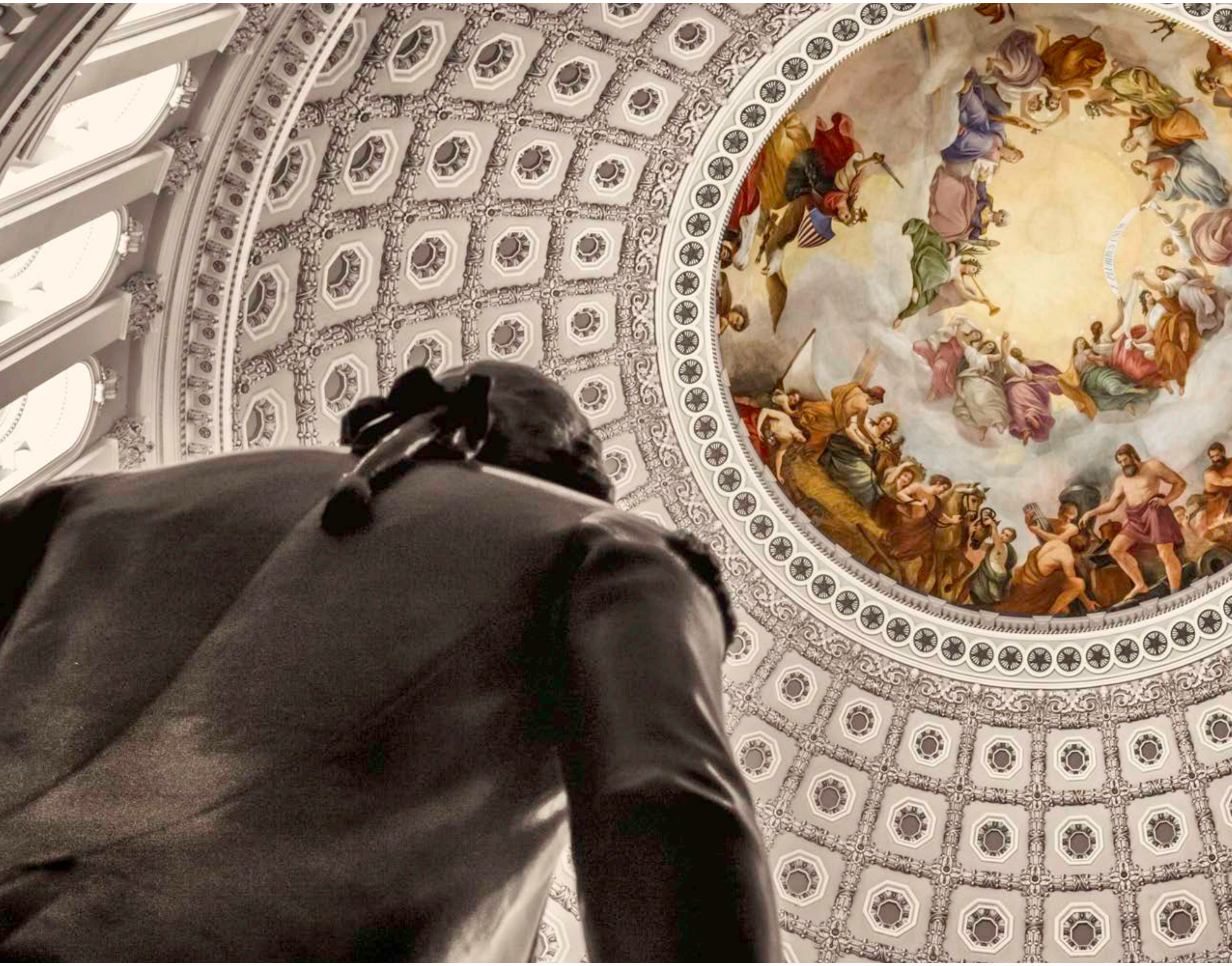
WASHINGTON CROSSING ADVISORS

VIEWPOINT2017

PORTFOLIO ASSUMPTIONS



STIFEL

2017 PORTFOLIO STRATEGY

EXECUTIVE SUMMARY

There are signs that growth is improving as we start the new year. The pickup began last spring, continued through the fall, and accelerated into year's end. The surprise outcome of the election raised expectations for new tax, spending, and regulatory proposals, which could impact growth and business sentiment. The bond market is also taking notice of a changing landscape as interest rates price in some additional inflation.

We start the year with a tactical tilt toward domestic equities and away from longer-term bonds. A portfolio strategy that combines a long-run point of view with some short-term flexibility is a good way to approach what we expect to be an eventful 2017.

KEY POINTS

- **Our long-run equity return expectation is raised to 6%.**
- **We see growth improvement ahead but are watchful for higher interest rates as inflation firms.**
- **Low starting yields and higher equity valuations reduce expected portfolio returns compared to history.**

A portfolio strategy that combines a long-run point of view with some short-term flexibility is a good way to approach 2017.

A Long-Run Perspective

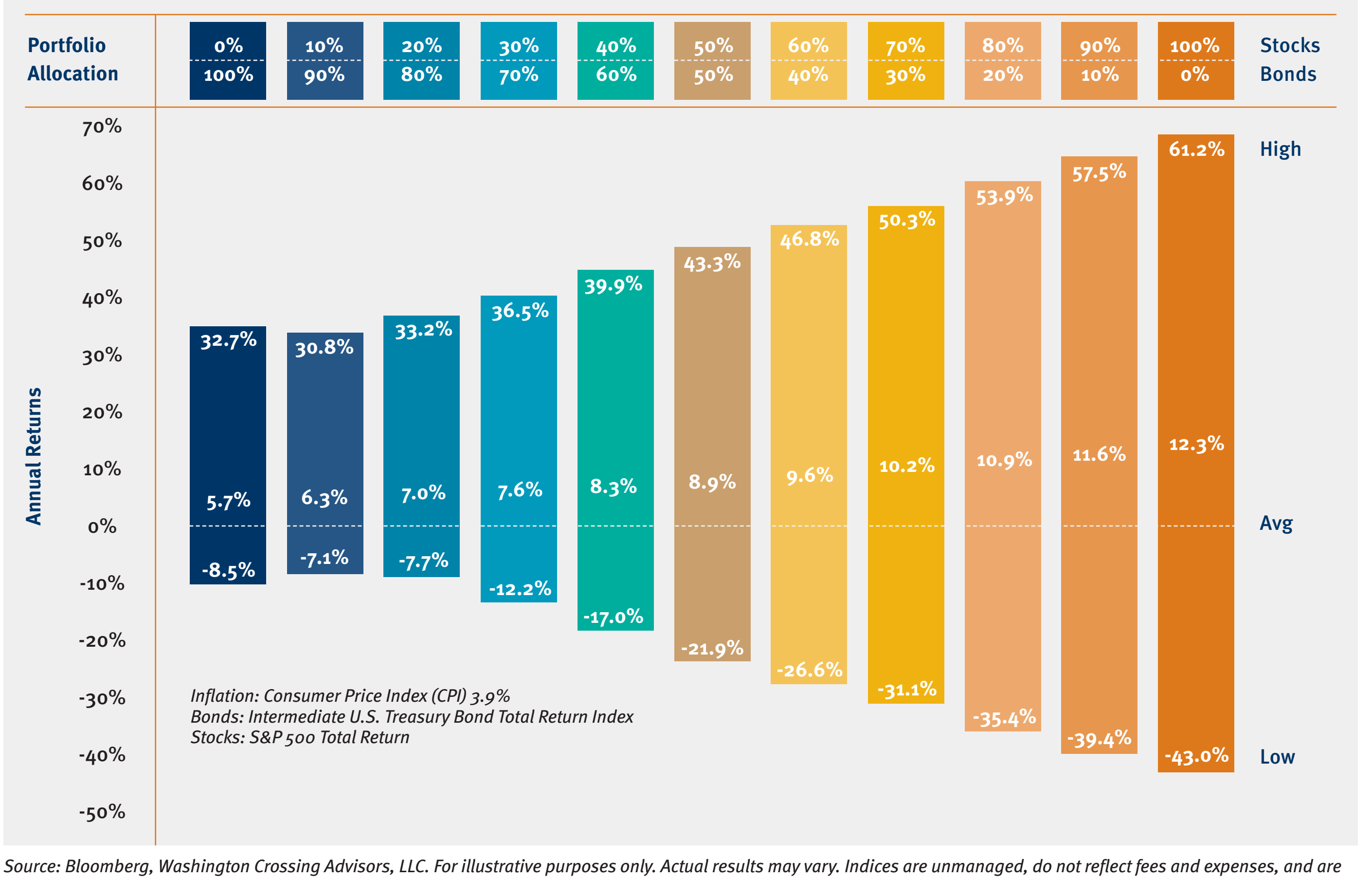
"Time in the market" is more important than "timing the market" when it comes to successful investing, making a long-term perspective essential. A look at returns since World War II highlights just how volatile year-to-year returns can be. The chart below shows how different mixes of stocks and bonds performed over this period. Those investors who relied exclusively on stocks generated the highest average return, but also endured significant periodic losses along the way. Bond investors made the lowest return, but with the least volatility. The choice of asset mix is the first step in the portfolio strategy and can have a substantial impact on performance. The right combination should balance long-run objectives with ability and willingness to endure periodic losses.

