Fourth Quarter 2017

Markets Continue Positive Trajectory

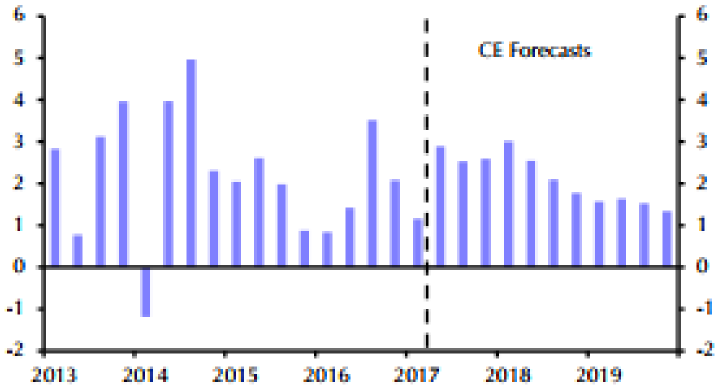
The last three months seemed very apocalyptic. We witnessed the totality of a solar eclipse in the United States followed by Hurricanes Harvey and Irma and raging wild fires in the West. Risks of potential manmade disasters rose as North Korea continues their testing of intercontinental ballistic missiles and hydrogen bombs. Patience around the world seems to be waning, and the political rhetoric from the U. S. White House is becoming increasing confrontational.

While the hurricanes have taken a devastating human and financial toll in certain regions, the impact to the broader economy is less clear. Some economists argue that disasters may even be beneficial for the economy as they tend to spur more spending, yet others bristle at this notion. Looking to North Korea, risks may be increasing, but these risks are not exactly new. Rather, they have been gradually building over decades. As we put the third quarter behind us and look ahead, we must pause and take an objective look at the data, keeping in mind the impacts of these massive hurricanes and increasing geopolitical risks have yet to be determined.

Global Economy

First, we consider U.S. Gross Domestic Product (GDP) because it is one of the primary indicators used to gauge the health of the U.S. economy. After yet another weak first quarter, which saw the U.S. economy grow by only 1.2%, GDP in the second quarter grew 3%, the fastest pace in two years. Initial estimates for third quarter growth were optimistically over 3%, but these estimates have been revised downward following the massive hurricanes. Capital Economics, a global independent economic research company, is predicting a baseline scenario which still includes fiscal stimulus early next year and that GDP growth will accelerate from 2.2% this year to 2.5% in 2018 (See Exhibit 1). However, they do acknowledge risks in this scenario that include a debt ceiling standoff in December and a failure to achieve tax reform.

Exhibit 1. Real GDP (% Q/Q Annualized)



Source: Capital Economics

Inflation expectations have been steadily falling since the beginning of the year, and rising interest rates could cause borrowing to drop, in turn causing inflation to fall even further. This is the Federal Reserve's fear, since the inflation rate is already below its target of 2%. Exhibit 2 shows the breakeven inflation rate, which is based on market expectations for future inflation. The breakeven inflation rate is the difference between the nominal yield of fixed-rate bond, unadjusted for inflation, and the real yield on an inflation-linked bond with the same maturity and credit quality. If inflation averages more than the inflation break-even rate, the inflation bond (Treasury Inflation

Protected bond or "TIPs") will outperform the nominal bond (Treasury bond). This chart shows that investors are anticipating an inflation rate of 1.87% when buying TIPs.

Exhibit 2. Ten-Year Breakeven Inflation Rate

Source: Federal Reserve Bank of St. Louis

Given low inflation and aftermath from the hurricanes, the Fed Funds futures market is currently only pricing in a roughly 30% chance of a rate hike before year-end. The Federal Reserve, however, is moving forward with its plan to unwind its large balance sheet, which stands at approximately $4.5 trillion. As a reminder, the Fed bought trillions of dollars of mostly government bonds and mortgage-backed securities during the financial crisis through its quantitative easing (QE) programs. Using QE, the Fed was able to lower long-term interest rates and increase the money supply, which can be simulative for the economy. Reducing its balance sheet would increase the supply of bonds in the market, causing prices to fall and longer-term yields to rise. Expansionary monetary policy in Europe and Japan, however, may help keep U.S. bond yields down as international investors continue their search for yield.

Considering the unemployment data, it is important to note the participation rate and the number of eligible workers in the workforce (Employment to Population Ratio). While the unemployment numbers have been falling in recent years, so has the participation rate. In other words, the unemployment figure does not account for potential workers who got discouraged and gave up looking for a job. This implies the unemployment rate should be higher than is being reported. However, many people dropping out of the labor force are baby boomers retiring, so it is difficult to discern how many workers are temporarily discouraged versus retired. The good news is that the participation rate has been increasing slightly even as many retire. The unemployment rate now stands at 4.4%, which is both fairly low and within the Fed's target, signaling that the labor market seems to be healthy.

