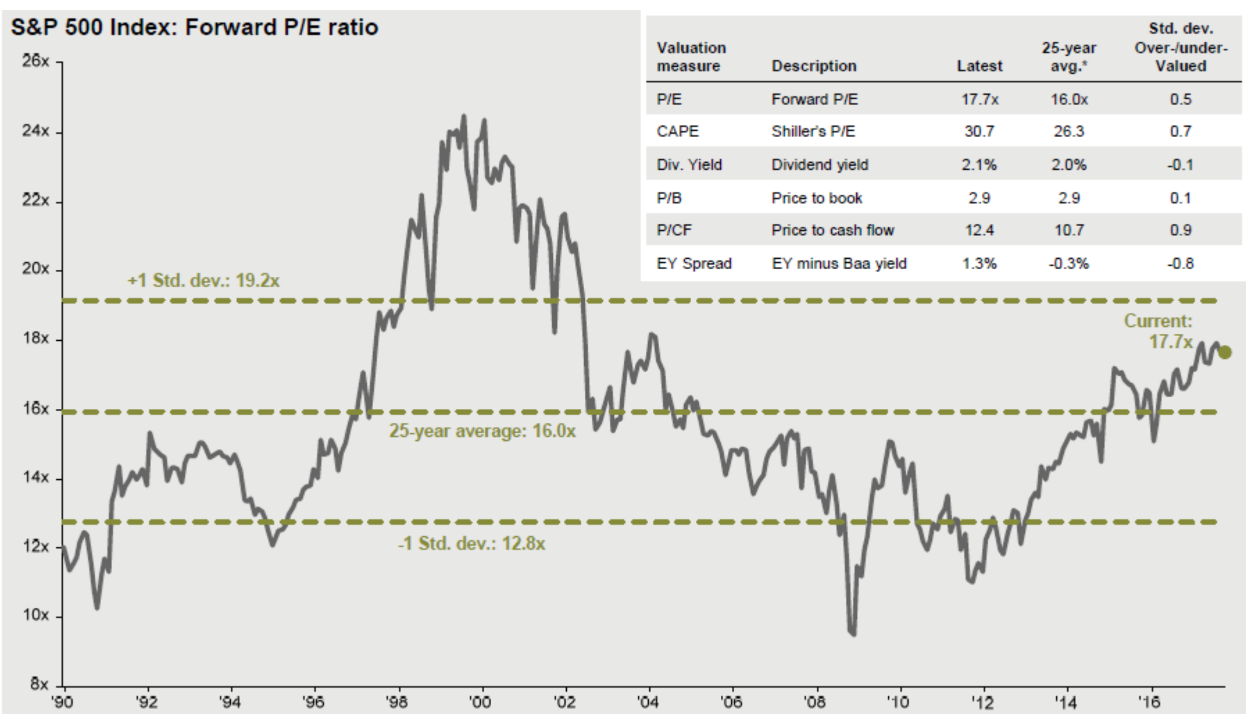
Market Summary for Q3 2017

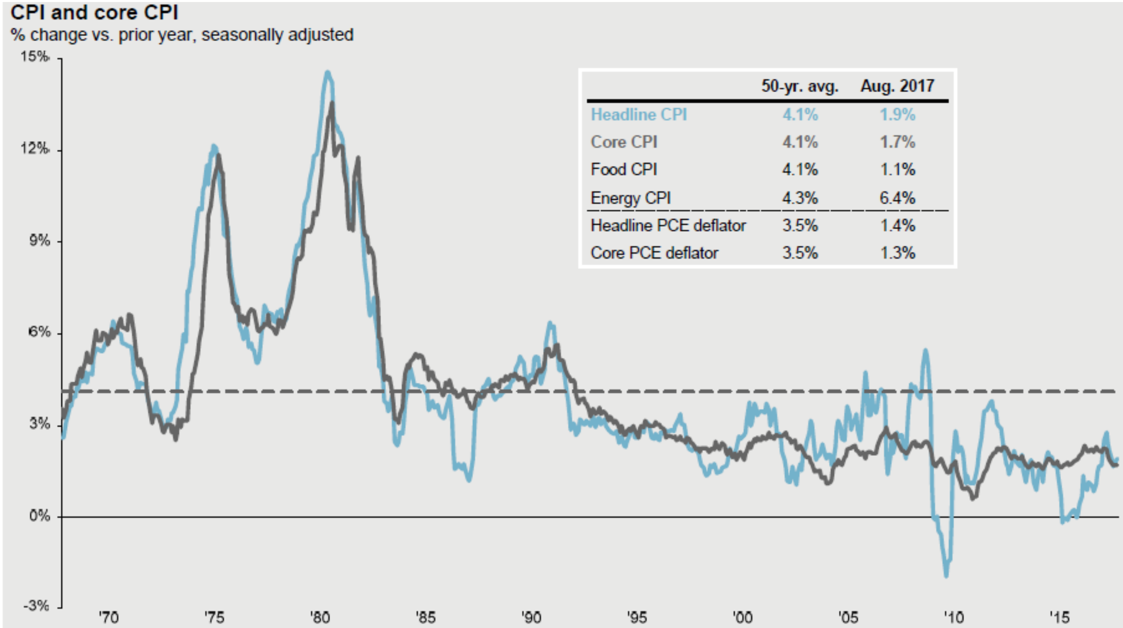
Asset Class	Allocation %	Q1	Q2	Q3	YTD
REITS (Real Estate)	10.0%	2.5%	2.4%	1.1%	6.0%
MSCI EME (Emerging Market)	10.0%	11.5%	7.1%	9.5%	28.1%
S&P 500 (US Large Cap Stocks)	20.0%	6.1%	3.2%	4.9%	14.2%
MSCI EAFE (Developed International Stocks)	10.0%	7.4%	6.8%	6.3%	20.5%
Barclays Aggregate (Bonds)	20.0%	0.8%	1.5%	0.8%	3.1%
Russell 2000 (US Small Cap Stocks)	10.0%	2.5%	2.5%	5.9%	10.9%
Commodities	10.0%	-2.3%	-3.0%	2.4%	-2.9%
Cash	10.0%	0.1%	0.2%	0.3%	0.6%
Diversified Portfolio (70% Stock/30% Fixed Inc.)	100.0%	3.6%	2.5%	3.7%	9.8%

U.S. Stock Market: A steady year for U.S. stocks continues. The forward Price/Earnings (P/E) ratio on the S&P 500 Index hovers around 17.7X (similar to both three and six months ago). As this 27-year