The Investing "Horse Race"

A strategy with the right mix of stocks and bonds helps in other ways. The chart on the next page shows the performance of different assets and their annual returns for the last ten years. Often, the best performers one year become the worst performers the next.

There is a strong temptation to become caught up in the investing "horse race" by chasing today's winners only to find them become tomorrow's losers. Maintaining a strategic mix of diversified assets with a view toward the long run can offset some of the behavioral pitfalls that we humans fall prey to from time to time.

EXAMPLE RETURNS BY ASSET MIX (1946–2016)



Source: Bloomberg, Washington Crossing Advisors, LLC. For illustrative purposes only. Actual results may vary. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment. Assumes reinvestment of gains and dividends. Past performance is not a guarantee of future returns.

Flexibility to Respond to Change

Sometimes it pays to make adjustments to a portfolio strategy when assets are not adequately pricing risk. A dynamic portfolio strategy allows some flexibility in exposure to various assets and will tilt exposures between assets as circumstances warrant. Higher perceived risk or lower expected returns would lead to reducing exposure to an asset class, while lower perceived risk or higher expected return would result in increased exposure. Tilts toward or away from the basic diversified portfolio are called "tactical" shifts. Allowing for some tactical flexibility, while preserving broad diversification, provides the possibility to improve performance versus a passive "set it and forget it" approach.

An Integrated Approach

While nothing can be more important than emphasizing the long-run nature of investing, a portfolio strategy will ultimately need to address both the future and the "here and now." Such an integrated approach might well be called a "semi-active" approach and is what we envision when preparing this *Viewpoint 2017*.

The semi-active approach fits nicely within a "core-satellite" framework. This structure divides holdings into two parts—a larger and broadly diversified "core" component and a smaller "satellite" allocation. The "core" is managed more gradually with an eye toward the long-run horizon, while the "satellite" adjusts with an eye toward the months just ahead.

ASSET ALLOCATION DELIVERED MORE CONSISTENT PERFORMANCE

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EM Equity 44.4%	Cash 6.8%	EM Equity 88.1%	REITs 25.8%	Gold 17.7%	REITs 20.4%	U.S. Equity 29.8%	REITs 27.8%	U.S. Equity 2.1%	High Yield 14.2%
Gold 28.4%	Fixed Income 4.5%	High Yield 52.4%	Gold 23.6%	Fixed Income 7.6%	U.S. Equity 17.0%	DM Equity 18.3%	U.S. Equity 16.0%	REITs 1.1%	U.S. Equity 11.8%
DM Equity 14.2%	Gold 2.3%	REITs 41.6%	EM Equity 18.8%	REITs 5.6%	DM Equity 16.8%	Asset Alloc 6.6%	Asset Alloc 6.8%	Fixed Income 1.0%	EM Equity 9.3%
Asset Alloc 8.5%	Asset Alloc -19.6%	DM Equity 41.2%	U.S. Equity 14.1%	High Yield 5.4%	High Yield 15.3%	High Yield 6.0%	Fixed Income 5.5%	Cash 0.6%	Gold 7.6%
Cash 7.0%	High Yield -28.6%	Gold 36.4%	High Yield 13.4%	Asset Alloc 3.0%	EM Equity 15.0%	REITs 2.4%	EM Equity 2.4%	Asset Alloc -0.3%	REITs 7.1%
U.S. Equity 6.4%	U.S. Equity -39.3%	U.S. Equity 29.7%	Asset Alloc 10.2%	U.S. Equity 2.2%	Asset Alloc 10.5%	Cash 0.4%	High Yield 1.8%	DM Equity -2.5%	Asset Alloc 5.1%
Fixed Income 5.9%	DM Equity -46.3%	Asset Alloc 23.0%	DM Equity 9.6%	Cash 1.6%	Fixed Income 4.7%	EM Equity -1.7%	Cash 0.6%	High Yield -4.2%	DM Equity 2.5%
High Yield 2.2%	REITs -46.8%	Fixed Income 8.1%	Fixed Income 5.5%	DM Equity -11.3%	Gold 2.7%	Fixed Income -1.9%	DM Equity -1.2%	Gold -10.8%	Fixed Income 2.0%
REITs -16.0%	EM Equity -55.4%	Cash 1.4%	Cash 1.9%	EM Equity -17.2%	Cash 0.4%	Gold -27.4%	Gold -1.9%	EM Equity -12.9%	Cash 0.7%

Source: Bloomberg, Washington Crossing Advisors, LLC. Past performance is not a guarantee of future returns. Cash: ICE U.S. Treasury 1-3 Year Bond Index; Fixed Income: Barclays Aggregate Index; High Yield: Markit iBoxx USD Liquid High Yield Index; U.S. Equity: S&P 500; DM Equity: FTSE Developed All Cap ex US Index; EM Equity: FTSE Emerging Markets All Cap China A Inclusion Index; REITs: Dow Jones Select U.S. Real Estate Index; Gold: Gold Spot Price; Asset Alloc: Assumed Asset Allocation Weights: 1% Cash, 20% U.S. Stocks, 17% Foreign Developed Stocks, 3% Emerging Stocks, 50% Diversified Fixed Income, 3% REITs, 3% Gold, 3% High Yield. Assumes annual rebalancing, which may have tax consequences. You cannot invest directly in an index. Assumes reinvestment of gains and dividends.

Diversified Core (80% of Portfolio)

Our long-run return forecasts are updated twice a year and can be seen on the table at the top of the next page. These projections serve as the basis for decisions to over-or-underweight various assets in the portfolio's "diversified core" (chart, bottom next page). These views reflect observations on the economy, valuations, and other long-run trends.