Exhibit 3. Employment Data

Employment	As of	Latest	Previous	1 Yr. Ago
US Nonfarm Monthly Payrolls ('000)	Aug-17	156	189	176
US Total Nonfarm Payrolls - YoY Change	Aug-17	1.4%	1.5%	1.7%
U3 Unemployment Rate	Aug-17	4.4%	4.3%	4.9%
U6 Unemployment Rate	Aug-17	8.6%	8.6%	9.7%
Quit Rate	Jul-17	2.2%	2.1%	2.1%
Initial Jobless Claims ('000) 4 Wk. MA - Month End	Aug-17	239	244	262
KC Fed LMCI Momentum Indicator	Aug-17	1.3	1.3	0.8
Employment to Population Ratio	Aug-17	60.1	60.2	59.7

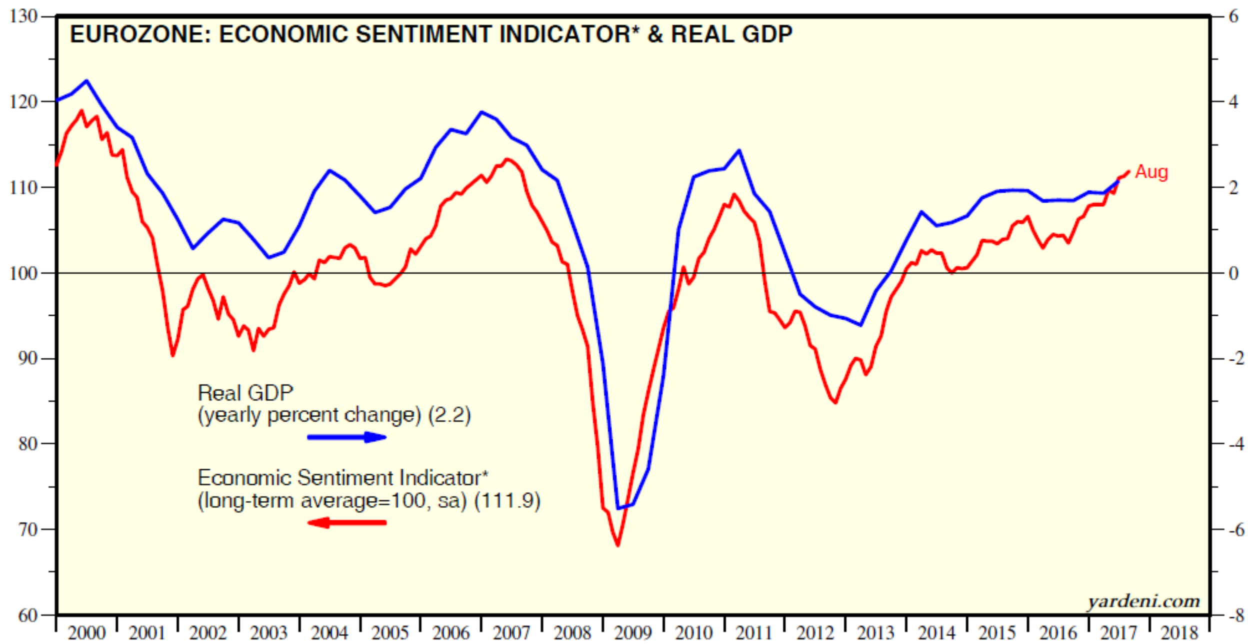
Source: Tower Square Investment Management, U.S. Bureau of the Census

Economic soft data refers to information gathered through surveys of homebuilders, purchasers, manufacturers, and consumer sentiment, as opposed to hard data, such as housing starts, sales and revenues. Soft data looks positive, although it is starting to decline slightly. This information can reflect what decision makers are thinking and whether their optimism may lead to more growth as they purchase more goods. Decision makers that are not very optimistic about future business prospects are less likely to invest in the future. Much of this data spiked after Trump was elected and has remained at high levels, but it has started to moderate as the administration seems to be having trouble passing reforms. This is something we continue to watch closely. If this optimism fades, it will likely affect the market adversely.

Looking abroad, the global economy is experiencing the biggest "synchronized boom" since the Great Recession. Yardeni Research attributes this boom partly to the fall in oil prices, which plunged from $115.06 on June 19, 2014 to $27.88 on January 20, 2016. Global crude oil revenues dropped from an annualized $3.2 trillion to $952 billion and have rebounded to $1.5 trillion.

Data coming out of the eurozone continues to be strong. Yardeni points out that the eurozone's Economic Sentiment Index rose to 111.9 during August, the highest since July 2007. This figure is highly correlated with the region's real GDP growth rate on a year-over-year basis, which, as shown in Exhibit 4, was 2.2% during the second quarter, its best pace since the first quarter of 2011. In addition, the eurozone Manufacturing PMI rose to 57.4 last month, matching June's reading, the highest since April 2011.

Exhibit 4.



* The overall economic sentiment indicator (ESI) is derived from the industrial (weight 40%), service (30%), consumer (20%), construction (5%), and retail trade (5%) confidence indicators.
Source: Statistical Office of the European Communities, European Commission, and Haver Analytics.

Source: Yardeni Research

Equity Markets

As shown in Exhibit 5, as of September 19th, the S&P 500 was up nearly 4% in the third quarter and over 13% year-to-date. Continuing an ongoing trend this year, foreign equity markets have generally outperformed domestic stocks, with developed markets up around 20% and emerging markets up over 30% in U.S. dollar terms, year-to-date. A weak U.S. dollar, near its lowest levels since December 2014, has boosted export company earnings, while a pullback in inflation readings has reduced the prospect for a third Federal Reserve rate hike this year. U.S. large cap growth stocks have outperformed the most in the third quarter and year-to-date, widely outpacing value and small cap equities. Within the S&P 500, technology has been the top performing sector in the third quarter and has been the best performer on a year-to-date basis, up around 27%. Amid renewed prospects for U.S. tax reform in 2017, all three major U.S. equity indices (the S&P 500, the Dow Jones Industrial Average and the NASDAQ Composite) recently posted back-to-back record-setting gains, extending valuations above historical levels.

