

**Quarterly
Investment Briefing
May 5, 2016**

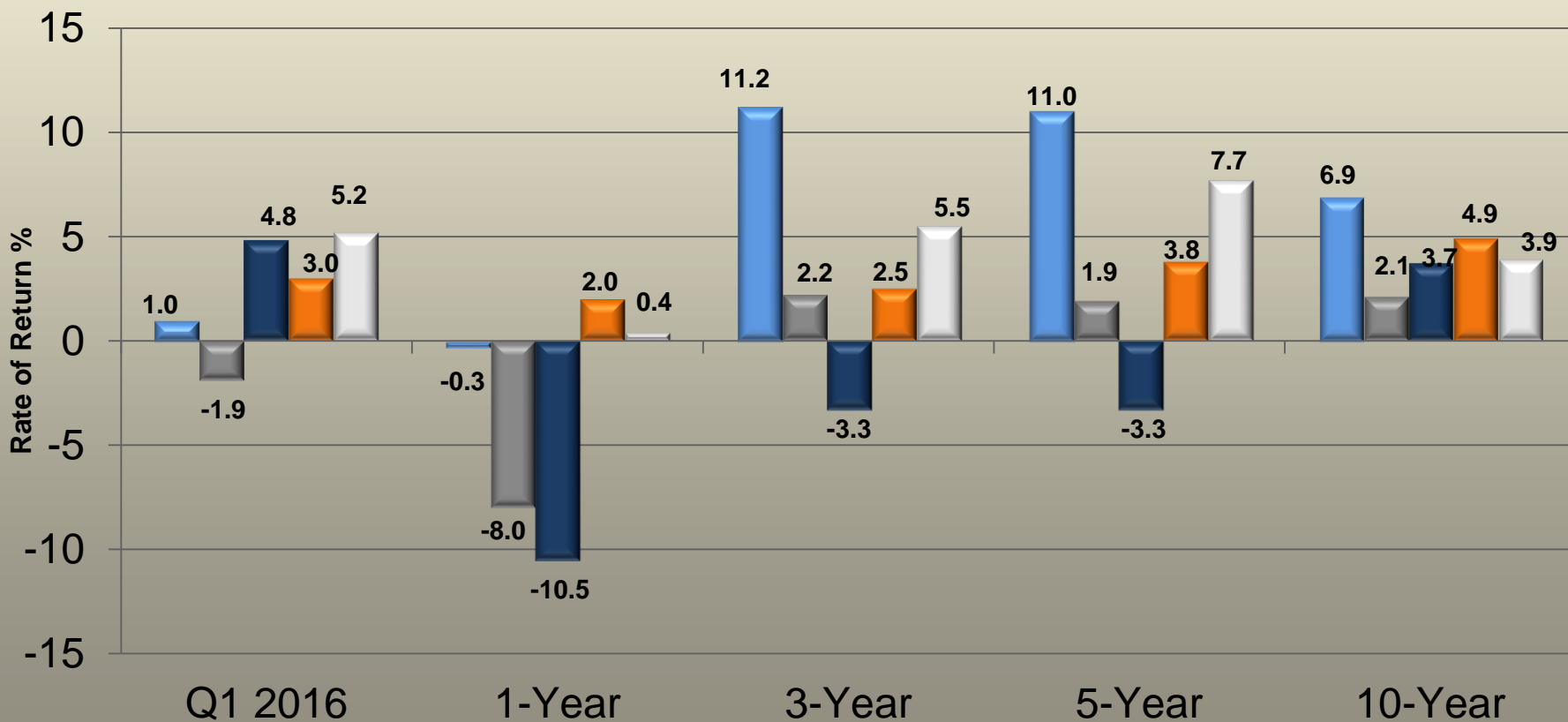


Clayton T. Bill, CFA

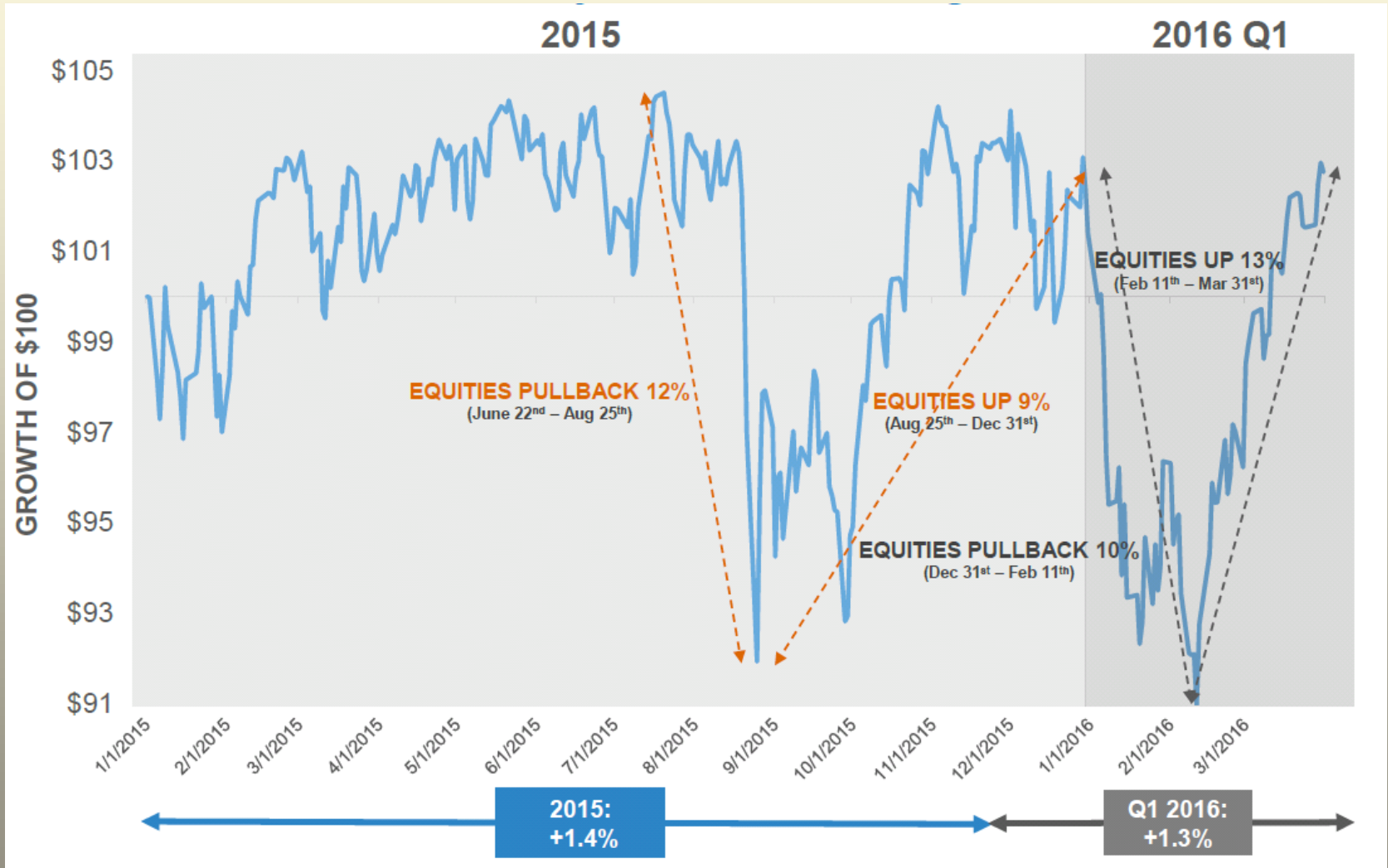
Stephen J. Nilles, CFP

Capital Market Returns Current & Annualized Period Ending March 31, 2016

- U.S. Equities
- Emerging Market Equities
- Real Estate
- Non-U.S. Equities
- Fixed Income