Within the diversified portfolio "core," we are focused on several themes. The main portfolio tilts away from our "policy allocation" as we start 2017 are:

- **Domestic markets over foreign**
- **Developed markets over emerging**
- **Shorter-duration bonds over long**
- **Corporate credit over sovereign debt**
- **A reduced gold exposure**

Estimates of long-run returns and risk drive decisions whether to overweight or underweight an asset class versus our benchmark exposures, but investors' objectives and risk preferences determine the overall target mix of stocks and bonds. Maintaining a reference point around a target mix of stocks and bonds is an important risk management strategy and helps keep the portfolio diversified.

Tactical Satellite (20% of Portfolio)

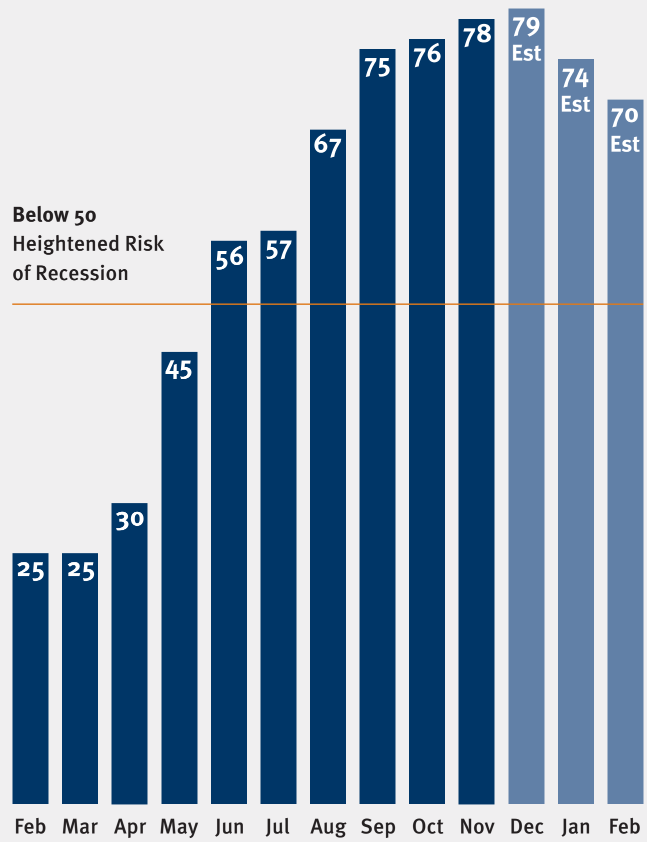
The tactical satellite allocation responds more rapidly to change in underlying conditions as viewed through the lens of our WCA Fundamental Conditions Barometer (chart above, right).

Improving trends in most of the data led us to increase the tactical allocation to equities throughout 2016, beginning in June. As we start 2017, the satellite allocation remains overweight equities. The stock/bond mix within the satellite stands at 60% domestic equities and 40% bonds.

Bringing it All Together

Combining a slower-moving, longer-term focused "diversified core," with a more nimble, shorter-term focused "tactical satellite" allows us to preserve the benefits of a long-run perspective while allowing some ability to take an active role and navigate changing conditions over shorter periods.

WCA FUNDAMENTAL CONDITIONS BAROMETER

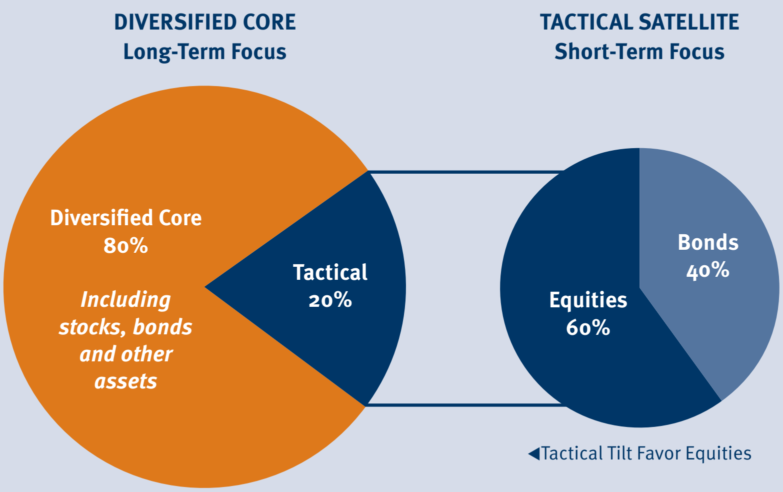


We regularly assess changes in fundamental conditions to help guide near-term asset allocation decisions. Analysis incorporates approximately 30 forward-looking indicators in categories ranging from Credit and Capital Markets to U.S. Economic Conditions and Foreign Conditions. From each category of data, we create three diffusion-style sub-indices that measure the trends in the underlying data. Sustained improvement that is spread across a wide variety of observations will produce index readings above 50 (potentially favoring stocks), while readings below 50 would indicate potential deterioration (potentially favoring bonds). The WCA Fundamental Conditions Index combines the three underlying categories into a single summary measure. This measure can be thought of as a "barometer" for changes in fundamental conditions.

ASSET CLASS	10-15 YR VIEW RETURN	VOLATILITY	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
BONDS					
Core Bonds	2.8%	4.4%			
1-3 Year Treasury Bond	2.0%	1.0%			
Mortgage-Backed Securities	2.3%	2.5%			
Intermediate Government/Credit	2.3%	2.4%			
20+ Year Treasury Bond	2.3%	11.4%			
Investment-Grade Corporate Bonds	2.9%	5.2%			
High-Yield Corporate Bonds	3.2%	8.6%			
EQUITY					
Domestic Equity	6.0%	15.5%			
Domestic Large Cap Value	5.5%	15.7%			
Domestic Large Cap Growth	4.9%	14.3%			
Foreign Developed Equity Markets	6.3%	17.4%			
Foreign Emerging Equity Markets	6.2%	20.4%			
Gold	3.5%	15.7%			
REITs	4.9%	22.3%			

As of January 18, 2017. Past performance does not guarantee future results.

Core Tactical



COMBINING A STRATEGIC "CORE" AND TACTICAL "SATELLITE" IN ONE ACCOUNT

We think of portfolios as having two parts. At the "core" of the portfolio is a diversified equity and diversified bond allocation. The long-run forecasted returns you see above guide these allocations. Because forecasts are long-term, changes in the core tend to be slower. This helps reduce turnover. Also, note that allocations to equities and bonds in the core can be adjusted to fit different risk profiles.

The smaller 20% (blue circle) is the "satellite." As market conditions change, shorter-term "tactical" calls are implemented here.

These views are provided by Washington Crossing Advisors, LLC. Assumptions are estimates based on historic performance and an evaluation of the current market environment. These are estimates only and not intended to represent future performance. References to future expected returns and performance do not constitute a promise of performance for any asset class or investment strategy. Volatility refers to an expected standard deviation of returns, a measure of uncertainty around our estimate. The forecasts contained herein are for illustrative purposes only and not to be relied on as advice or interpreted as a recommendation to engage in the purchase or sale of any security or financial product. These forecasts are based upon subjective estimates and assumptions about circumstances and events that may not have taken place and may never do so. In addition, Washington Crossing used historic index returns in evaluating past return relationships. This information was gathered from third-party sources we deem reliable, but no independent verification has been undertaken. Actual returns could be higher or lower than shown herein. Opinion subject to change without notice.


Check
G
H
I
J
K
L
Feb-16
Mar-16
Apr-16
May-16
Jun-16
Jul-16
Business Chart
Business Chart - Visual
50%
25%

$

ECONOMIC OUTLOOK

The business cycle is growing older, but output remains below potential. Now over ninety months old, this business cycle ranks high in duration compared to other periods. The 1960s saw the economy grow for 106 months before encountering a recession. The 1980s brought with it 92 months of uninterrupted growth before the 1990-1991 recession took hold. Of course, the 1990s holds the record for the longest post-war period of prosperity, with over 120 consecutive months of progress before the downturn of the early 2000s.