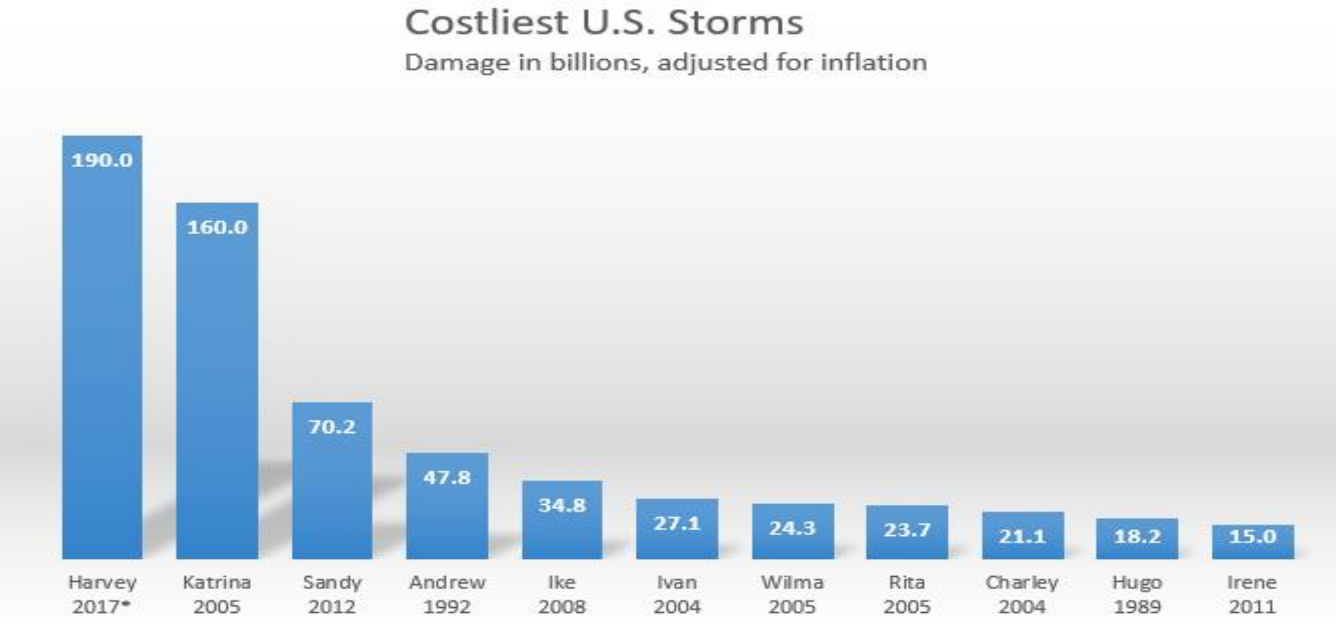
Exhibit 5.

Index	Quarter to Date	Year to Date	One Year
S&P 500 TR USD	3.92	13.62	19.64
Russell 2000 TR USD	2.02	7.11	18.49
MSCI EAFE NR USD	5.45	20.01	20.86
MSCI EM NR USD	10.63	31.02	26.44
MSCI ACWI NR USD	5.20	17.27	20.29

Source: Morningstar, as of 9/19/2017

Although persistently low inflation had already prompted many to question whether the Fed would raise rates a third time in 2017, the hurricanes may have been the deciding factor to not raise rates in September. The Federal Reserve Bank of New York President, William Dudley, even alluded to this in a recent interview. As shown in Exhibit 6, Harvey has potential to be the costliest storm in the history of the United States. Equities have been largely unaffected by the storms, but the damage is also still being assessed. It remains to be seen what impact this will have to equity markets. Equity markets do have a record of weathering some of the most disastrous storms in U.S. history.

Exhibit 6.



*Estimate Source: National Climatic Data Center/Morgan Stanley

Valuations in U.S. markets continue to be well above historical averages on many different metrics. Looking at the S&P 500, Price to Earnings, Price to Book, Price to Sales and Price to Cost are all well above their 10- and 15- year averages. These high valuations are partially explained by low interest rates or discount rates, which support higher asset prices.

As we close out the 3rd quarter and companies start to report their earnings, S&P Capital IQ's consensus estimates for earnings growth is 5.9%. Full-year EPS is projected to increase by 10.4% in 2017 and 11.0% in 2018. They expect S&P 500 revenues to increase 5.8% in the third quarter and 6.5% in Q4. For the year, they expect growth of 6.7% for 2017 and 5.7% in 2018.

On a relative basis, value stocks reflect better valuations than growth stocks, while international stocks have better valuations than domestic stocks. For example, growth stocks will have higher P/E ratios as investors are willing to pay more for a stock that has higher growth prospects. As seen in Exhibit 7, the 15-year ratio between growth and value P/E's is 1.29. Currently, this ratio is 1.31, so investors are paying more for growth stocks that they have historically.

