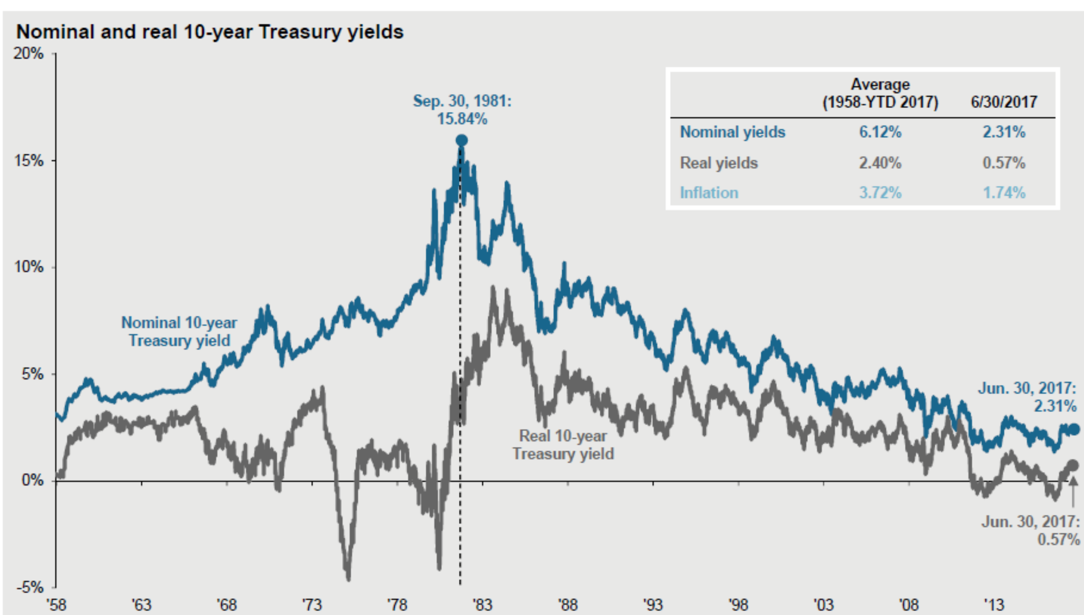
Market Summary for Q2 2017

Asset Class	Allocation %	Q1	Q2	YTD
REITS (Real Estate)	10.0%	2.5%	2.4%	4.9%
MSCI EME (Emerging Market)	10.0%	11.5%	7.1%	18.6%
S&P 500 (US Large Cap Stocks)	20.0%	6.1%	3.2%	9.3%
MSCI EAFE (Developed International Stocks)	10.0%	7.4%	6.8%	14.2%
Barclays Aggregate (Bonds)	20.0%	0.8%	1.5%	2.3%
Russell 2000 (US Small Cap Stocks)	10.0%	2.5%	2.5%	5.0%
Commodities	10.0%	-2.3%	-3.0%	-5.3%
Cash	10.0%	0.1%	0.2%	0.3%
Diversified Portfolio (70% Stock/30% Fixed Inc.)	100.0%	3.6%	2.5%	6.1%

Source: JP Morgan – Guide to the Markets June 30, 2017

U.S. Stock Market: At June 30th, the forward Price/Earnings (P/E) ratio on the S&P 500 Index continues to hover around 17.5X (similar to three months ago). Why? Well, as stock prices (the P) have risen, earnings (the E) have risen as well. We mentioned those rising corporate earnings estimates in our Q1 Market Summary. So, this has generally been an orderly and healthy stock market advance, in our eyes. The 25-year trailing average P/E on the S&P 500 is around 16.0X. But, we emphasize that stock market valuation is about current conditions much more than about historical averages. Stock prices continue to benefit from low interest rates and low inflation (even though the media gets this wrong).