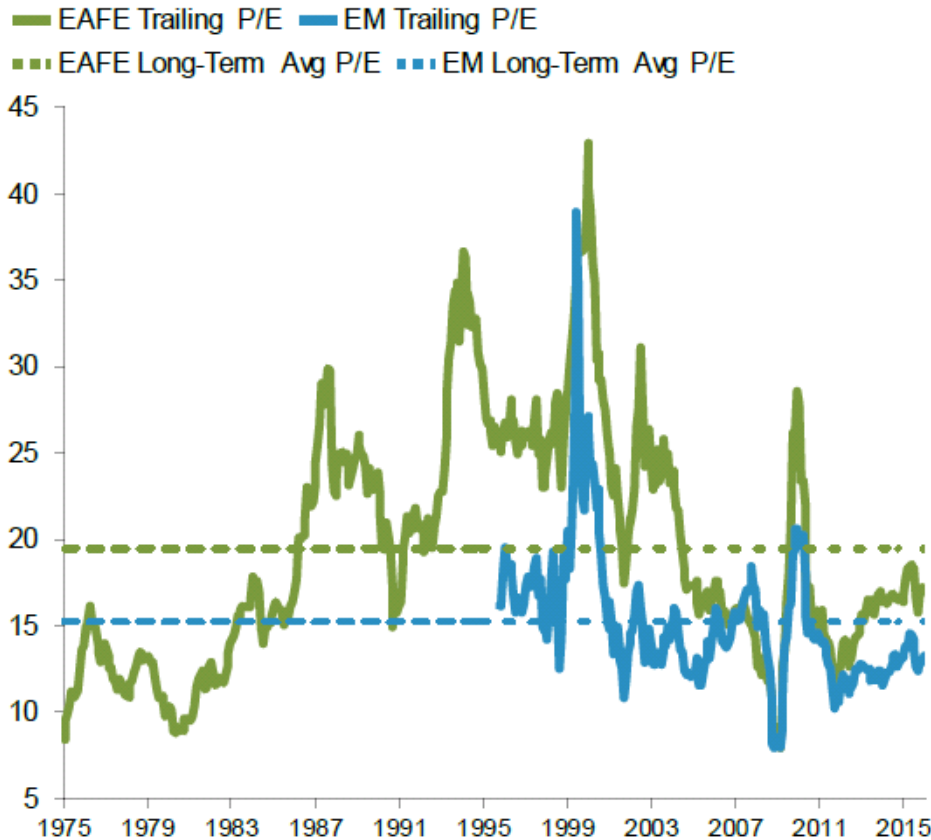
2015 Vs. 2016 Q1: Déjà vu All Over Again