Exhibit 7. Relative Valuations: Price to Earnings, Price to Book and Price to Sales

Large Growth vs. Large Value	P/E	15 yr. Avg.	Prem/Discount	P/B	15 yr. Avg.	Prem/Discount	P/S	15 yr. Avg.	Prem/Discount
S&P 500 Growth TR USD	24.38	19.67	23.94%	5.22	4.01	30.14%	3.25	2.14	52.09%
S&P 500 Value TR USD	18.61	15.31	21.57%	1.96	1.86	5.08%	1.46	1.15	26.82%
Growth/Value - Ratio	*1.31*	*1.29*	*1.95%*	*2.67*	*2.15*	*23.85%*	*2.23*	*1.86*	*19.93%*

US vs. Intl Developed	P/E	15 yr. Avg.	Prem/Discount	P/B	15 yr. Avg.	Prem/Discount	P/S	15 yr. Avg.	Prem/Discount
S&P 500 TR USD	21.49	17.27	24.40%	3.00	2.54	18.00%	2.10	1.49	40.83%
MSCI EAFE GR USD	17.22	13.39	28.63%	1.65	1.84	-10.25%	1.19	0.94	27.01%
US/EAFE - Ratio	*1.25*	*1.29*	*-3.29%*	*1.82*	*1.38*	*31.48%*	*1.76*	*1.59*	*10.88%*

Source: Morningstar, Tower Square Investment Management

Fixed Income Markets

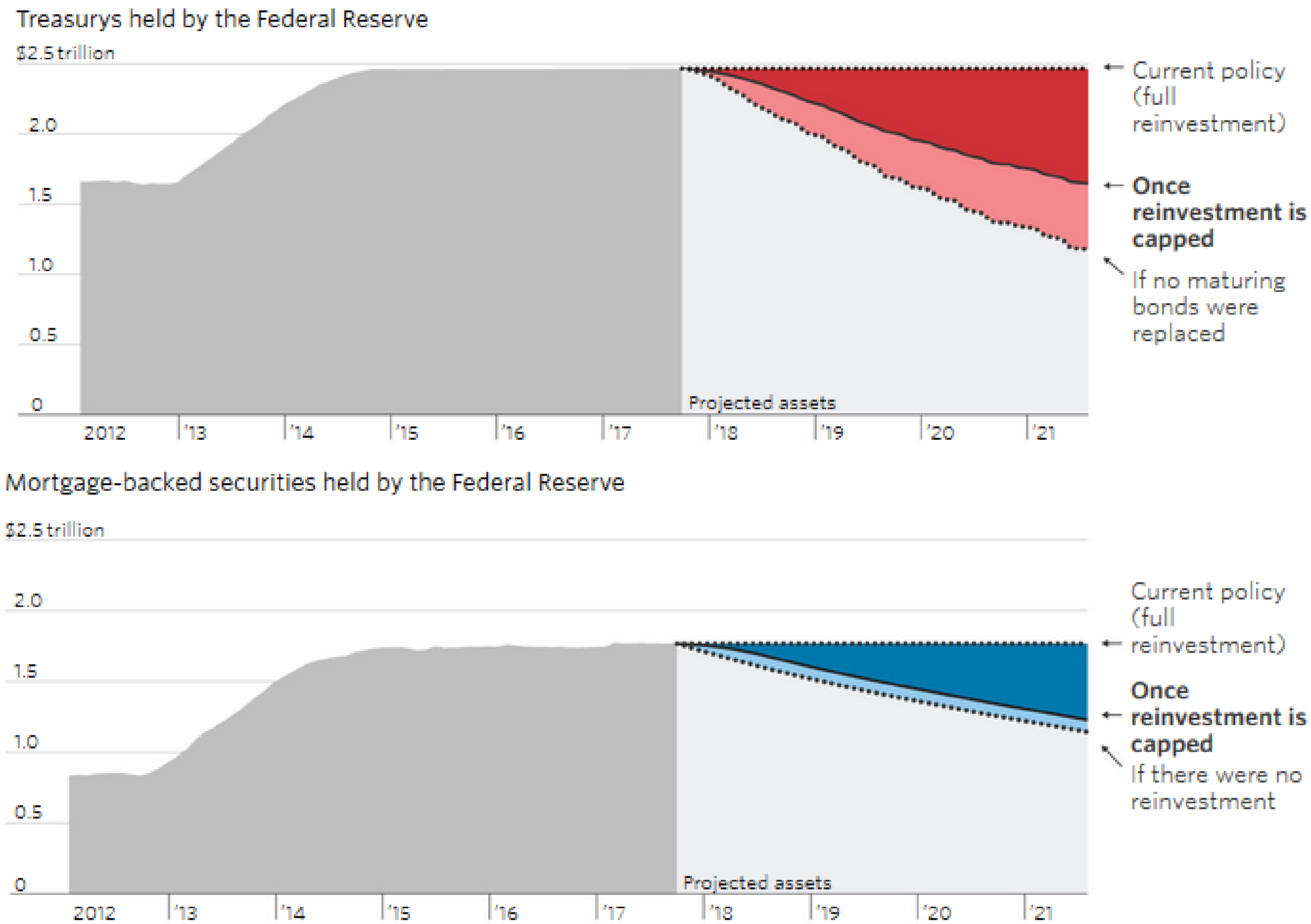
Entering into the fourth quarter, the 10-Year Treasury yield remains at lower than anticipated levels. The benchmark yield began the year at 2.45%, dropped to 2.31% at the end of the second quarter and is currently at about that same level. Hurricanes and geopolitical factors have caused investors to seek safe assets such as treasurys, causing prices to go up and yields, which move inversely with prices, to go down. As the Federal Open Market Committee (FOMC) went into its September meeting, the market had essentially priced in a zero probability that the committee would raise short-term interest rates. Apart from natural disasters and fears of manmade disasters, inflation has been stubbornly low and remains below the Fed's target of 2%. It was doubtful the FOMC would have elected to raise rates a third time this year in September, regardless of the extraordinary factors.

