MARKET ORIENTED CORE STRATEGY & OUTLOOK

STRATEGY

On our way to recovery! In the 4th quarter, 2016 commentary, we explained how the dramatic shift toward the Financial and Energy sectors negatively impacted our performance for calendar 2016. Our quantitative methodology does not respond to short term changes in sector direction and sometimes this can be a detriment when something dramatic takes place in the market. This situation occurred in the second half of last year when lower ranked stocks outperformed the higher ranked stocks in the portfolio.

Our Market Oriented Core strategy had an outstanding recovery in the 1st quarter of 2017 following the January upgrading. Financial and Energy sector stocks were among the worst performers for the first quarter. Our underweight of those two sectors in the 4th quarter of 2016 was a major contributing factor in our underperformance during that quarter. By adhering to the Market Oriented Core Strategy disciplines, our portfolios remained underweight in these sectors during the 1st quarter and consequently, were not negatively impacted by the underperformance of these sectors. The Market Oriented Core strategy was up 7.6% in the quarter in comparison with the S&P 500 benchmark return of 6.1%. We don't expect to earn back the entire 2016 underperformance in one quarter, but we are on the way to recapturing some of the opportunity lost in calendar 2016.

The biggest change, which occurred during the completion of our January upgrade, was a big shift into the Information Technology and Industrial sectors. These two sectors comprise approximately 40% of the portfolio with the Industrial sector holdings approximately double the weight of the S&P 500 sector. Our data is reflecting the expectation of accelerating economic growth and the prospects of positive tax reform and those sectors should benefit accordingly. Sectors, such as Consumer Staples, were reduced as defensive sectors lagged in the quarter.

The chart below shows the top and bottom five performance contributors. The top performers each returned over 20%, more than triple the S&P 500 return.

Top 5 Performers in the Quarter		Bottom 5 Performers in the Quarter	
Adobe Systems	26.4%	Phillips 66	-7.6%
S&P Global	22.0%	Sysco Corp.	-5.6%
Lam Research	21.8%	Cincinnati Financial	-3.9%
KLA-Tenor	21.5%	Xilinx	-3.6%
Intuitive Surgical	20.9%	Vulcan Materials	-3.5%

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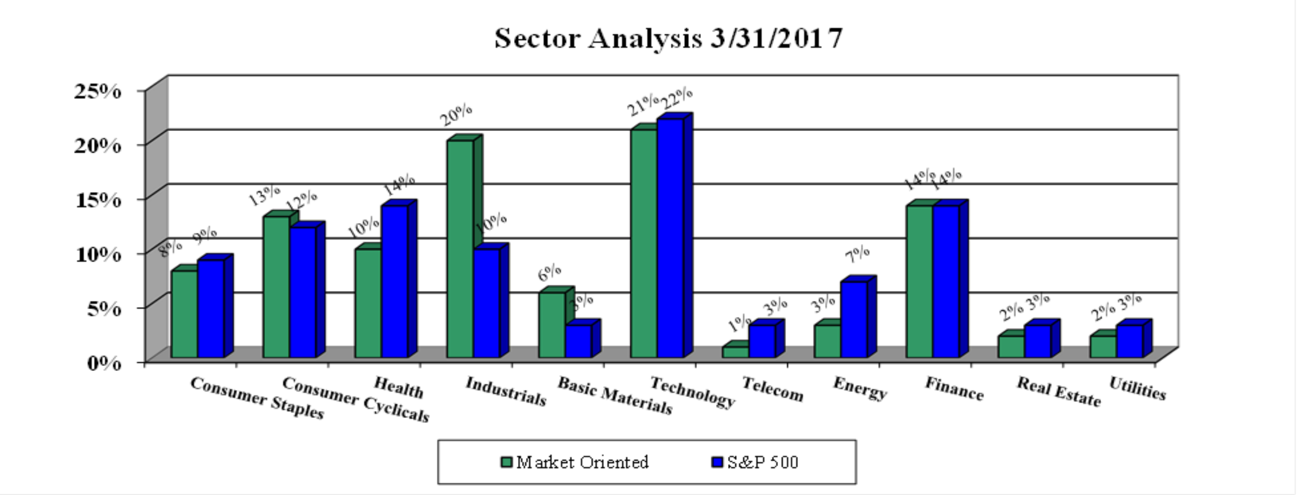
The sector chart shows the sector weightings as of March 31, 2017.



OUTLOOK

The eight year recovery remains intact. Majority party initiatives regarding Obamacare, taxes and infrastructure spending have not materialized as yet. It remains to be seen whether some bi-partisan support can be cobbled together to move these major initiatives forward. At the margin, many of the so called restrictive economic executive orders have been rolled back. Meanwhile, the eight year recovery is still intact. In fact, one can make the case that many economic factors are improving with little help from legislative initiatives. Company earnings (year-over- year) are improving, unemployment is below 5% and consumer confidence is at a 19 year high. Job openings are up as attempts are made to address the skills issue pertaining to the labor mismatch (between old skills and new skills) in this new technological era.

If little else is accomplished with the new administration, we have 2% economic growth, low inflation and slightly improving wages…a "not too hot- not too cold environment"! If we achieve only "more of the same," that has not been a bad place to be for the equity investor over the last 8 years.

We are long overdue for a market correction. One is likely at some point which would be viewed as a correction in an aging bull market.

For now, we remain optimistic that stocks are still the best place to generate investment returns to maintain one's purchasing power.

The Market Oriented Strategy & Outlook reflects the views of the Investment Advisor only through the date of this report, and should not be considered investment advice, an offer to invest, or represent or predict investment performance. The Investment Advisor's views are subject to change at any time based on market and other conditions. Past performance is no guarantee of future returns. Comments discussed may reflect forward-looking statements, which involve inherent risks and uncertainties, that such forecasts may not be achieved. Certain information is based upon third-party sources, which are believed to be reliable and accurate; however, the accuracy of such information cannot be guaranteed. Portfolio characteristics and holdings are subject to change, and shown for illustrative purposes only. A complete list of securities held in the portfolio for the past year is available upon request. Data shown is from a representative account.

The S&P 500 index is a market capitalization weighted index that consists of 500 domestic stocks chosen based on market size, liquidity and industry group representation. The index referenced in this material is provided for informational purposes only and a registered trade names or trademark of a third party. Investors cannot invest directly in an index. The returns of indices do not include any transaction costs, management fees or other costs.
March 31, 2017