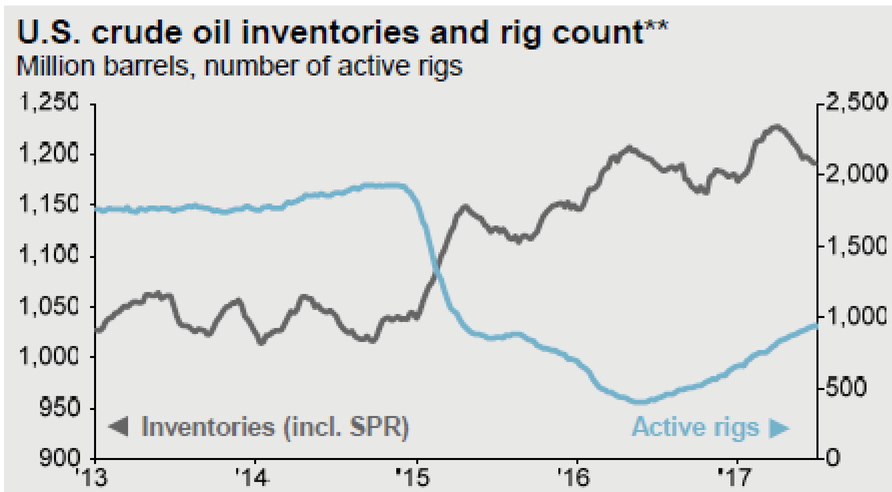
Source: BLS, Federal Reserve, J.P. Morgan Asset Management.
Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core CPI inflation for that month except for June 2017, where real yields are calculated by subtracting out May 2017 year-over-year core inflation.

Source: JP Morgan – Guide to the Markets June 30, 2017

For 2017 (so far), **Growth** has outperformed **Value**, and **Large Cap** has outperformed **Small Cap**. This is not common for long historical periods, and we look for this to begin to change by next year.

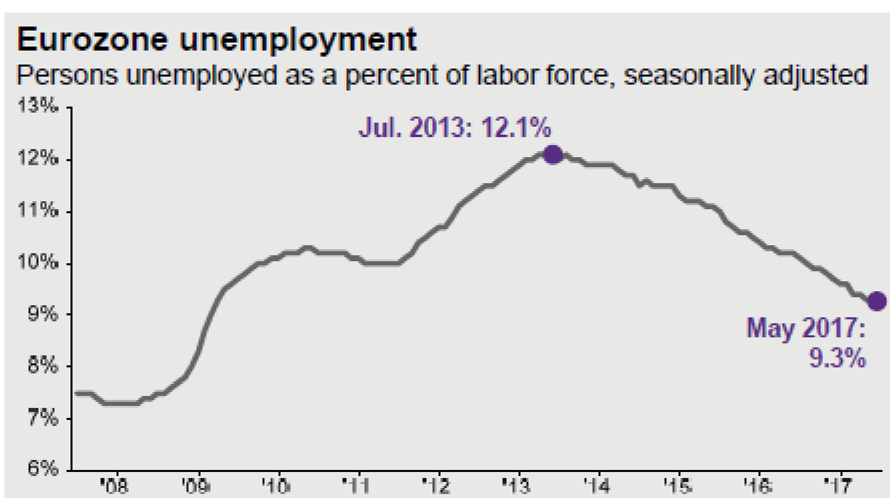
For the first half of 2017, the strongest Sectors were **Technology (+17.2%)**, **Consumer Discretionary (+11.0%)**, and **Healthcare (+16.1%)**. This is well aligned with Crew Capital's strategy, as Technology and Consumer Discretionary continue to be among our favorites. We still find Healthcare investments more difficult to predict because of political uncertainty out of Washington D.C.

The worst 2017 Sectors have been **Energy (-12.6%)**, **Telecom (-10.7%)**, and **Financials (+6.9%)**. This also aligns with Crew strategy, as we avoid many investments in these areas. We predict even lower energy prices, and a more competitive telecom environment (with corresponding pricing pressure). Active oil rig counts continue to rise; still too much supply for us to feel bullish on Energy stocks.