historical P/E chart shows, U.S. stocks look neither cheap, nor overly expensive. Calls for a negative correction ring hollow to our ears. Markets don't correct because of time passing. They correct because of expensive valuations, slowing economies, and/or negative world events.



Source: FactSet, FRB, Thomson Reuters, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.

Stock prices benefit from low interest rates and low inflation. Actual inflation looks higher to us, but government reports intentionally understate inflation. As such, we support some exposure to gold.



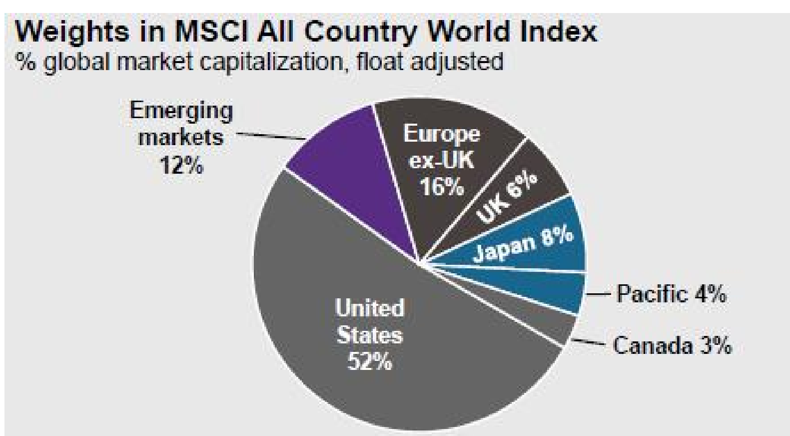
	50-yr. avg.	Aug. 2017
Headline CPI	4.1%	1.9%
Core CPI	4.1%	1.7%
Food CPI	4.1%	1.1%
Energy CPI	4.3%	6.4%
Headline PCE deflator	3.5%	1.4%
Core PCE deflator	3.5%	1.3%

Source: BLS, FactSet, J.P. Morgan Asset Management.

