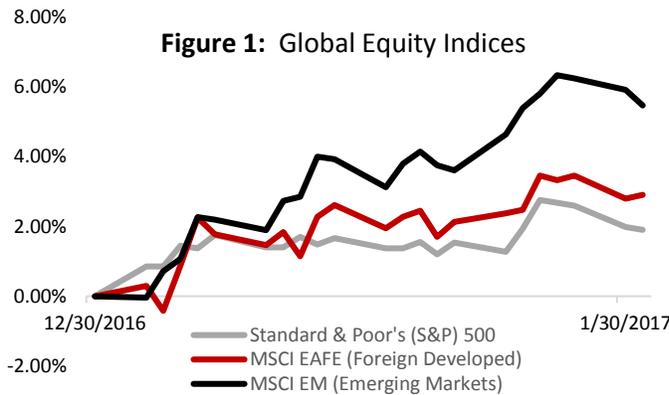


JANUARY 2017 RECAP

The battle of domestic protectionism relative to increased globalization took center stage during the month following the inauguration of President Trump. Campaign promises from the administration were met with new executive orders despite criticism from the public and, in some cases, the media. Repealing the Affordable Care Act (Obamacare) remained at the top of the list and managed to create significant volatility within the Standard & Poor's (S&P) healthcare sector. The sector managed to lose nearly -4% intra-month but ended up closing higher for the month by 2.25%. Other issues of concern



Source: Bloomberg, Hefty Wealth Partners

that also affected equity markets were tied to immigration and overall tariffs with our neighbor to the south – Mexico. Internally, we would argue that excess volatility from upcoming executive orders is likely warranted and we stand ready to take advantage of all opportunities globally. As it relates to aggregate markets, however, the momentum remained intact from 2016, albeit modestly (Figure 1). The strong performance of emerging market equities remains somewhat

puzzling given the rhetoric that a Trump administration does not favor emerging markets (i.e. domestic protectionism). It would seem that investors have been willing to accept the headline risk in lieu purchasing equities at lower valuations. Generally speaking, emerging market exposure does look favorable relative to major domestic indices and the five-year underperformance of the MSCI Emerging Markets Index may be poised for upside. In light of upside, a noticeable headline throughout the month revolved around the Dow Jones Industrial Average reaching 20,000. Although it did happen, we'd like to point out that the significance of such a level is important purely on a psychological level and bares no merit to the valuation of the underlying securities. More specifically, reaching 20,000 does not validate the notion of becoming more aggressive with overall risk appetites. Shifting attention away from equity markets, January posted overall positive domestic economic data points. We learned that the economy grew at an annualized pace of 1.9% during the fourth quarter of 2016 and failed to meet economists' estimates. The attribution components to the growth figure looked slightly more favorable, in our opinion. Strong consumer consumption data validated the strong sentiment figures that haven't been observed seen 2004 (as depicted by the University of Michigan). Moreover, small business sentiment data revealed an overall optimistic undertone. If the Trump administration lowers taxes for small businesses, as has been promised, we would argue that sentiment in that sector may continue higher in 2017. Outside of sentiment, data tied to the labor market was once again utterly positive. The economy added 227,000 jobs in January, relative to the 180,000 expectation, and wage growth held at 2.5%. The labor force participation rate inched higher to 62.9% and the underemployment rate is hovering near its long-term average. We believe that 2017 will be the year where private payrolls normalize near 160,000 to 180,000. The three-year trend of strong job creation in excess of 200,000 per month may be over. This is not a negative in our view. It's a sign of a strong and mature labor market. In other news during the month, it's important to note that oil prices remained relatively flat as the enforcement of the oil production cut among oil producing countries spurred uncertainty. We'll be keeping a close eye on the effects to the dollar, as well as domestic inflation figures, from oil volatility.

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The price of small cap stocks are generally more volatile than large cap stocks.

The Standard & Poor's 500 Index is a large capitalization weighted index of 500 stocks designed to measure the performance of the largest multi-national companies domiciled in the U.S representing all major industries.

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