Source: JP Morgan – Guide to the Markets June 30, 2017

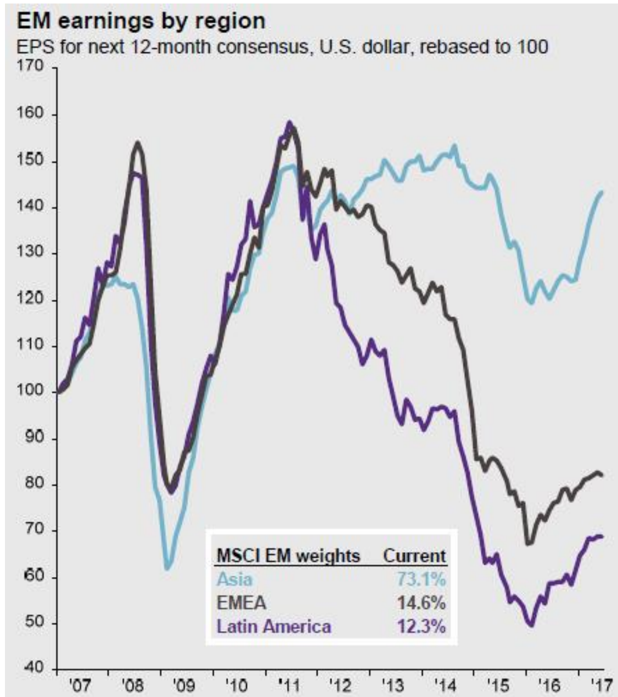
Foreign Stock Markets: Western European stock markets have shown remarkable strength in 2017, as have Emerging Asian stock markets. In our opinion, the momentum in these two broad areas is likely for the rest of the year. Through June 30th, some of the best major markets around the world were (in descending order of strength) China, India, France, Germany, and the United Kingdom. Partly fueling this growth is Eurozone employment, which has been steadily improving since mid-2013.



Source: JP Morgan – Guide to the Markets June 30, 2017

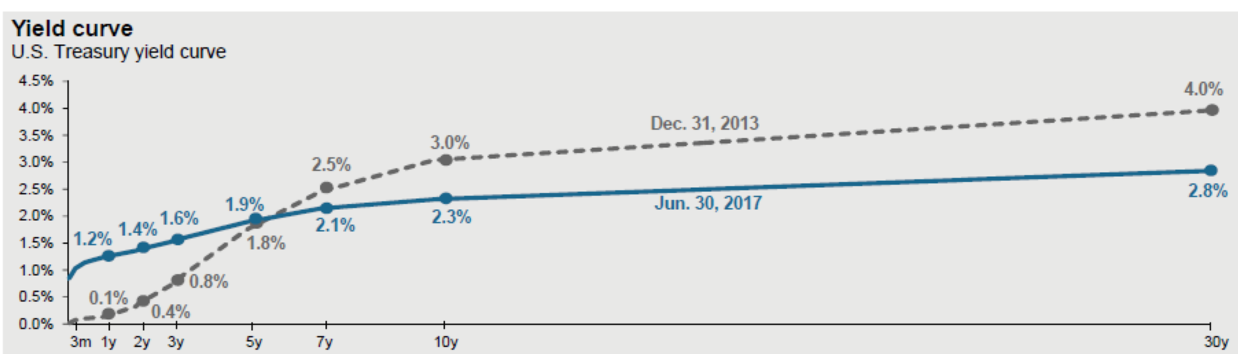
Crew Clients benefit, as our allocations to foreign stock markets are much larger than many traditional domestic money managers; our multi-asset class approach at work.

Emerging Asia corporate earnings have been growing much faster than in Latin American and Eastern Europe. This has been a multi-year trend that began back in 2011 – 2012; we expect it to continue.