The pattern of slowing growth through 2015 and early 2016 may be seeing a late cycle lift, but growth patterns around the world have generally weakened since 2000. We expect to see some improvement in these trends as the ill effects of the financial crisis fade, however. Overall, we hope to see the long-run growth trajectory for the United States remain near 2.8% (+/- 1%) while global growth maintains a long-run path near 3.0% (+/- 1%).

Does the current expansion have further to play out, or are there signs emerging that the cycle is nearing its end?

We expect the growth trajectory for the U.S. to remain near 2.8% while global growth maintains a long-run trajectory near 3.5%.

Macroeconomy

Although a ninety-month expansion is not exactly a "spring chicken," there are many examples of longer expansionary periods. The 1960s, 1980s, and the 1990s all saw longer episodes of continuous growth than today. While the cycle is growing older, it is still modest regarding overall growth. The expansions of the '60s, '80s, and '90s saw the United States' output grow 40-50%. Today's economy, by contrast, is only 20% larger than at the start of the cycle in 2009. Slow-but-steady growth leaves us with excess slack that is more consistent with a still-expanding economy than one about to contract.

Therefore, we see an economy that is gradually moving into the later stages of expansion at the start of 2017, but with room to run. With asset prices pressing toward new highs, however, interest rates and inflation rising, and reduced slack in the labor force, we should expect some pickup in market volatility ahead (both up and down). An unfolding political backdrop will also introduce new aspects to the forecast that can both boost growth (regulatory reform and fiscal stimulus) and dampen growth (immigration and trade).

For now, however, the economy appears to be performing reasonably well as we start 2017 and relatively stable readings from leading indicators suggest near-term recession risk is below average.

The Consumer

The consumer has carried much of the water in recent years, showing resilience despite a challenging job market, high levels of indebtedness, and low levels of confidence. Today we see that consumer spending accounts for a record 69% of the economy and consumer spending trends appear steady. Supporting this trend is job growth and a pickup in wages.

There are about 1.5% more people employed than a year ago, as monthly job growth has been about 180,000 this year, and hourly wages are also up 2.5% from a year ago. Consumers are gradually becoming more confident too. The University of Michigan's Consumer Sentiment Survey index remains above 90 despite a rancorous election. The combined effect of more jobs, higher wages, and greater confidence is helping maintain steady consumption growth.

A reliable engine of growth for years, rising consumption remains a key focus today. Consumer demand accounts for the lion's share of the economy, so relatively small changes in demand can dramatically affect how companies plan to hire and invest. Steady improvement in consumption remains key to our outlook.

Business

Business and investment trends were mixed in 2016. Total investment and capital goods orders were down 0.8% and 4.2%, respectively, through the end of the third quarter. Against these negative trends, we saw a few positive developments during the year, however. Pretax profits as a percent of gross domestic product rose to 12.1% in the third quarter of 2016 from 11% at the start of the year. Inventories began to fall relative to sales, and a string of five consecutive quarters of year-over-year profit declines also ended in 2016. Corporate balance sheets also appear healthy, as the non-financial business sector's debt-to-equity ratio remains near 39%, a significant improvement from the 50% level seen in 2009. Overall, the outlook for business seemed mixed in 2016, but some improvement can be seen headed into 2017.

Government

The federal government has become less accommodative in recent years. The deficit has contracted to below 3% of the economy's size from over 10% during the last recession, and total government spending is down to a modern-era low of 15.7% of gross domestic product (GDP) versus 21% in 2009 and nearly 25% of GDP in 2002. A sharp increase in federal debt during and after the financial crisis drove the ratio of public debt to GDP to 105% in 2016 from near 60% in 2006. The sharp rise in borrowing led to a rating downgrade and the triggering of required measures to reign in the deficit. This period of "austerity-lite" may be ending, especially if the incoming administration gets its way on tax and infrastructure spending plans.

Monetary Policy

The Federal Reserve ceased expanding its balance sheet through "quantitative easing" beginning in 2014, and short-term interest rates are gradually moving higher. These changes should not be confused with "tight" monetary policy, however. A positively sloped yield curve and negative real interest rates are both indicative of a dovish central bank. We view the combination of tighter monetary policy, in conjunction with potentially more accommodative fiscal policy, a catalyst for a stronger dollar in 2017-2018.

Near-Term Growth

In addition to this review of the economy, we regularly assess the progress of a broad range of relevant trends through the lens of our WCA Fundamental Conditions Barometer (see chart, page 4). As of this writing, most of the data we review, including a positively sloped yield curve, narrowing credit spreads, order rates, and other leading indicators, are flashing positive signals for the economy.

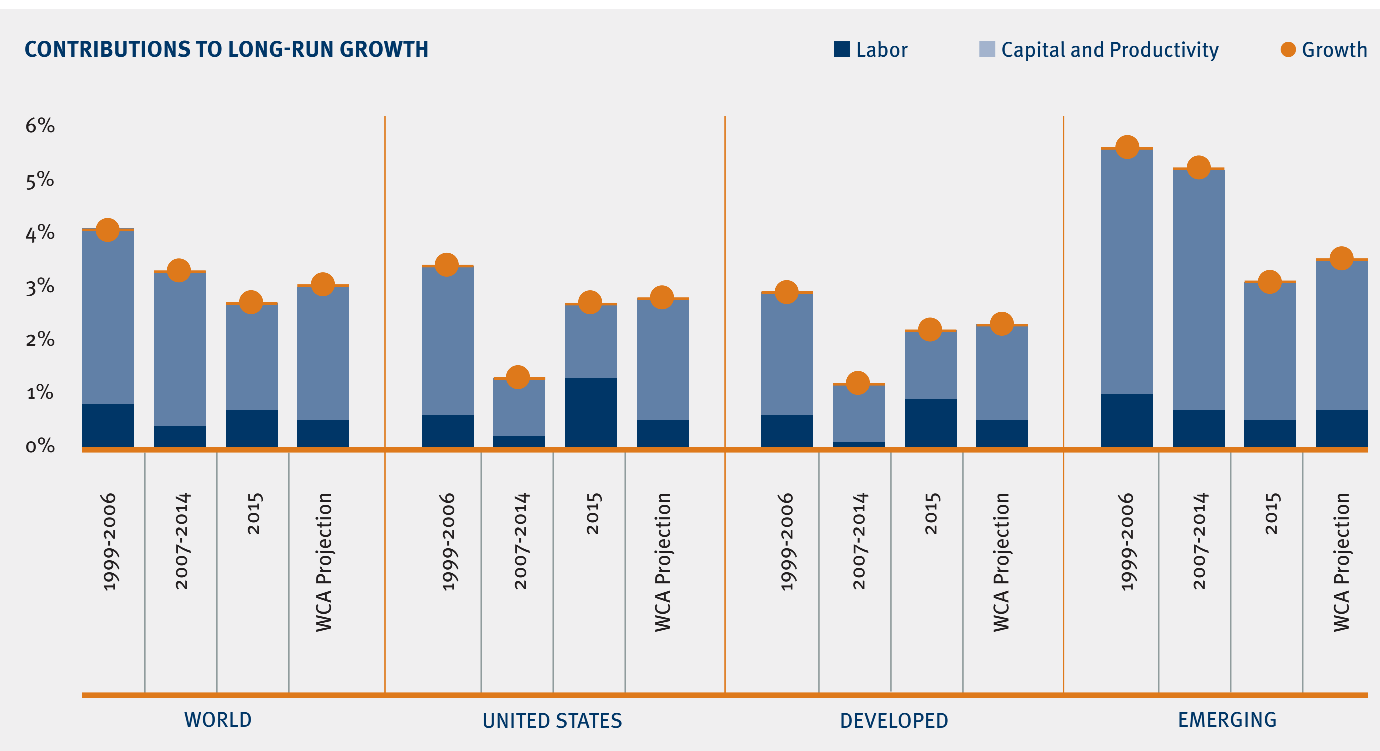
Healthy readings from our WCA Fundamental Conditions Barometer suggest that the economy remains on a growth path as we head into 2017. While recession risk may have faded for now, we do not believe risk is vanquished for good.