For 2017 (so far), **Growth** has outperformed **Value**, and **Large Cap** has outperformed **Small Cap**. Three months ago, we mentioned this is not typical, and to look for a change. Well, it changed during July – September, where Small Cap and Value again outperformed. This has also been true, overall, since the market lows hit way back in March of 2009.

Through September 30th, the strongest U.S. Stock market Sectors were **Technology (+27.4%)**, **Healthcare (+20.3%)**, and **Basic Materials (+15.8%)**. Technology remains one of our favorite themes. Political uncertainty continues around Healthcare reform. The worst 2017 Sectors have been **Energy (-6.6%)**, **Telecom (-4.7%)**, and **Consumer Staples (+6.6%)**. This aligns with Crew strategy, as we avoid many investments in these lagging areas.

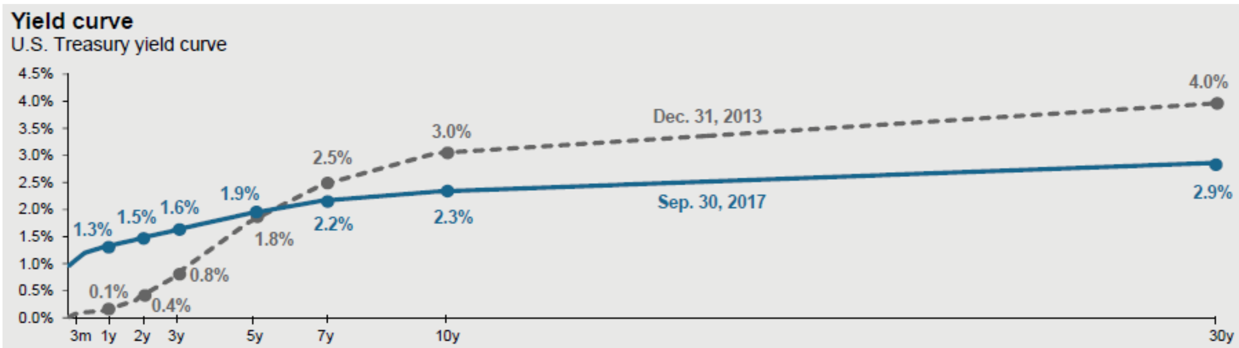
<u>Foreign Stock Markets:</u> Western European stocks have delivered remarkable strength in 2017, as have Emerging markets. In our opinion, the momentum in these two areas is sustainable. Some of the best 2017 stock markets around the world have been China, France, Brazil, Germany, and India. From a broader perspective, Emerging Markets and Western Europe (excluding the United Kingdom) have definitely led the way (even vs. U.S. stocks).



Source: JP Morgan – Guide to the Market Q4 2017

Crew Clients benefit because our allocations to foreign stock markets are larger than many "old school" money managers.

