

Dear Valued Investor:

Another earnings season is in the books and it was a good one. With more than 90% of S&P 500 companies having reported first quarter 2017 results, S&P 500 earnings are tracking to a solid year-over-year increase of more than 14% (Thomson Reuters data). That mark, should it stand throughout the remainder of reporting season, would represent the best pace of earnings growth since the third quarter of 2011. Further, outlooks from corporate management teams have generally been upbeat. Corporate America's ability to produce strong profits despite sub-par economic growth has been impressive, providing a solid backdrop for stocks and economically sensitive bonds.

The story is similar overseas, where improving earnings have provided support for solid gains in international developed and emerging market equities, ahead of the major U.S. equity benchmarks. Overseas markets have also garnered support from the market-friendly outcome of the recent election in France, although political risks in Europe remain with the Brexit process ongoing and German and Italian elections on the calendar for later this year and early 2018.

Like stocks, bonds have generally rewarded investors so far in 2017. The bond market has garnered support from several factors, including the latest soft patch of U.S. economic data, tempered policy optimism in Washington, D.C., global central bank actions, and related low interest rates overseas. A move higher in rates is still very much on the table for this year, as economic growth is expected to improve, though any increase may be gradual depending on what fiscal stimulus is enacted. Though further gains in the bond market in 2017 may be muted, high-quality fixed income can still play an important role in portfolios as a diversifier and to help manage risk.

Policy developments remain important to watch as they can impact spending and investment decisions by consumers and businesses as well as corporate profits. During late April, the Trump administration put out a high-level tax proposal, setting the stage for the corporate tax reform debate to begin in earnest early this summer (timing depends on what the Senate does with healthcare reform); meanwhile, Congress averted a shutdown and came to an agreement to fund the government through September. The Federal Reserve's June 14 meeting is the next major event on the domestic policy calendar.

Looking ahead, stocks will have their ups and downs, as they always do, but improved corporate profits provide a solid foundation for potential further gains despite the U.S. economy's slow start to the year. The global economic picture has improved. Although bond returns may be muted over the balance of the year, high-quality fixed income remains an important part of diversified portfolios. Of course, policy and geopolitical risks should be monitored, but at this point have had only marginal impact on the market's fundamentals. I encourage you to stick to your long-term plan.

As always, if you have any questions please contact me.

Rick Fisher, CFP®

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Economic forecasts set forth may not develop as predicted.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market.

Investing in specialty market and sectors carries additional risks such as economic, political, or regulatory developments that may affect many or all issuers in that sector.

The S&P 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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