MARKET ORIENTED CORE STRATEGY & OUTLOOK

Strategy Asset Managers

STRATEGY

The Market Oriented Core strategy had strong returns for the first six months of 2017, outpacing its S&P 500 benchmark. It was an excellent recovery from the underperformance in the second half of 2016. The Market Oriented Core strategy was up 5.0% in the 2nd quarter, outperforming the S&P 500 return of 3.1%. For the first six months of 2017, the strategy was up 12.9% outperforming the S&P 500 return of 9.3%. A good start for 2017!

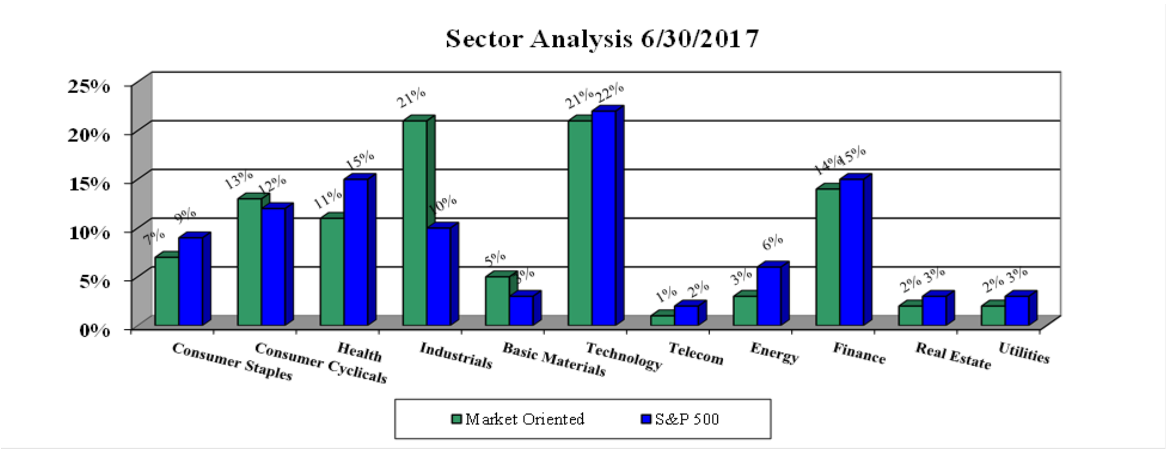
Although underweight Healthcare, the best performing sector for the quarter, our stocks were up over 17% aided by the takeover of C R Bard Inc. by Becton Dickinson. In the January upgrade of the portfolio, over 40% of the portfolio was committed to the Industrial and Information Technology sectors. These two sectors were also strong contributors in the quarter, returning 7.2% and 6.6% respectively. The biggest sector change in the second half was the weighting in the Industrials, now 20.2% of the portfolio, up from 12.2% as of December 31, 2016. The prospects of better economic growth appear to have benefitted this sector the most.

Thirty out of 50 stocks in the portfolio outperformed the S&P 500 in the second quarter. Following the July upgrade, we are hopeful to continue the outperformance for the remainder of the year.

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

Top 5 Performers in the Quarter		Bottom 5 Performers in the Quarter	
CR Bard Inc.	27.3%	Scripps Networks Interactive	-12.4%
Mettler-Toledo	22.9%	Ross Stores	-12.1%
Intuitive Surgical	22.0%	Molson Coors Brewing	-9.4%
McDonald's Corp.	18.9%	AT&T	-8.1%
Deere & Co.	14.1%	CBS Corp.	-7.8%

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

Strategy Asset Managers

MARKET ORIENTED CORE STRATEGY & OUTLOOK

OUTLOOK

In our first quarter 2017 commentaries, we addressed the fact that initiatives regarding Obamacare, tax reform and infrastructure spending had not yet materialized. Now, at the end of the second quarter, the same comments apply; none of the heralded changes have occurred to date. Since Trump's election win, pundits have declared that the stock market is up based upon the assumption that these major initiatives/programs would be implemented. We agree that these are major legislative challenges given the partisan Congress. However, the stock market has been doing pretty well on its own.

Earnings were up almost 14% in the quarter and revenue was up 4-5% without legislative help. The Federal Reserve has raised interest rates, but is now indicating that they may go slower regarding future increases given that inflation is below its 2% target and economic growth may not hit 3% this year.

The stock market is not cheap, but the stretched valuations are offset by low interest rates and low inflation. As we look at a variety of economic indicators, almost all are supportive of the equity market. If economic growth is not as robust as forecast, the market will be supported by low bond yields and earnings growth. If growth remains strong, bond yields may rise but earnings growth will offer support to stock prices.

The eight year plus bull market remains intact and is being sustained by positive economic growth and low inflation expectations. Therefore, we remain optimistic on our stock market outlook with the cautionary note that we expect to see more market volatility. We have come through a period of extremely low market volatility which is not the norm. We do not see a bear market, based upon current economic data and company results, which should be beneficial in growing one's assets.