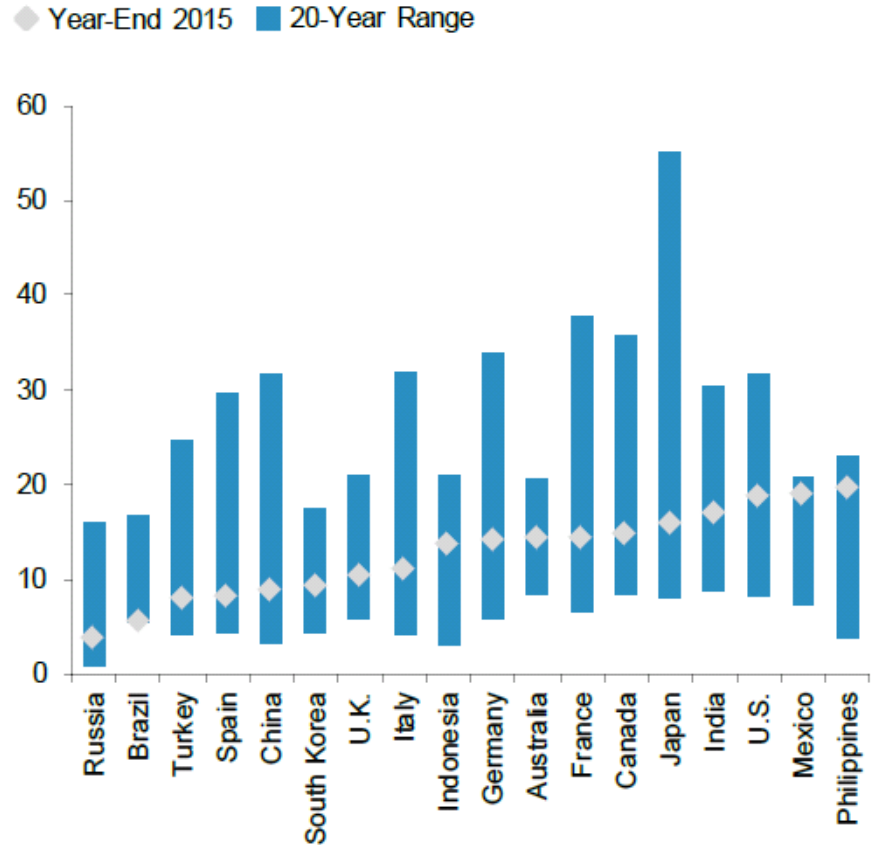
International Stock Markets Offer Value

U.S. equities trading above 20-year avg P/E, but developed and emerging markets both trading well below their historical averages.

MSCI EAFE AND MSCI EM VALUATIONS (1975–2015)