The yield curve has flattened since the beginning of the year, but has remained fairly consistent, relative to the end of the second quarter. Since the beginning of the year, yields on shorter-term bonds have gone up, while yields on longer-term bonds have fallen. While the FOMC can control rates on the short end of the yield curve by raising the fed funds rate, it has a harder time controlling the longer end of the curve. A flat yield curve is generally not a good signal for the economy, and many interpret this as the market's having a less optimistic view of the future economy than does the FOMC. Market participates may see less inflation and less growth in the longer term and are comfortable holding these longer dated bonds as the FOMC sees better prospects and continues to raise the short end of the curve.

In an attempt to control the long end of the yield curve, the Fed has been buying longer maturity bonds such as mortgage-backed securities and treasurys through a program called quantitative easing. The FOMC has held back on raising interest rates this quarter, but it has moved forward with the intention to unwind the QE program. Although the Fed had not been buying new bonds to extend its balance sheet, it had been reinvesting the proceeds from bonds as they mature. Going forward, it will reduce the amount it reinvests and thereby reduce its $4.5 trillion in assets, potentially causing longer-term bond prices to fall and their yields to rise. Exhibit 9 shows the projected decrease in both treasurys and mortgage-backed securities held by the Federal Reserve.

The Fed was already implementing this plan cautiously, but with the devastation caused by the recent hurricanes, it is likely to be even more careful. As people rebuild and buy new cars in the regions impacted, they will need to rely heavily on financing to do so. Any increase in long-term borrowing costs would only add to their burden and challenge economic recovery in those regions.

Exhibit 8.



*Assumes forecast in which interest rates do not fall significantly.

Note: Scenarios assume portfolio size normalizes in 2021 at around $3.3 trillion and that the plan starts in October.

Source: Federal Reserve Bank of New York

Source: Wall Street Journal

The Bloomberg Barclays U.S. Aggregate Bond Index rose roughly 1% this quarter, pushing its year-to-date gain to roughly 3.3%. As expected with yields falling, longer-duration treasury bonds have outperformed shorter duration counterparts. Spreads remain at relatively low levels for more credit-sensitive bonds. A credit spread is the difference in yield of a credit-sensitive bond over a Treasury bond with a similar maturity and represents the additional compensation for taking credit risk. When spreads are low, bond buyers receive less in return for assuming the risk that a bond will default or be downgraded. When a credit spread goes up, the credit-sensitive bond will fall in price.

As shown in Exhibit 9, high yield credit spreads have recently ticked up, but are still at relatively low levels as spreads have been trending lower since early 2016, after China growth concerns pushed spreads up at the start of that year. However, tighter spreads are supported by expected low default rates in 2017 and 2018.

Exhibit 9.

BofA Merrill Lynch US High Yield Option-Adjusted Spread

Source: Federal Reserve Bank of St. Louis

At the beginning of the year, we expected the yield on the 10-year Treasury to finish 2017 between 2.75% to 3.25%. Since inflation remains at low levels, risks in general are increasing, and increased fiscal spending appears delayed until 2018, we are lowering this range by 25 bps, but we still expect that yields will move higher for the rest of the year.

Falling interest rates benefitted both municipal and treasury bonds this quarter, with the former outperforming the latter and, continuing the trend for the year, doing quite well. The healthy labor force and growing economy is good for municipalities' tax revenues. Looking at supply and demand, issuance has been lower in 2017 than in 2016, and investor demand has been steady for the bonds with positive net inflows year to date.

Risks to Our Outlook

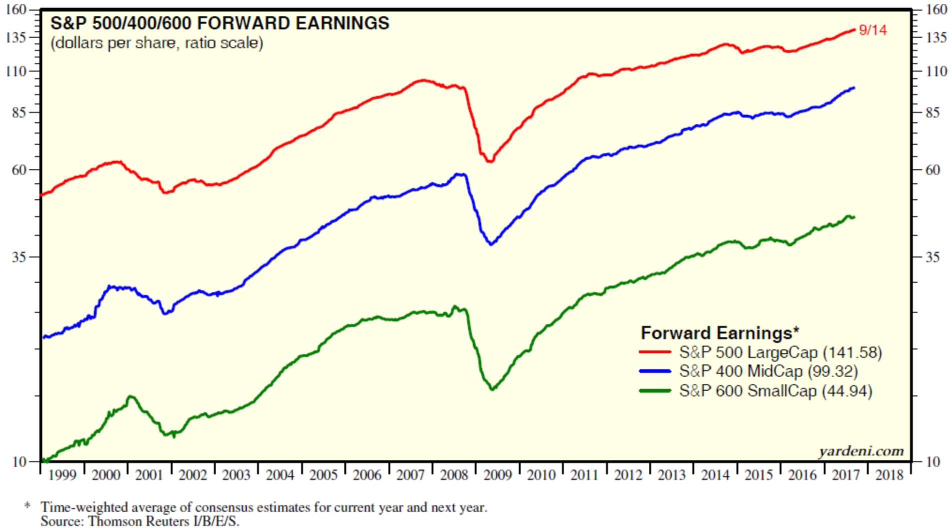
Despite an overhang of growing risks, rising valuations and increasing geopolitical concerns, domestic equity indices have continued to march higher this year. With that said, we feel there are significant risks to our market perspective that investors need to bear in mind, as these threats have the possibility to derail the current bull market.

