

October 5, 2017

Dear Valued Investor:

During the past several weeks, we've seen news headlines dominated by everything from extreme weather to heightened geopolitical risks, with speculation on policy changes in the U.S. an ongoing hot topic. With so many events competing for our attention, how do we know where to focus?

As investors, it's important that as we acknowledge the impact of these worldwide events, we remember to separate our personal sentiment from our investment strategy. This can be easier said than done, which is why it's important to rely on trusted economic and market indicators to guide us in the right direction. In other words, focus on fundamentals. The fundamental backdrop for the economy and markets continues to look solid, indicating that the market should be able to weather the ups and downs brought on by the dizzying news flow. Earnings estimates remain strong and economic indicators suggest that the potential for a recession this year or next remains low—both of which reduce the odds that a small correction turns into a big one.

The Federal Reserve (Fed) is another consistent source of guidance on the economy. Although the Fed chose not to raise rates for the third time in 2017 at its September policy meeting, the meeting was not without action. The Fed announced that it would begin gradually shrinking its balance sheet, as expected, withdrawing some of the trillions of dollars it invested in the aftermath of the financial crisis. Perhaps more importantly, however, the announcement reflects the Fed's confidence that economic growth and low unemployment will continue. Further supporting this position, the Fed indicated that a December rate increase is still likely.

When assessing this positive economic and market data, it's important to consider the U.S. political environment. LPL Research maintains its view that the potential for fiscal stimulus remains and that we may see a tax deal out of Washington, D.C. early next year. This view does seem to be in the minority, however, and political divisions in Washington could impede a reduction in tax rates—corporate or individual (or both). Because consensus expectations for a tax agreement have declined, it does lessen the chance that stocks would fall sharply if a deal is not passed.

Against this generally favorable backdrop, the stock market has continued its steady advance—going 10 months since the last 3% decline. While the market environment is positive, we should watch for a potential pullback. It's healthy for a market to experience small declines, as a way to refresh and set up the next move higher. But be mindful that pullbacks can often be accompanied by potentially unnerving headlines, which is why it's important to be prepared for them and remember the fundamentals. Based on the current environment, LPL Research notes that pullbacks can be viewed as opportunities to buy stocks at lower prices, especially for those who are underinvested relative to their long-term targets.

As is often the case in today's world, we are faced with a myriad of concerns and headlines that could distract us from our long-term investment strategy. I will continue to monitor these key economic, market, and policy factors and assess how they may impact your portfolio and what, if any, changes should be made.

Our emotions naturally tend to influence our actions, but with a well-thought-out plan and the right guidance, we can ensure that we stay on course to reach our goals. As always, please contact me with any questions you may have.

Sincerely,

***Rick Fisher, CFP®***

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The information in this letter has been prepared from data believed to be reliable, but no representation is being made as to its accuracy and completeness.

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.

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Tracking #1-649279 (Exp. 09/18)