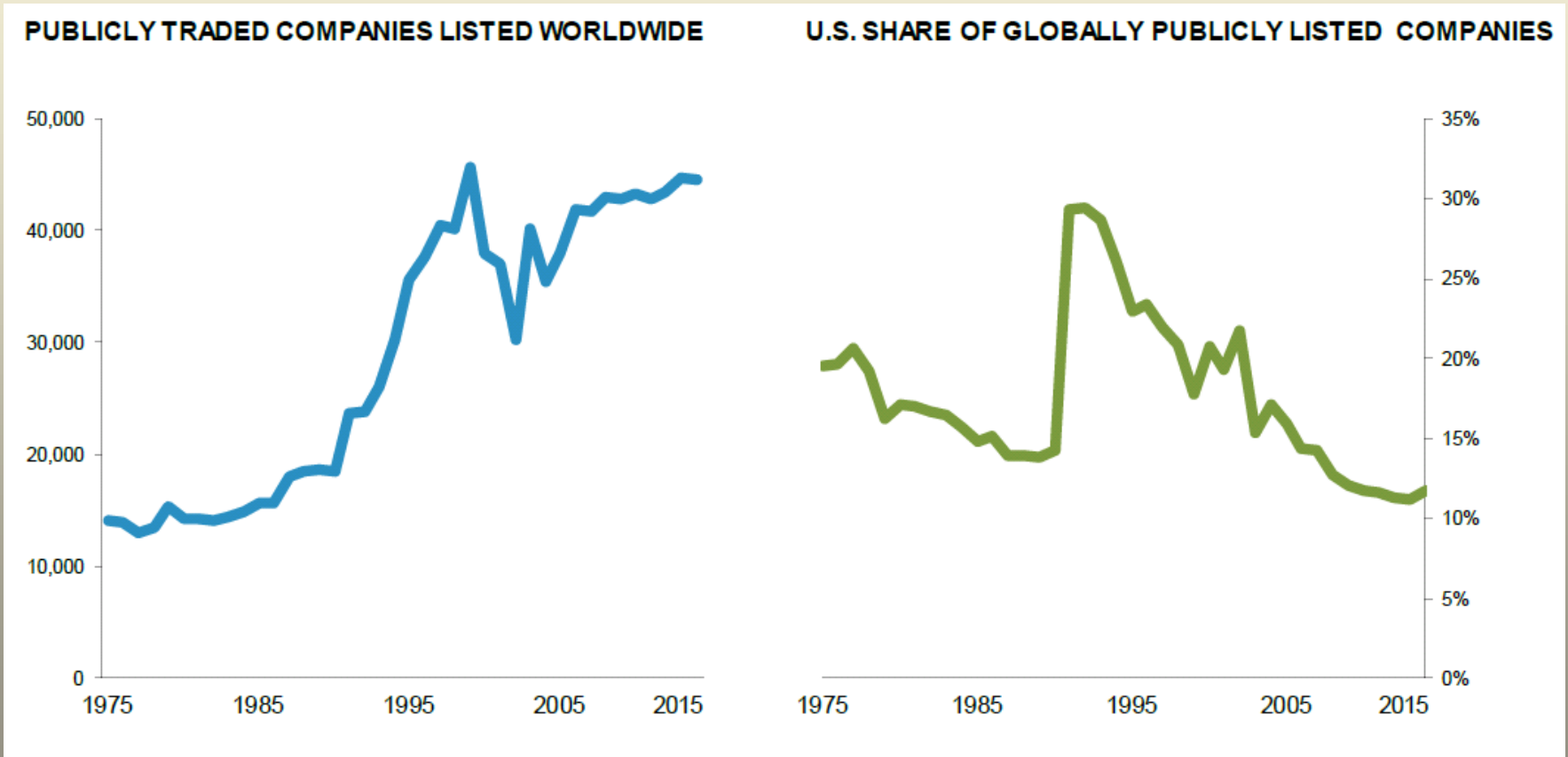


CYCLICAL P/E PRICE/5-YEAR PEAK REAL EARNINGS



U.S. Market As Share Of Total Listings Has Declined

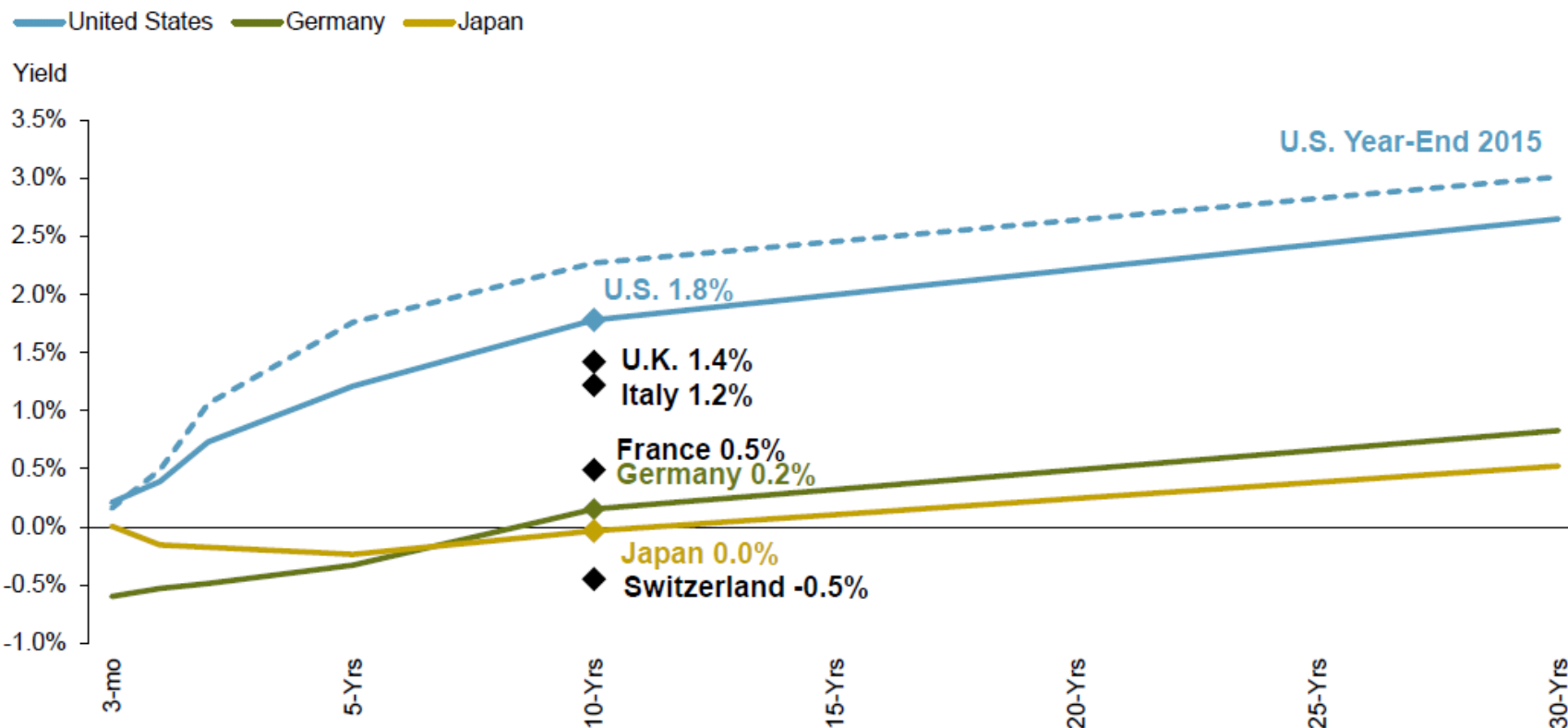
Regulation, litigation, and costs has made U.S. less competitive for equity listings



Global Bond Yields Fall; Some Negative

Weak global growth and easier monetary postures by many of the world's largest central banks pushed down government bond yields during Q1. Negative policy rates in Japan and the eurozone helped push bond yields into negative territory for some countries, while U.S. 10-year yields remained relatively high compared with many other advanced economies.

