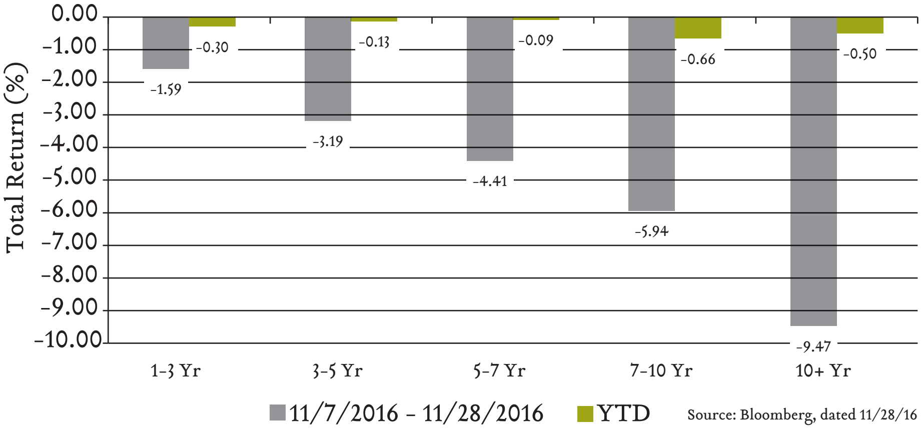
U.S. Treasury Yield Curve
Pre-and-Post-Election



Source: Bloomberg, dated 11/28/16

If you'd like to join us in our efforts to conserve natural resources and create a greener environment, you may choose to save paper by receiving email notifications to view your statement online. Simply give us a call at 269.388.9800 and ask to speak with a member of your client centric team.

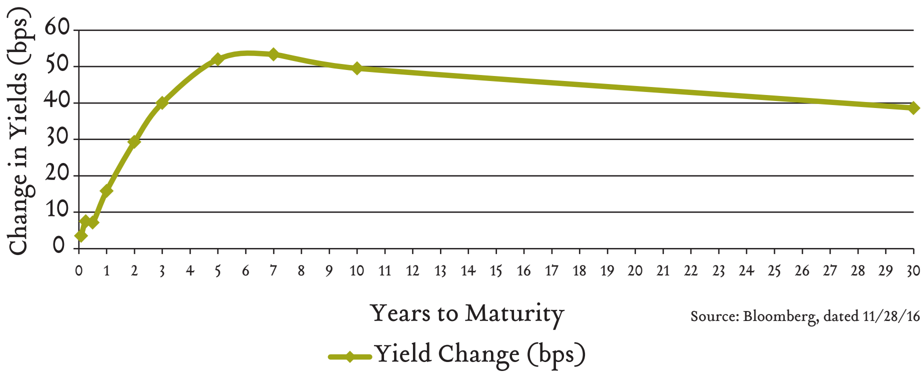
US Treasury Total Returns
by Maturity Bucket



Source: Bloomberg, dated 11/28/16

Rising yields correspond with capital losses for bondholders and, indeed, bond returns have been negative across the curve since the election. These losses have erased prior YTD gains in Treasuries, with most maturity ranges down marginally YTD.

Change in Yields



Source: Bloomberg, dated 11/28/16

"In addition to affecting bondholders, rising yields also impact other asset classes."

In addition to affecting bondholders, rising yields also impact other asset classes. The US Dollar has strengthened 3.6% since the election as higher yields tend to attract capital inflows. Domestically, equity sectors that benefit from a steep yield curve, such as financials, have outperformed. Within commodities, precious metals have underperformed as their carrying costs increase with higher yields.

Initially, many investment strategists predicted that a Trump victory would lead to a 'risk-off' period marked by negative equity returns and falling, not rising, bond yields. However, readers should refer back to Greenleaf's October Perspectives article from the Research Team regarding the candidates' infrastructure spending plans for a partial treatment of how Trump's policy agenda may be consistent with higher

Post-Election Market, continued

growth and inflation, as well as steeper yield curves. The agenda Trump discussed on the campaign trail called for lowering taxes and increasing spending, which would drive budget deficits higher and potentially spur inflation. In addition, the election came at a time when bond risk premia were near all-time lows and had already been creeping higher after bottoming in the summer following the Brexit vote.

Looking forward, we continue to feel that investors are not receiving adequate compensation for holding significant duration in fixed income. Although bonds have sold off after the election, we still believe longer-duration bonds are expensive based on historical valuation metrics. However, we also believe that longer-term demographic headwinds, as well as currently high global debt levels, may restrain growth and inflation moving forward. As such, if bond risk premia continue to move higher without significant increases in long-term inflation expectations, we may be biased to add duration on the margins. For now, we are maintaining an underweight to duration in our fixed income strategy.

"As the new president-elect establishes his cabinet and clarifies policy positions, we will continue to assess the implications for our investment strategies and your portfolios."

Conclusion

As the new President-elect establishes his cabinet and clarifies policy positions, we will continue to assess the implications for our investment strategies and your portfolios. We remain committed to helping you achieve your long-term financial objectives through holistic planning, building diversified investment portfolios, and making thoughtful changes to investment strategies as conditions warrant. If you have any questions or want to discuss this topic further, please contact your dedicated Client Centric Team.

Stock Market Pulse

Index	11/30/16	Total Return Since 12/31/15
S&P 1500	511.42	10.77%
DJIA	19,123.58	12.62%
NASDAQ	5,323.68	7.59%
S&P 500	2,198.81	9.79%
S&P 400	1,627.52	18.15%
S&P 600	812.02	22.43%
NYSE Composite	10,838.46	6.85%
Dow Jones Utilities	632.67	13.15%
Barclays Aggregate Bond	108.24	2.15%

P/E Multiples	11/30/16
S&P 1500	18.8x
DJIA	18.2x
NASDAQ	22.2x
S&P 500	18.5x
S&P 400	20.8x
S&P 600	21.6x

Key Rates

Fed Funds Rate	0% to 0.25%
T Bill 90 Days	0.46%
T Bond 30 Yr	3.02%
Prime Rate	3.50%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	511.42	18.8x	2.05%
S&P 500	2,198.81	18.5x	2.12%
DJIA	19,123.58	18.2x	2.46%
Dow Jones Utilities	632.67	NA	3.55%

Spread Between 30 Year Government Yields and Market Dividend Yields: 0.96%

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