Financial markets could be priced for perfection. As we noted previously, equity market valuations are stretched, relative to historical readings. Contributing to these valuations is the fact that future corporate earnings and revenues continue to trend in record-high territory. If any of the risks come to fruition, investors may express their disappointment by reducing their allocation to equities.

The Federal Reserve is in a precarious situation, and there may also be challenges in monetary policy. The Fed has signaled to financial markets that it plans to continue its interest rate tightening policy. However, weaker economic data, especially low inflation readings, continue to call into question the need for this stance. Our concern is that the Fed becomes too aggressive in their tightening policy and economic data, especially from those areas affected by this quarter's hurricanes, continue to weaken. Should the Fed continue on its current tightening course as the economy slows, the risk of recession may increase. It remains to be seen how capital market and consumer behaviors might change if rates were to increase meaningfully. If the Fed decides to become less aggressive, or even postpone their tightening policy, stronger economic data, especially in hurricane-effected regions where there will be rebuilding, could have inflationary ramifications.

Accurately achieving the appropriate pace, trajectory, and timing of Fed hikes can be as much art as science. The Fed needs to balance the state of the economy, as well as market participants' expectations in order to avoid stalling economic activity.

Exhibit 10.



Source: Yardeni Research

Political uncertainty in Washington and rising tensions with North Korea are also concerns. Investors continue to ignore the political infighting in our nation's capital. However, a combination of key resignations, failure to pass key initiatives, and a generally negative tone in the press may change investor attitudes. Rising tensions on the Korean peninsula could also have an adverse impact on global financial markets, as investors would presumably demand a greater risk premium to own equities.

Could small caps stocks be the canary in the coal mine? Generally speaking, investors consider small cap equities to be more aggressive than large cap equities. When investors are more confident about the financial markets, they tend to increase their allocation to small companies. Yet, despite the continued rally in domestic equities, we have seen small cap indices underperform their large cap counterparts. For example, year-to-date through September 19th, the Russell 1000, a proxy for large cap companies, is up 13.5%, while the Russell 2000, a proxy for small cap companies, is up only 7.1%. The combination of the weaker dollar, which benefits the more export-heavy large cap asset class. However, lower profit margins for small cap companies are troubling. According to Yardeni Research, Inc., the current forward profit margin of the S&P 600 Small Cap Index is 4.9%, down from a cyclical high of 6.1% in October 2013. Investors may read the continued weakness of small caps relative to large caps as a sign of impending market weakness.

Investment Implications

Although stretched valuations and aforementioned risks continue to be a concern, we remain relatively optimistic about equity market returns. On the positive side, low interest rates, a weaker U.S. dollar, and strong corporate earnings offer a solid backdrop to the equity markets. On the negative side, the difficulty the Federal Reserve faces trying to achieve a proper growth trajectory for the U.S. economy, increasing tensions with North Korea, and growing uneasiness out of Washington D.C. present significant risks. On balance, however, we would not recommend drastic deviations from long-term targeted allocations.

Within stocks, we still favor domestic equities; however, international developed markets continue to offer good opportunities. Despite the strong relative performance of large cap companies to small cap companies this year, we continue to favor large companies, which tend to benefit more from a weaker U.S. dollar (benefiting exports) and overall improvement in global growth than smaller companies. We have a slight tilt to growth asset classes, though this bias is considerably smaller than it has been in recent quarters, given the strong relative outperformance of growth stocks vs value stocks. Outside the U.S., we have a slight overweight to developed countries, as we expect Europe to continue its positive momentum, and a neutral to slight underweight in emerging markets. While we are enthusiastic about the growth story in emerging market countries, we are concerned that a possible flight to quality rally or rise in interest rates could prompt a reversal in the weak U.S. dollar and pressure this asset class. Furthermore, emerging markets equity indices have far outpaced most developed market equity indices this year, suggesting that investors may be a little too optimistic about prospects for this region.

On the fixed income side, we maintain our recommendation of diversifying broadly, without having too much exposure to any one risk factor. We continue to recommend being underweight duration-sensitive bonds, such as mortgages and treasurys, since the reward (yield) is low relative to the risk (duration) of these bonds. We do feel, however, that having an allocation to these higher-grade bonds can serve to buffer against equity volatility. We have recommended being overweight credit-sensitive bonds for some time, as low borrowing costs can be supportive to these bonds. However, as credit spreads tighten, we favor floating rate notes over high yield bonds. Although this may forego some yield, floating rate notes have no duration and are senior secured, meaning their claims will be paid before those of bondholders. Thus, should spreads widen, we expect floating rate notes to outperform high yield bonds. Diversifying fixed income risk factors such as duration, credit quality, sector and structure becomes increasingly important as interest rates rise, credit spreads tighten, and the bull market for equities continues.

Lastly, to mitigate unforeseen volatility in an increasingly precarious market and political environment, we believe it prudent to retain an allocation to alternative investments which have low correlations to traditional investments.

This report is created by Tower Square Investment Management LLC.