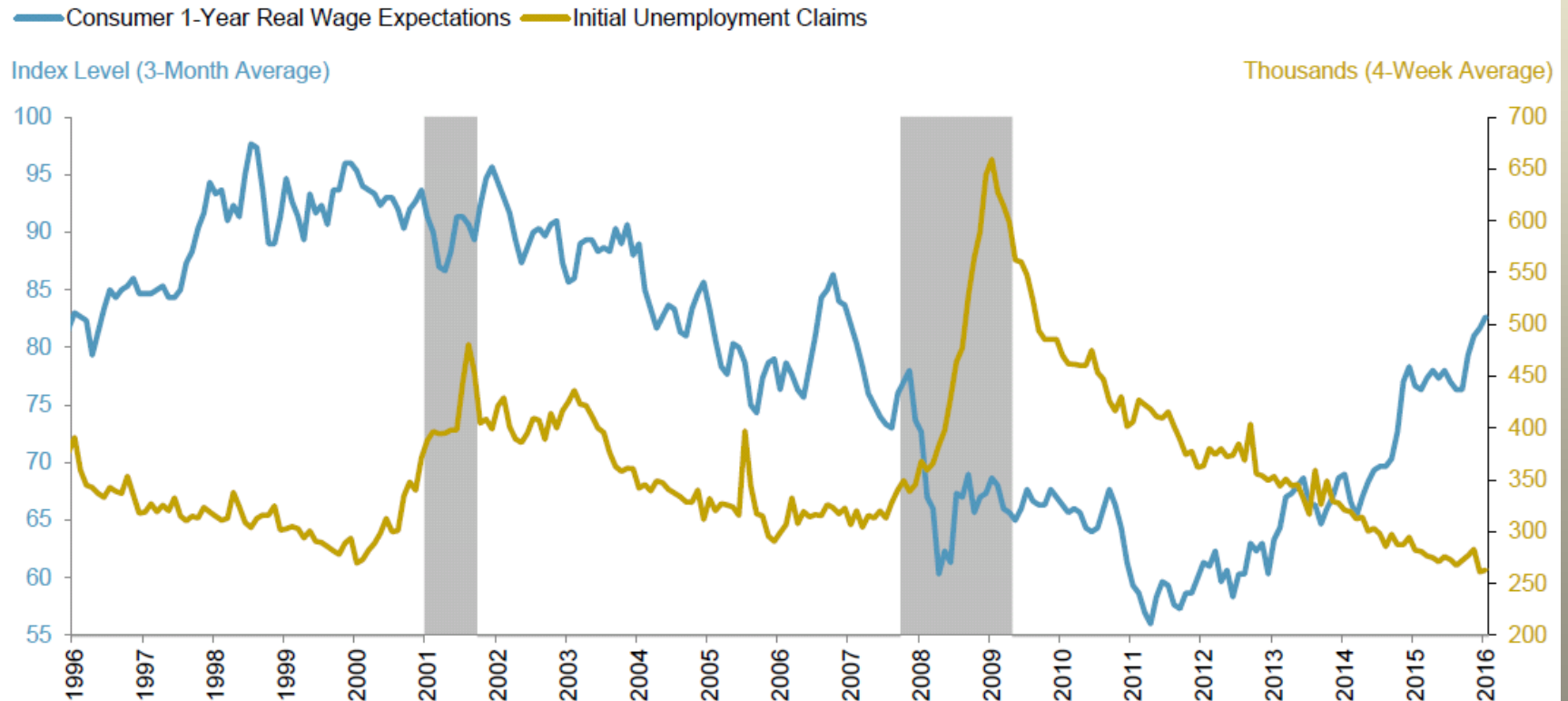
Sovereign Bond Yield Curves



Consumer Buoyancy Backdrop: Low Odds of U.S. Recession

With labor markets continuing to tighten and inflation remaining low, U.S. consumers have enjoyed solid real (inflation-adjusted) income gains and have experienced a steady rise in future real wage expectations. Although rising savings rates have blunted the pace of consumption growth, the large sturdy U.S. household sector has kept the U.S. expansion intact.