We will continue to watch for changes that could alter the environment for investing and make tactical portfolio adjustments when appropriate.

Long-Term Growth

As the charts below show, there is still much work to be done regarding long-run growth. Ultimately, more workers and more capital are required to produce greater output for the betterment of all. The addition of productivity through technology and ingenuity provide for an even higher growth rate. As you can see, these trends have been headed in the wrong direction in recent years, reducing the potential for economic growth and dampening return potential for investors.

Drawing a straight line downward through these trends is not the right forecasting technique, in our view. Some of the effects on growth are cyclical, and extrapolation of trends simply is not the right treatment. Accordingly, we expect to see some cyclical improvement in capital investment and productivity, combined with low-but-positive growth in labor, contribute to long-run domestic growth near 2.8% and world growth near 3.0%.



Source: Conference Board, WCA.

FIXED INCOME OUTLOOK

Savers in the United States have had to contend with negative short-term real interest rates for seven long years. For all the talk about policy normalization, noticeably little has been done to restore a positive short-term risk-free interest rate for savers, after adjusting for inflation. Instead, household savers have been forced further out the risk spectrum, resulting in compressed risk premia and higher asset values. Today's savers, taxpayers, and future generations are funding a subsidy to help overindebted borrowers avoid insolvency.

The mathematics of fixed income investing leads us to limited expected returns on bonds from here. Bonds may still convey a tactical benefit or provide some insurance against deflation or recession, but expected long-run returns today appear quite small by historical standards. We remain overweight corporate bonds and underweight long-duration U.S. Treasuries as we enter 2017.

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Cash and Equivalents

Investors in bonds or money market instruments may continue to suffer given exceptionally low starting yields in 2017. The actions taken by central banks to avert a more severe downturn during and immediately following the 2007-2009 financial crisis are still hurting savers in traditional T-Bills and short-term instruments of credit. Confronted with a world devoid of safe-haven returns, many of these investors have ventured further out the risk spectrum into higher risk and lower grade instruments.

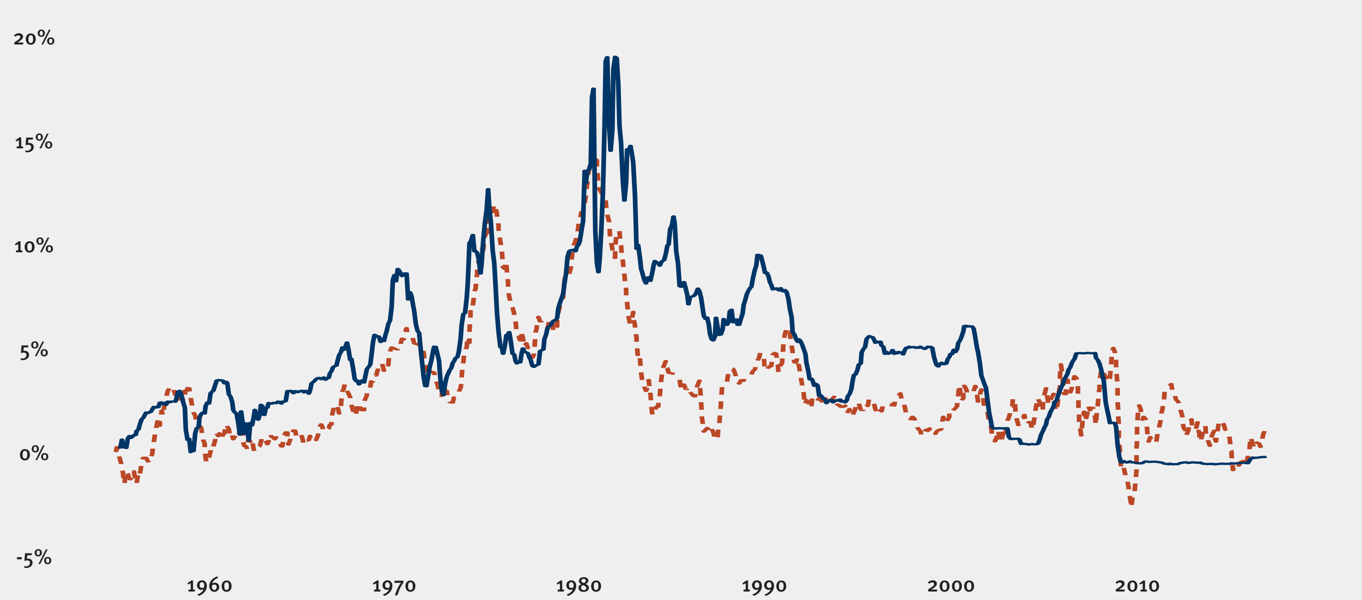
Here, however, the tide may be slowly turning. The Federal Reserve, responding to signs of better growth and nascent inflation, raised interest rates at their last meeting and signaled a faster pace ahead, assuming growth and inflation remain on a growth track. The Federal Reserve Board members increased both their short-term rate forecast to 1.4% by year-end 2017 and increased their long-run projection to 3.0% from 2.9%. This increase was the first increase in the forecast and comes as core inflation is picking up from near 1.5% in 2016 and moving toward 2%.

In our view, ongoing private sector deleveraging, coupled with excess capacity in many areas, makes it hard for the Fed to follow through on plans to normalize rates toward their 3% long-run projection. Consequently, we assume cash returns will average just under 2% over our 10-15 year forecast horizon, as we think it will take quite some time for the Fed to reach 3%.

Long-Term Treasuries

Longer-term U.S. Treasury bonds offer little more than Treasury Bills in the way of return under our long-run outlook, given low starting yields versus returns that are likely to be required under a "growth and normalization" scenario. After years of searching for yield, markets seemed to fully embrace the "lower for longer" mantra of central banks in 2016. Last summer, the extra compensation offered to investors in 30-year U.S. Treasury bonds to extend maturities fell to the lowest level since the recession despite signs of improving growth in the United States. Short of a slide back toward recession and deflation, it is hard to imagine how a long-term U.S. Treasury bond investor would manage to generate anything close to histori-

SHORT-TERM RATES AND INFLATION



Source: Bloomberg, Washington Crossing Advisors, LLC.

cal long-run returns or earn a positive return over cash from the low yield levels we saw last summer. At those prices, we felt long-term Treasuries might act as expensive insurance against deflation, but they ceased to provide a source of real long-run portfolio return. The decline in Treasury bond prices since last summer, however, is helping restore some incentive for new bond buyers and reduces the valuation adjustment that should eventually come.