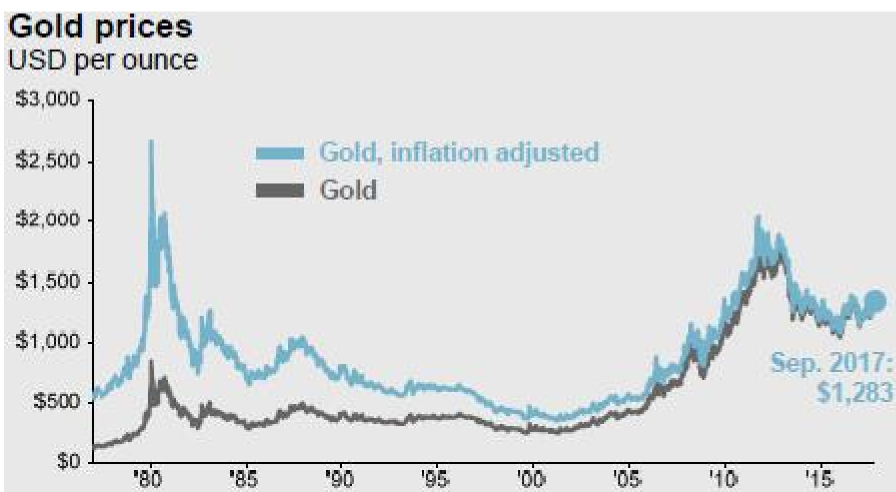
U.S. Bond Market: Since last Autumn, many strategists predicted rising interest rates. Maybe they'll be right eventually. In fact, the yield curve remains flat vs. four years ago. Expect the yield curve to get even flatter as the Fed likely raises overnight lending rates. Basically, longer-term rates are pushed lower by the Fed tightening of the short-term money supply.



Source: JP Morgan – Guide to the Market Q4 2017

We remain (contrarian) bullish on a couple of areas in the bond market; specifically, longer Treasury Bonds and High-Yield Corporate Bonds. Both areas have been leaders in 2017.

Commodities & Real Estate: Gold has enjoyed a solid 2017, up 12% through September 30th. However, broadly measured, Commodities are down this year. REITS (Real Estate Investment Trusts) have gains, but not as much as U.S. stocks. We expect positive demand and pricing trends for real estate, and believe real estate is healthier now than back in 2007 (pre-crash).



Source: JP Morgan – Guide to the Market Q4 2017

Our Forecast for the rest of 2017:

The financial media promotes fear. Just ignore them.

We view the biggest risk to stock prices right now as geopolitical. Any type of military conflict between the United States and North Korea would, in our opinion, cause a "*shock to the* *system*" and could knock stock prices lower around the world. We would not expect this to be a prolonged outcome, but it could last for a period of several days or even a few weeks. Our approach to this has been, though we believe Asian Stock Markets are exhibiting leadership, we're keeping a close eye on our clients' exposure to Asia.

Assuming the United States avoids military conflict, we **expect higher Stock prices in the United States, Western Europe, and Emerging Asia**. Valuations are not unusually expensive and corporate profits are improving. Economic growth surprises to the upside. The drivers of worldwide growth will be technology, innovation, and consumer demand.

Domestic Bonds will deliver total returns of 4% to 6% for 2017. Interest rates will approximate current levels. Employment trends are not tight enough to drive wage inflation. A gradual rise in interest rates should not be feared, as it will be balanced out by economic growth.

Commodity & Real Estate prices will move higher. Economic growth supports demand. Commercial real estate prices will surprise to the upside. Gold will move a bit higher as the U.S. dollar trends mostly sideways.

Six Areas driven by Government action/inaction:

(1) Tax Reform, which impacts corporate profitability and worker take-home pay.

(2) Infrastructure Spending, which impacts new jobs and quality of life.

(3) Deregulation, which impacts corporate investment and new business creation.

(4) Trade Policy, which impacts imports/exports, but also protectionism issues.

(5) Healthcare Reform, which is creating great uncertainty.

(6) Immigration Reform, which impacts wages, but also productivity.

Tax Reform is on the front burner, and here's what we think could happen, it is just too early to predict the outcome. The President favors three tax brackets 12%, 25%, and 35% versus the current seven bracket structure of 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%. In addition, they look to lower corporate income tax to be competitive with the rest of the world. The 2017 average worldwide corporate income tax rate is 22.96% versus the US at 38.91%, roughly a 16% disadvantage for US corporations. The main goal of tax reform is simpler and lower to be competitive with the world.

Sources: JP Morgan, CNBC, The Vanguard Group, Charles Schwab & Co., taxfoundation.org