U.S. Labor and Wage Trends



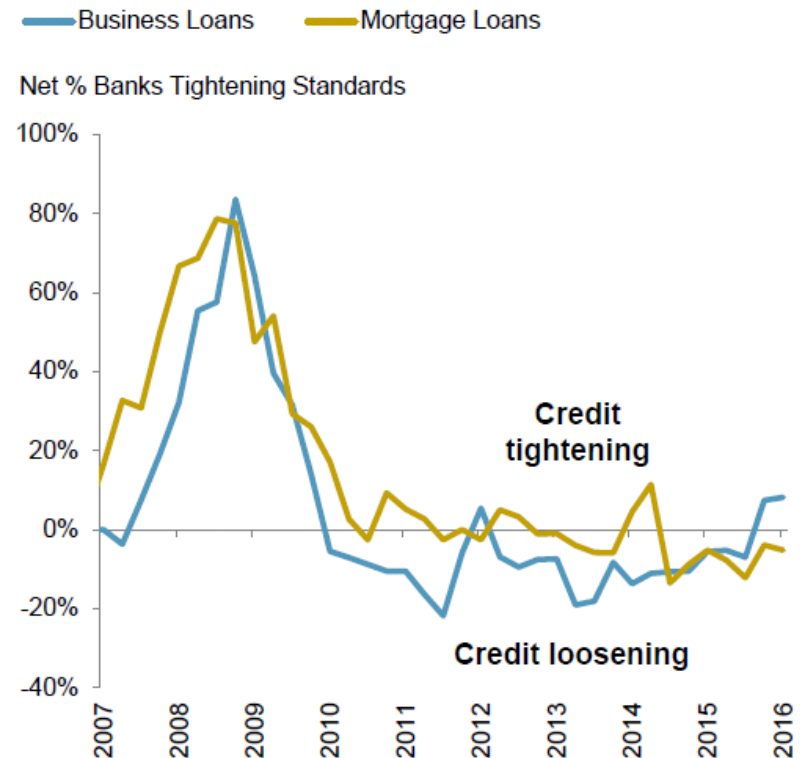
A Mix Of Mid – And Late – Cycle Dynamics In The U.S.

During the late-cycle phase, credit lending standards have historically tightened and housing activity has typically moderated. Recently, banks have tightened business credit but continue to ease mortgage lending, and the housing sector has remained a positive support for U.S. domestic growth.

U.S. Housing Fundamentals

Positive Trends	Details
Rising Demand	<ul style="list-style-type: none"> • Labor market tightening • Real wage gains
Housing Affordable	<ul style="list-style-type: none"> • Low mortgage rates • Incomes rising
Greater Mortgage Access	<ul style="list-style-type: none"> • Banks easing credit standards
Low Supply	<ul style="list-style-type: none"> • Months of inventory below historical average
Construction	<ul style="list-style-type: none"> • Starts and permits near cycle highs