Appendix

U.S. Economic Snapshot and Trends

Cetera Financial Group

Employment	As of	Latest	Previous	1 Yr. Ago	3MMA	12MMA	1 Mo. Diff.	1 Yr. Diff.	Percentile (10 Yrs.)	1 Yr. Trend	5 Yr. Trend
US Nonfarm Monthly Payrolls ('000)	Aug-17	156	189	176	185	175	-33	-20	50.4%		
US Total Nonfarm Payrolls - YoY Change	Aug-17	1.4%	1.5%	1.7%	1.5%	1.6%	0.0%	-0.3%	59.7%		
U3 Unemployment Rate	Aug-17	4.4%	4.3%	4.9%	4.4%	4.6%	0.1%	-0.5%	98.3%		
U6 Unemployment Rate	Aug-17	8.6%	8.6%	9.7%	8.6%	9.0%	0.0%	-1.1%	96.6%		
Quit Rate	Jul-17	2.2%	2.1%	2.1%	2.2%	2.1%	0.1%	0.1%	96.6%		
Initial Jobless Claims ('000) 4 Wk. MA - Month End	Aug-17	239	244	262	242	247	-5	-23	100.0%		
KC Fed LMCI Momentum Indicator	Aug-17	1.3	1.3	0.8	1.3	1.2	0.1	0.5	98.3%		
Employment to Population Ratio	Aug-17	60.1	60.2	59.7	60.1	60.0	-0.1	0.4	81.5%		

Consumer	As of	Latest	Previous	1 Yr. Ago	3MMA	12MMA	1 Mo. Diff.	1 Yr. Diff.	Percentile (10 Yrs.)	1 Yr. Trend	5 Yr. Trend
US Retail Sales - YoY Change	Aug-17	3.3%	3.6%	2.0%	3.3%	4.0%	-0.3%	1.3%	45.4%		
Vehicle Sales (Mil. Units, annualized)	Aug-17	16.0	16.7	17.1	16.4	17.1	-0.7	-1.1	62.2%		
Personal Savings Rate	Jul-17	3.5%	3.6%	5.1%	3.6%	3.9%	-0.1%	-1.6%	5.9%		

Production	As of	Latest	Previous	1 Yr. Ago	3MMA	12MMA	1 Mo. Diff.	1 Yr. Diff.	Percentile (10 Yrs.)	1 Yr. Trend	5 Yr. Trend
Industrial Production - YoY Change	Aug-17	1.5%	2.4%	-1.3%	2.0%	0.9%	-0.8%	2.8%	42.9%		
Capacity Utilization	Aug-17	76.1%	76.9%	75.8%	76.6%	76.1%	-0.8%	0.3%	40.3%		
Core Capital Goods Orders - YoY Change	Jul-17	6.3%	4.6%	-8.5%	6.1%	0.8%	1.7%	14.7%	73.1%		

Housing & Construction	As of	Latest	Previous	1 Yr. Ago	3MMA	12MMA	1 Mo. Diff.	1 Yr. Diff.	Percentile (10 Yrs.)	1 Yr. Trend	5 Yr. Trend
Building Permits ('000)	Aug-17	1300	1230	1200	1268	1255	70	100	98.3%		
Housing Starts ('000)	Aug-17	1180	1190	1164	1196	1199	-10	16	86.6%		
New Home Sales	Jul-17	571	630	627	606	592	-59	-56	86.6%		
S&P/Case-Shiller Home Price Index (20 city) - YoY Change	Jun-17	5.7%	5.7%	5.1%	5.7%	5.5%	0.0%	0.6%	78.2%		
Total Construction Spending - YoY Change	Jul-17	1.8%	2.8%	4.8%	3.2%	5.8%	-0.9%	-2.9%	42.0%		

Survey Data	As of	Latest	Previous	1 Yr. Ago	3MMA	12MMA	1 Mo. Diff.	1 Yr. Diff.	Percentile (10 Yrs.)	1 Yr. Trend	5 Yr. Trend
ISM Manufacturing Composite	Aug-17	58.8	56.3	49.4	57.6	55.4	2.5	9.4	95.8%		
ISM Manufacturing New Orders	Aug-17	60.3	60.4	49.1	61.4	59.3	-0.1	11.2	79.0%		
ISM Non-Manufacturing Composite	Aug-17	55.3	53.9	51.4	55.5	56.3	1.4	3.9	59.7%		
ISM Non-Manufacturing New Orders	Aug-17	57.1	55.1	51.4	57.6	59.0	2.0	5.7	58.0%		
U. of Michigan Consumer Sentiment	Aug-17	96.8	93.4	89.8	95.1	95.1	3.4	7.0	95.0%		

Inflation	As of	Latest	Previous	1 Yr. Ago	3MMA	12MMA	1 Mo. Diff.	1 Yr. Diff.	Percentile (10 Yrs.)	1 Yr. Trend	5 Yr. Trend
Consumer Price Index (CPI) - YoY Change	Aug-17	1.9%	1.7%	1.1%	1.8%	2.0%	0.2%	0.8%	60.5%		
Personal Consumption Expenditure (PCE) - YoY Change	Jul-17	1.4%	1.4%	1.0%	1.4%	1.6%	0.0%	0.4%	40.3%		
Producer Price Index (PPI) - YoY Change	Aug-17	2.9%	2.2%	-1.8%	2.4%	2.3%	0.7%	4.7%	62.2%		
Average Hourly Earnings - YoY Change	Aug-17	2.5%	2.5%	2.5%	2.5%	2.6%	0.0%	0.0%	68.1%		