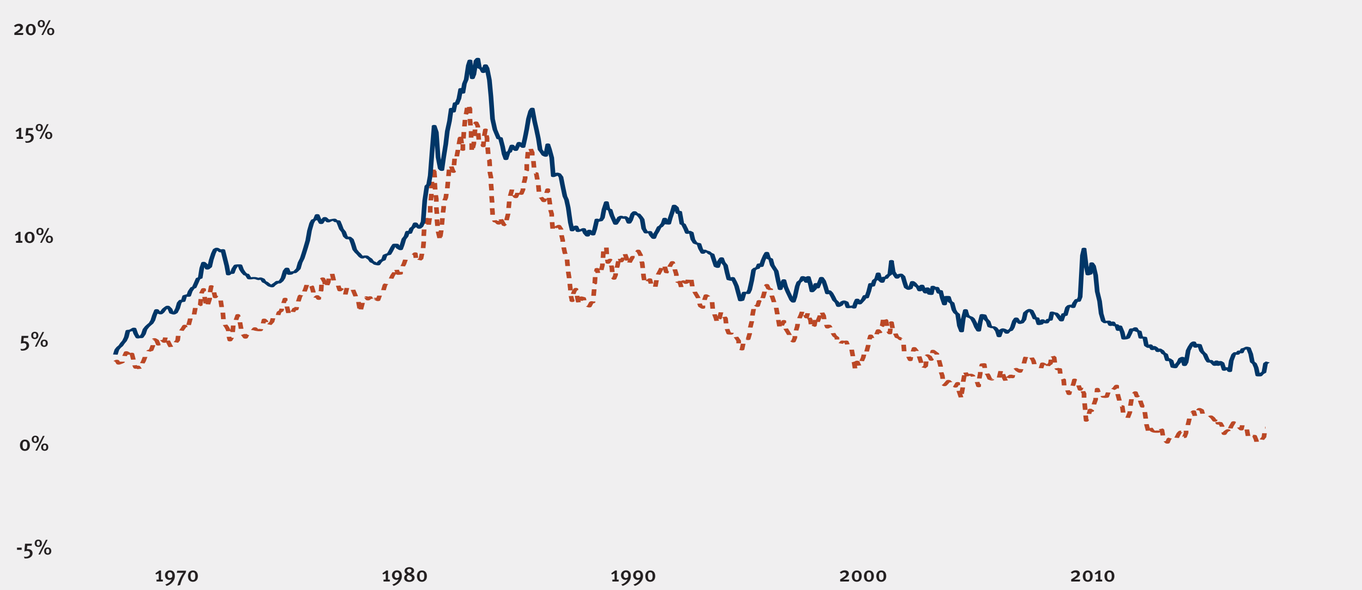
Investment-Grade Corporate Bonds

We expect to see spreads tighten on corporate debt in 2017 given continued economic growth, high levels of corporate cash flow, and the potential for debt repayment. A recent improvement in the profit outlook and firming commodity prices also augurs well for the creditworthiness of corporate borrowers. Also, the possibility of favorable tax treatment on repatriation of foreign profits adds other catalysts for corporate spreads to come in further. Today, we see the spread on the Moody's Baa Corporate Bond Index stands at roughly 170 basis points (1.70%) over the 30-year U.S. Treasury yield. This 170 basis point spread is slightly below the 180 basis point 30-year average spread when the economy was growing. Evidence of a still-improving economy today, however, supports the case for improving corporate financial health and contained credit spreads—a positive for today's corporate bond investor.

High-Yield Corporate Bonds

Higher yielding and lower quality corporate bonds offer the potential for higher returns, more akin to equities. Since this asset class performs less like bonds and more like equity we tend to think of high yield corporate debt as non-traditional fixed income. Here we typically see far higher credit loss rates than losses on investment grade bonds as the primary risk factor. For most of the past 40 years, loss rates on speculative debt were near 2.8% according to Moody's. Loss rates are a function of both the default or nonpayment, of an obligation and the amount of recovery to the investor following the default. Investors typically find higher yields among high-yield issuers as compensation for this higher default risk.

BAA CORPORATE VERSUS U.S. TREASURY BOND YIELDS



Source: Bloomberg, Washington Crossing Advisors, LLC.

EQUITY MARKET OUTLOOK

The stock market rallied through the second half of 2016 along with a host of other leading indicators. Profit forecasts firmed up as analyst estimates for S&P 500 companies' operating earnings rose toward $133. A 5% increase in expected earnings and a 5% increase in the market's price-to-earnings multiple led to a 10% increase in the S&P 500 index last year. By the end of 2016, the forward-looking price-to-earnings multiple stood near 17x, placing this valuation measure about 18% above its 10-year average. The S&P 500 net profit margin is near 9.4%, which is also somewhat higher than the long-run average. With above-average multiples and margins, top-line growth and cash returns become more critical drivers of equity market returns from here.

While most of the data paints a favorable picture for stocks and supports our tactical overweighting of equities, we need to remain mindful of risks. An unexpectedly sharp rise in interest rates, a much stronger move in the dollar than we now envision, or a substantial further increase in valuations could all lead to unwanted risk. While these are not the most likely outcomes, we are mindful that these factors could change. We feel equity portfolios should be able to combine long-run strategic and short-run tactical observations to capitalize on such changes.

With above-average multiples and margins, top-line growth and cash returns become more critical drivers of equity market returns.

Global Equity Markets

We continue to favor U.S. markets as we enter 2017, given a better fundamental and growth outlook here, coupled with a steady U.S. dollar. A more positive trend in the dollar is backed up by prospects for further U.S. monetary tightening and the potential for the addition of late-cycle U.S. fiscal easing. We think the combination of better domestic growth and policy shifts should continue to make the United States a relatively attractive destination for investment.

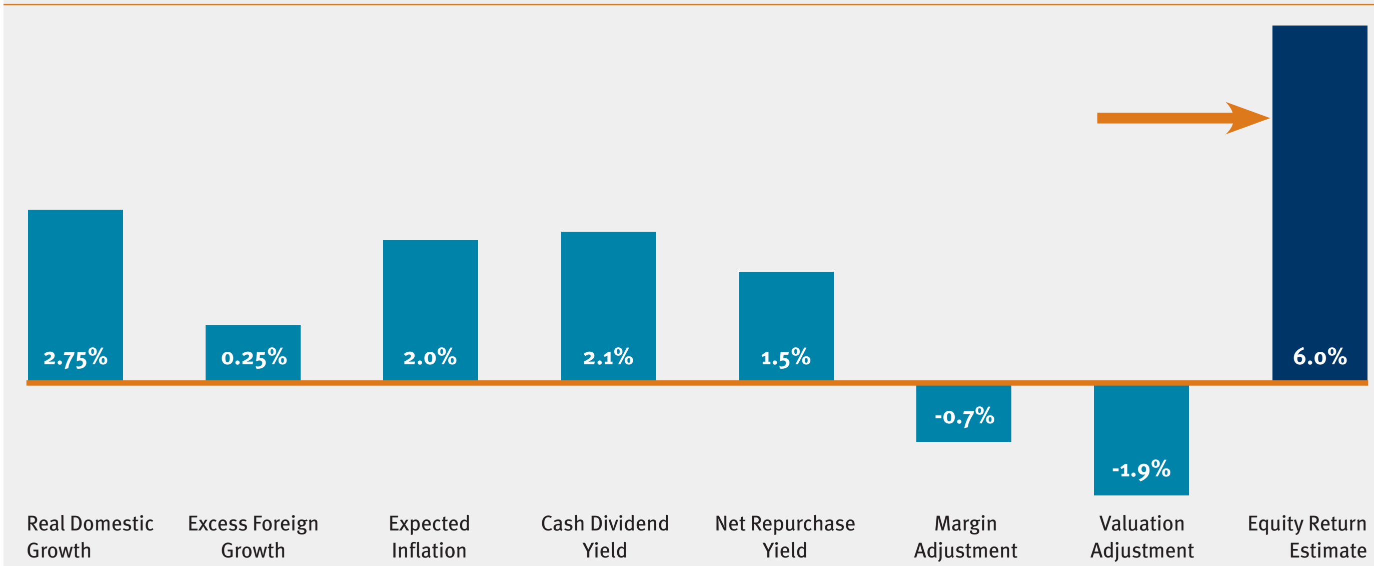
A global reflation theme also emerged in 2016 and continues into the new year. Japan and Europe appear relatively inexpensive and potentially stand to benefit from some of the reflationary trends we are seeing. While emerging market (EM) valuations seem very reasonable, the weakened fiscal stance of several EM countries, ongoing deleveraging, and a strengthening dollar all cloud the near-term EM outlook. **Consequently, we are overweighting developed versus emerging market equities in portfolios at this time.**