Source: JP Morgan – Guide to the Markets June 30, 2017

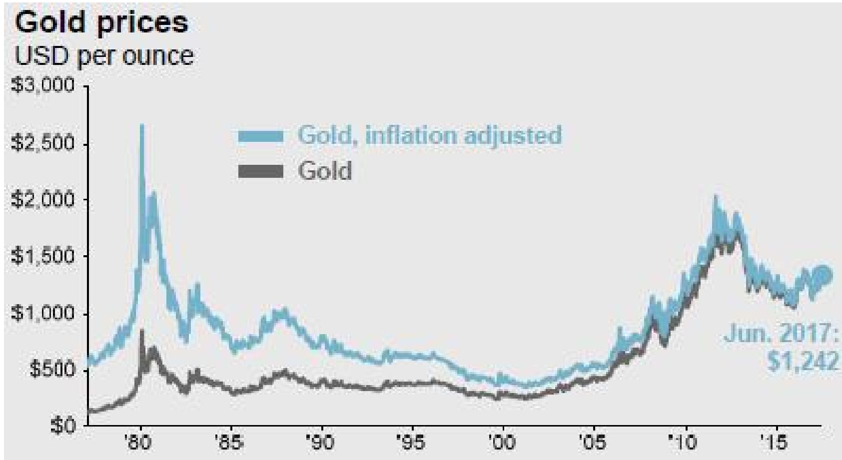
U.S. Bond Market: Since last Autumn, many strategists wrongly predicted an ongoing rise in interest rates across the yield curve. We did not. The yield curve remains flatter than four years ago. Expect the yield curve to get even flatter as the Fed raises short rates. Basically, longer-term rates are pushed lower by Fed tightening of the short-term money supply.



Source: JP Morgan – Guide to the Markets June 30, 2017

Many financial companies struggle with a flat yield curve, and we expect corresponding stock price volatility. Contrary to prevailing negative sentiment, we've been bullish on some areas of the bond market; specifically, long Treasury Bonds and High-Yield Corporate Bonds. Both areas have been leaders in 2017.

Commodities & Real Estate: Gold had a solid start to the year, up 8% by the end of March. It pulled back during April – June, but is still approx. $50/ounce higher through June 30th. Commodities, overall, are down this year. REITS have delivered gains, but generally not as good as stock returns. We expect positive demand and pricing trends for commercial and residential real estate, and believe these markets are healthier now than back in 2005 -2007 (pre-crash).



Source: JP Morgan – Guide to the Markets June 30, 2017

<u>Our Forecast for the rest of 2017:</u>

The media focuses on worry and negativity. Don't let that darken your investment mood.

We **<u>expect higher Stock Market prices in the United States, Western Europe, and Emerging Asia</u>**. Why? Valuations are not unusually expensive and corporate profits are improving in these regions. Economic growth will surprise to the upside. The drivers of growth will be technology, innovation, and consumer demand. We believe GDP growth is stronger than reported because technological output/innovation is difficult to measure.

<u>Domestic Bonds will deliver typical returns.</u> Inflation remains tame and longer-term interest rates will approximate current levels. Employment trends are not tight enough to drive wage inflation. A gradual and orderly rise in interest rates over the next three to five years should not be feared, as it will be balanced out by economic growth.

<u>Commodity & Real Estate prices will move higher</u> in an orderly manner. Economic growth support demand. Commercial real estate prices will surprise to the upside. Gold will move higher as the U.S. dollar trends mostly sideways.

Going forward, there will be **<u>Six Main Areas driven by Washington D.C.</u>** Three of these are extremely positive for investment markets. They are **(1) Tax Reform**, which should improve corporate profitability and raise worker take-home pay; **(2) Infrastructure Spending**, which will create new jobs and improve quality of life, and **(3) Deregulation**, which will free up corporate investment and new business creation.

The other three areas from Washington are somewhat neutral for investors. They are **(4) Trade Policy**, which will increase U.S. exports, but may also lead to protectionism challenges, **(5) Healthcare Reform**, which is much needed, but may only have an investment impact on the Healthcare sector, and **(6) Immigration Reform**, which will improve wages and employment sentiment, but could create worker shortages in some industries.

<u>Sources:</u> JP Morgan, CNBC, The Vanguard Group, Charles Schwab & Co.