MARKET ORIENTED CORE STRATEGY & OUTLOOK

Strategy Asset Managers

STRATEGY

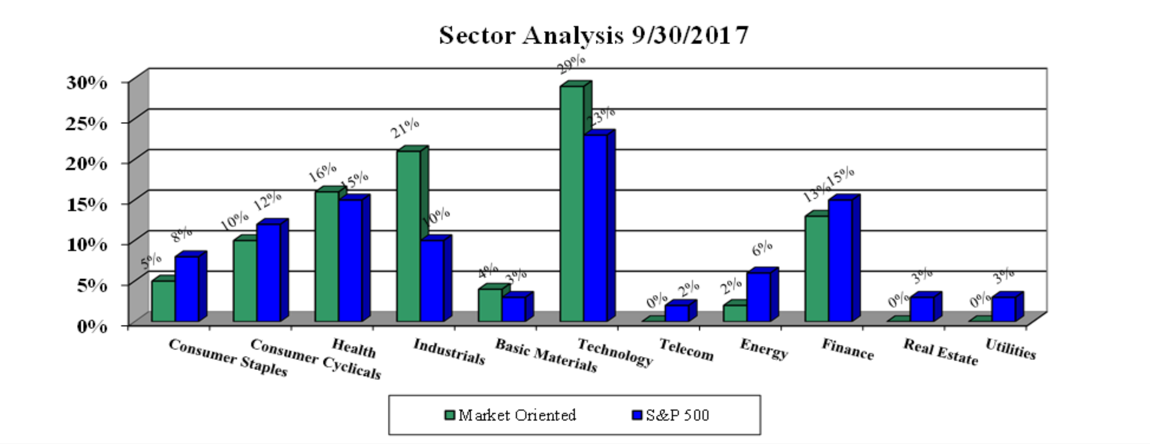
It was another quarter of outperformance for the Market Oriented Core strategy. In fact, the strategy has outperformed the S&P 500 benchmark three quarters in a row. The Market Oriented Strategy was up 5.3% in the 3rd quarter, outperforming the S&P 500 return of 4.5%. For the first nine months of 2017, the strategy was up 19.0%, outperforming the S&P 500 return of 14.2%. So far, 2017 has been a great bounce back year for the strategy after underperforming in calendar 2016.

The key driver of our outperformance for the quarter came from the overweight in the Information Technology, Materials and Industrials sectors; stock selection was the strong contributor. Following the July upgrade, approximately 50% of the portfolio was invested in these three top performing sectors. The return from these sectors (12.4%, 14.1% and 9.8%, respectively) far exceeded the S&P 500 return of 4.5% for the quarter. In addition, we were significantly underweight the poorer performing sectors: Consumer Discretionary and Consumer Staples. As we enter the 4th quarter, the top performing sectors continue to rank well in our proprietary quantitative process which drives the stock selection for the Market Oriented Core strategy. As of this date, these sectors are projected to be strong performers in the 4th quarter.

The table below shows the top and bottom five performance contributors.

Top 5 Performers in the Quarter		Bottom 5 Performers in the Quarter	
Lam Research	31.2%	Ulta Beauty	-21.3%
Boeing	29.3%	Hologic	-19.1%
Scripps Networks	26.2%	Quest Diagnostics Inc.	-15.4%
Align Technology	24.1%	Altria	-13.9%
Nvidia Corp.	23.8%	Darden Restaurants	-12.3%

The sector chart shows the sector weightings as of September 30, 2017.



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. Please refer to the disclosure at the end of this report. Past performance is no guarantee of future returns. Portfolio characteristics 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. September 30, 2017

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OUTLOOK

Our "Goldilocks" outlook remains basically unchanged. Moderate economic growth (2-2.5%), low inflation (still less than 2%), low unemployment (4.2%) and relatively low interest rates should continue to support the stock market and corporate earnings. Overall market valuations remain on the expensive side of "average", but not significantly so.

Our concerns last quarter about upcoming US budget negotiations turned out to be premature as the Administration and Congress effectively "kicked the can down the road" by tying a contentious temporary increase in the US debt limit to a popular bill for Disaster relief. The next episode for the budget will begin in December. While Geopolitical risks and natural disasters (our thoughts and prayers go out to those affected) abound, the stock market remains focused on earnings and newly heightened hopes of tax cuts (as actual tax reform appears less likely) resulting in dampened volatility.

We discussed last quarter the extremely low level of stock market volatility and the 3rd quarter saw a continuation of that trend. Looking back at the number of daily +/- 1% moves in the S&P 500 index, shows a yearly average of 49 days for the five years ended 2016. For the first nine months of 2017, the total has been 8 – a significant variation from the past. With expectations of earnings growth for the third quarter currently centered in the mid-single digits (down from double digits of the last two quarters), should tax cut mania fade we would expect a pick-up in volatility. Even with a return to normalized volatility, we remain constructive on the markets but with somewhat lowered total return expectations should tax cuts not materialize.