GDP	As of	Latest	Previous	1 Yr. Ago	6MMA	12MMA	1 Qtr. Diff.	1 Yr. Diff.	Percentile (10 Yrs.)	1 Yr. Trend	5 Yr. Trend
Real GDP - QoQ (SAAR)	Q2-17	3.0%	1.2%	2.2%	2.1%	2.2%	1.8%	0.8%	79.5%		
Real GDP - YoY Change	Q2-17	2.2%	2.0%	1.2%	2.1%	1.9%	0.2%	1.0%	64.1%		

Other	As of	Latest	Previous	1 Yr. Ago	3MMA	12MMA	1 Mo. Diff.	1 Yr. Diff.	Percentile (10 Yrs.)	1 Yr. Trend	5 Yr. Trend
Yield Curve - Month End	Aug-17	0.87%	0.95%	0.82%	0.89%	1.05%	-0.08%	0.05%	5.9%		
Leading Index for the United States	Jul-17	1.2	1.4	1.4	1.3	1.5	-0.2	-0.1	31.9%		

Economic Indicator	Source
US Nonfarm Monthly Payrolls ('000)	U.S. Bureau of Labor Statistics
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U3 Unemployment Rate	U.S. Bureau of Labor Statistics
U6 Unemployment Rate	U.S. Bureau of Labor Statistics
Quit Rate	U.S. Bureau of Labor Statistics
Initial Jobless Claims ('000) 4 Wk. MA - Month End	U.S. Employment and Training Administration
KC Fed LMCI Momentum Indicator	Federal Reserve Bank of Kansas City
Employment to Population Ratio	U.S. Bureau of Labor Statistics
US Retail Sales - YoY Change	U.S. Bureau of the Census
Vehicle Sales (Mil. Units, annualized)	U.S. Bureau of Economic Analysis
Personal Savings Rate	U.S. Bureau of Economic Analysis
Industrial Production - YoY Change	Board of Governors of the Federal Reserve System (US)
Capacity Utilization	Board of Governors of the Federal Reserve System (US)
Core Capital Goods Orders - YoY Change	U.S. Bureau of the Census
Building Permits ('000)	U.S. Bureau of the Census
Housing Starts ('000)	U.S. Bureau of the Census
New Home Sales	U.S. Bureau of the Census
S&P/Case-Shiller Home Price Index (20 city) - YoY Change	S&P Dow Jones Indices LLC
Total Construction Spending - YoY Change	U.S. Bureau of the Census
ISM Manufacturing Composite	Institute for Supply Management
ISM Manufacturing New Orders	Institute for Supply Management
ISM Non-Manufacturing Composite	Institute for Supply Management
ISM Non-Manufacturing New Orders	Institute for Supply Management
U. of Michigan Consumer Sentiment	University of Michigan
Consumer Price Index (CPI) - YoY Change	U.S. Bureau of Labor Statistics
Personal Consumption Expenditure (PCE) - YoY Change	U.S. Bureau of Economic Analysis
Producer Price Index (PPI) - YoY Change	U.S. Bureau of Labor Statistics
Average Hourly Earnings - YoY Change	U.S. Bureau of Labor Statistics
Real GDP - QoQ (SAAR)	U.S. Bureau of Economic Analysis
Real GDP - YoY Change	U.S. Bureau of Economic Analysis
Yield Curve - Month End	Federal Reserve Bank of St. Louis
Leading Index for the United States	Federal Reserve Bank of Philadelphia

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A High Yield Fund yield is high due, in part, to the volatility and risk of the high securities market. High yield funds are also known as "junk bonds."

Investors should consider the investment objectives, risks and charges, and expenses of the fund carefully before investing. The prospectus contains this and other important information about the fund. Contact your registered representative or the issuing company to obtain a prospectus, which should be read carefully before investing or sending money.

GLOSSARY

*The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasurys, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.*

*The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.*

*The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.*

***MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.*

*The **MSCI ACWI Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The SMCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed country indexes include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.*

*The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index.*

*The **Russell 1000 Index** comprises the 1,000 largest companies in the U.S. equity market, and is a subset of the Russell 3000 Index. The Russell 1000 is a market capitalization-weighted index, meaning that the largest companies constitute the largest percentages in the index, affecting performance more than the smallest index members. The inception date for the Russell 1000 and 3000 indices was January 1, 1984.*
*The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that*

index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

*The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. Constituent companies within this float-adjusted market cap weighted index must have a market cap of $6.1B or greater.*

*The **S&P Small Cap 600** measures the small-cap segment of the U.S. equity market. Introduced in 1994, the index is designed to track the performance of 600 small-size companies in the U.S, reflecting this market segment's distinctive risk and return characteristics. The index measures a segment of the market that is typically known for less liquidity and potentially less financial stability than large-caps, the index was constructed to be an efficient benchmark composed of small-cap companies that meet investability and financial viability criteria.*

*The **S&P Mid Cap 400** provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, measures the performance of 400 mid-sized companies, representing more than 7% of available market cap.*

*The **S&P Growth Index** is a float adjusted, market capitalization weighted index of 317 stocks drawn from the S&P 500 Index that exhibit strong growth characteristics. S&P Dow Jones Indices uses three factors to measure growth: sales growth, the ratio of earnings changes to price, and momentum.*

*The **S&P Value Index** is a float adjusted, market capitalization weighted index of 364 stocks drawn from the S&P 500 Index that exhibit strong value characteristics. S&P Dow Jones Indices uses three factors to measure value: the ratios of book value, earnings and the sales to price sales metric.*