Domestic Equity

The set of policies offered by the incoming Trump administration focuses initially on tax cuts, infrastructure spending, and deregulation. Such pro-growth policies are becoming discounted into equity markets, but the size of the ultimate impact is far from certain. Lower corporate taxes, incentives for investment, and lighter regulatory burdens are clear positives for U.S. equity investors. Because the plan is light on details and yet to be passed by Congress, we both raised and widened our long-run growth forecast range. We expect to make further revisions to the outlook as more information becomes available.

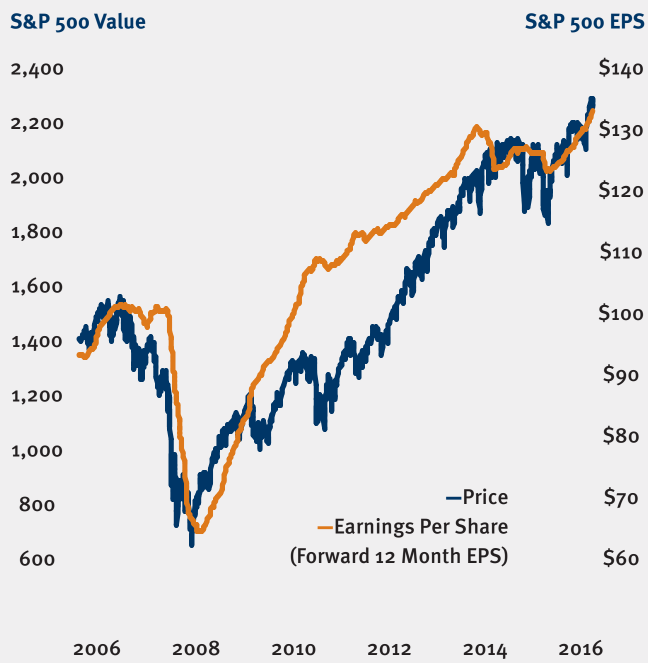
The value style is outperforming growth following the Trump election win. An improved regulatory and interest rate outlook is helping financial stocks, while rising oil and gas prices are helping boost energy shares. The recent strong performance of these sectors is driving the relative outperformance of value styles versus growth.

FORWARD-LOOKING FACTORS CONTRIBUTING TO LONG-RUN (10-15 YEARS) EQUITY MARKET RETURN EXPECTATIONS



Source: These views are provided by Washington Crossing Advisors, LLC. Assumptions are estimates based on historic performance and an evaluation of the current market environment. These are estimates only and not intended to represent future performance. References to future expected returns and performance do not constitute a promise of performance for any asset class or investment strategy. The forecasts contained herein are for illustrative purposes only and not to be relied on as advice or interpreted as a recommendation to engage in the purchase or sale of any security or financial product.

CHANGE IN FORWARD 12-MONTH EPS VS. CHANGE IN PRICE



Sources of Return

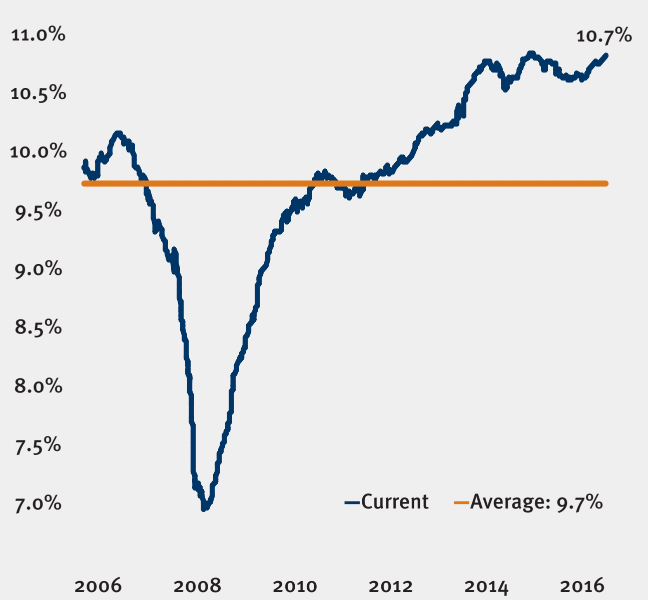
We expect to see equity returns near 6% over the long term. This year's forecast is slightly higher than last year's due to a small increase in potential long-run growth tied to lower taxes on capital and investment. We also expect less of a drag from profit margin normalization. On the downside, we reduced the return contribution from net share buybacks, as they appear to be slowing. The environment of positive, but lower long-run returns remains the predominant theme this year.

Conclusion

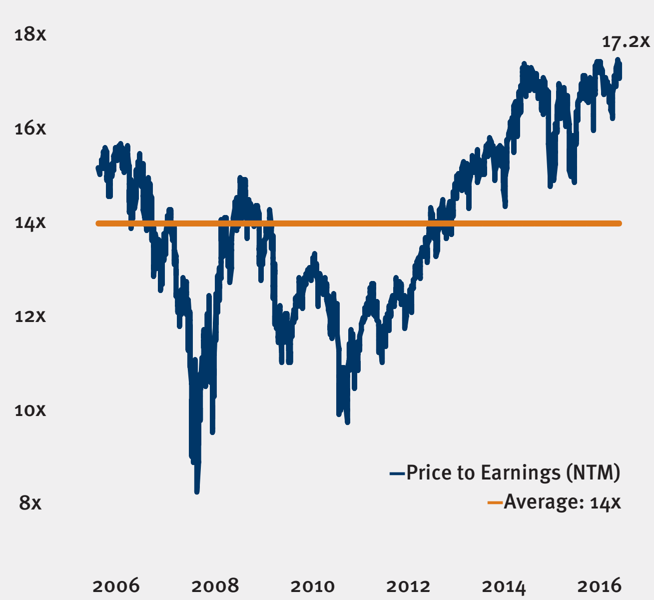
The environment for equities looks constructive as we start 2017. Incoming data suggests a pickup in growth and a reduction of risk aversion in the marketplace. While anticipated tax cuts, infrastructure spending, and a deregulatory agenda in the United States may contribute eventually to growth, we note that a broader pickup in output was evident well before the election. We will continue to evaluate the changing landscape and will make changes to equity portfolios as the situation evolves.

Source for all charts: FactSet.

FORWARD 12-MONTH MARGIN



FORWARD 12-MONTH P/E RATIO



SECTOR OUTLOOK

Cyclical sectors dominated the performance of non-cyclical sectors in 2016 as growth returned. Energy led the way, and financials responded well to a steeper yield curve. The incoming Trump administration should have an impact on the regulatory environments facing many different sectors and industries. Our 2017 sector review begins with an overweight in energy and materials, both beneficiaries of a pickup in global growth and inflation. At the other end of the spectrum lie utilities and real estate, whose returns may be dampened by headwinds from rising interest rates.

As with our overall macroeconomic outlook, much of the road ahead will be shaped by unfolding government policy choices in the months ahead. For now, the themes of better global growth, firming inflation, and somewhat higher interest rates set the tone for the sector call as we start 2017.

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Financials — Marketweight

Net Interest Margins have rebounded off recent lows to climb back above 3% (3.03% in Q316) and should continue to improve as the Fed continues to raise rates. We believe the Fed will raise rates two to three times over the next twelve to eighteen months. The sector has outperformed the market since the election last November (up 18.5% total return) but we are wary of its prospects going forward.

Energy — Overweight

Companies in this sector that stand to benefit the most in the current macro-environment are those that are minimizing costs, using capital efficiently, improving productivity, and have rights to fertile land basins. The sector should also receive a boost from less regulation and the fact that the future of fracking seems to be on more solid ground given a Republican-controlled Capitol Hill.

Materials — Overweight

China is a world leader in demand for commodities. Whereas prices fell in 2009 when China reduced government stimulus, prices have rebounded over the past two years as China returned to more stimulative fiscal policies. In the United States, President Trump has vowed to increase investment in the country's infrastructure by means of a new fiscal stimulus package.

Industrials — Marketweight

Congress recently passed a five-year highway bill that will increase spending from $52 billion to $61 billion per year. Additionally, the defense budget for 2017 is expected to increase as President Trump has stressed the need for a strong military. Alternatively, the Federal Reserve's Industrial Production Index ended 2016 with a whimper (down -0.6% year/year).

Utilities — Underweight

A decade of low interest rates plus low bond yields pushed valuations in this defensive sector to historically high levels. Income-starved investors were eager to reap the benefits of the sector's high dividend yield. The euphoria may be nearing an end, however, as we expect the Fed to raise rates two to three times over the next twelve to eighteen months.

Consumer Discretionary — Marketweight

Unemployment is low, wages are up, the housing market is strong, interest rates are still low, and consumers should benefit from lower taxes. Consumers continue to abandon brick-and-mortar stores for the convenience of online retailers. This shift has put downward pressure on margins at the traditional retailers.

Health Care — Marketweight

According to The Centers for Medicare & Medicaid Services, health spending is projected to grow at an average rate of 5.8 percent per year or 1.3 percent faster than Gross Domestic Product (GDP) per year. As a result, the health share of GDP is expected to rise from 17.5 percent in 2014 to 20.1 percent by 2025. These projections could become obsolete if the incoming Congress repeals and replaces the Affordable Care Act.

Consumer Staples — Marketweight

This sector benefits from the consistent demand for companies' products, attractive dividend yields, and low volatility. Many companies grow their earnings even during periods of rising inflation and increase their dividends as well. A strong dollar and slowing global growth temporarily dampens multinational corporate earnings.

Real Estate — Underweight

Recently, developers rushed to build apartments to satisfy growing demand. Eventually, at this pace, supply will overcome demand and put pressure on rental rates. Income from rentals will then suffer. Declining sales at traditional department stores continue to negatively affect REITs that own malls.

Information Technology — Marketweight

American companies are holding $2.5 trillion in cash abroad. With regards to repatriation, President Trump wants to lower the corporate tax rate to fifteen percent, with foreign earnings taxed at ten percent. Companies could use that cash to reinvest in their business and to reward shareholders. The U.S. dollar could strengthen further should the economy heat up, but a strong dollar hurts companies that derive revenue from overseas.

S&P 500 TACTICAL SECTOR WEIGHTS

	Underweight	Neutral	Overweight	
Financials		X		Margin improvement, deregulation, and a re-leveraging are near-term positives, but fully reflected in valuations.
Energy			X	Attractive valuations and returning supply balance provides support.
Materials			X	Firming commodity prices and returning global growth to lift earnings.
Industrials		X		Fiscal stimulus bodes well for this sector, but valuations appear full.
Utilities	X			Rate normalization to weigh on sector performance.
Consumer Discretionary		X		Job and wealth gains helping top line as competition pressures margins. Valuations appear full.
Healthcare		X		Uncertainty regarding reform creates risk, but valuations are attractive.
Consumer Staples		X		High-quality cash flow and balance sheets, offset by full valuations.
Real Estate	X			Rate-sensitive sector. Rising rates creates headwinds.
Technology		X		Valuations appear fully priced. Balance sheets are solid.

Opinions subject to change without notice. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

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We believe that investments should be selected only after clear and quantified measures of value, risk, and potential reward have been made. Our investment approach combines top-down analysis of the macro economy with fundamentally rooted, bottom-up security analysis.

Asset Allocation Strategies

Conquest Portfolios

Asset allocation portfolios seek to balance risk and reward by apportioning portfolio assets according to the investor’s goals, risk tolerance, and investment horizon. Portfolios seek strong returns relative to underlying inflation and are constructed with a forward-looking view of financial markets.

Dynamic Strategy Portfolios

Portfolios include stocks, bonds, and alternative investments and are managed relative to our 3-5 year outlook for asset class performance. The portfolios are offered as passive portfolios (greater tax efficiency) or active portfolios (greater flexibility).

Strategies only available through Stifel, Nicolaus & Company, Incorporated. Quarterly reports that highlight key macro economic insights and market observations can be found here:

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Description of Indices and Terms: All performance calculations of indices are calculated on a total return basis (reflecting reinvestment of dividends and other earnings). Indices are unmanaged, are not available for direct investment, and have no associated management fees.

Barclays Aggregate Bond Index: A composite of the Barclays Gov't/Corp Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, including securities that are investment grade or better, have at least one year to maturity, and have an outstanding par value of at least $100 million.

S&P 500 Index: Capitalization-weighted composite of 500 stocks traded on the NYSE, AMEX, and NASDAQ; not the largest 500 stocks in U.S., but rather a blend of leading companies in leading industries in the U.S. economy; index comprised of 10 broad industrial sectors.

Dow Jones U.S. Select REIT: The Dow Jones U.S. Select REIT Index intends to measure the performance of publicly traded REITs and REIT-like securities. The index is a subset of the Dow Jones U.S. Select Real Estate Securities Index (RESI), which represents equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded in the U.S.

The ICE U.S. Treasury 1-3 Year Bond Index is a market value weighted index designed to measure the performance of U.S. dollar-denominated, fixed rate U.S. Treasury securities with minimum term to maturity greater than one year and less than or equal to three years.

Markit iBoxx USD Liquid High Yield Index consists of liquid USD high yield bonds, selected to provide a balanced representation of the broad USD high yield corporate bond universe.

The FTSE Developed All Cap ex U.S. Index is part of a range of indices designed to benchmark international investments. The index comprises large, mid and small cap stocks from developed markets excluding the U.S.

The FTSE Emerging Markets All Cap China A Inclusion Index is a market-capitalization weighted index representing the performance of large, mid and small cap stocks in Emerging markets. The index is comprised of approximately 3350 securities from 21 countries.

Moody's Baa Corporate Bond Index—An index comprised of industrial bonds rated Baa by Moody's with a minimum maturity of 20 years.

Consumer Price Index—A measure of the average change in prices over time for a basket of consumer goods.

Asset Allocation—Asset allocation does not ensure a profit or protect against loss.

International and Emerging Markets Investing—There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

Bonds and High Yield Bonds—When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. High yield bonds have greater credit risk than higher quality bonds.

Commodities and Futures—The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

Real Estate—When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance.

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