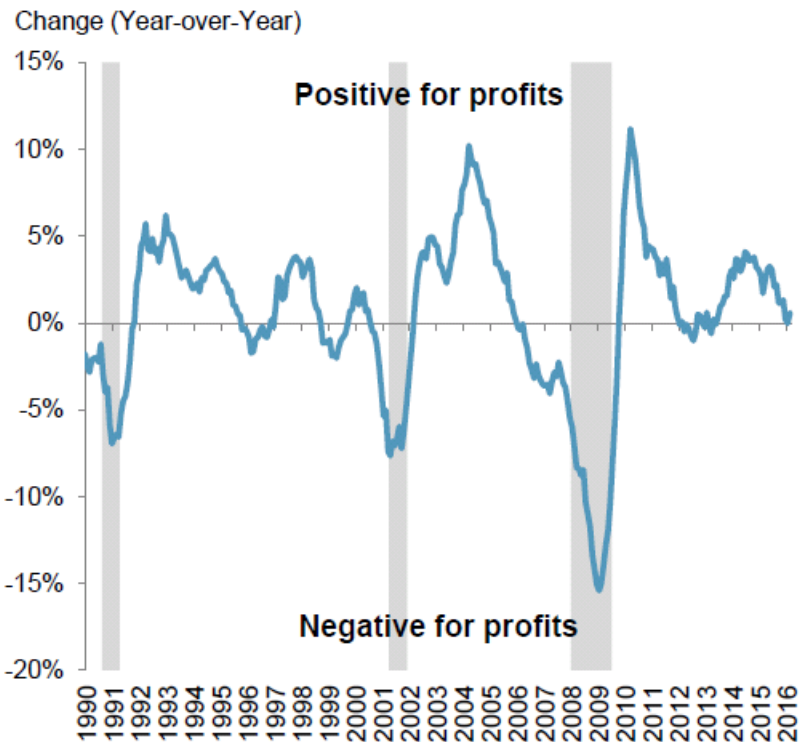
Bank Lending Standards



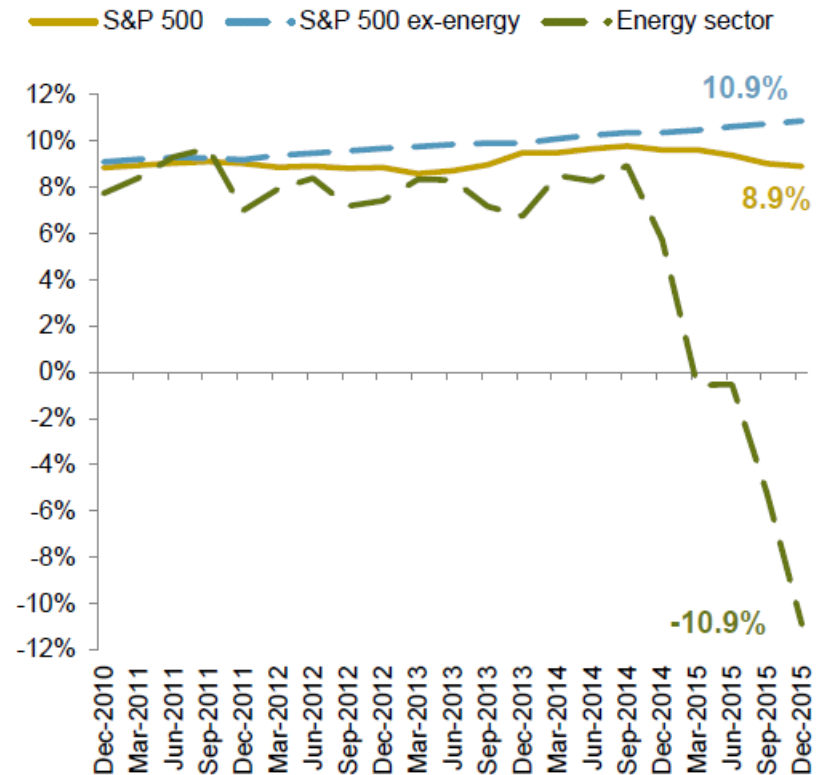
Incipient Signs Of Profit Margin Pressures

Historically, declining profit margins have often coincided with the late cycle phase. Faltering cyclical productivity growth, hampered by wage gains, often presages margin pressure. However, profit margins have remained high and relatively steady, reaching a new cycle peak, outside the volatile energy sector.

Cyclical Productivity Growth

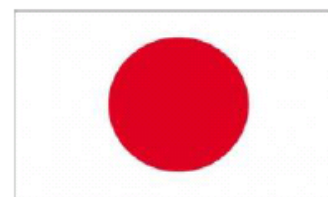


S&P 500 Profit Margins



Divergence Among Global Economies

Are we at an inflection Point?



	UNITED STATES	EURO AREA	JAPAN	CHINA
GDP (annual growth rate)	Stable, 2.0%	Improving, 1.6%	Weak, 0.7%	Declining, 6.8%
Inflation	1.0%	-0.2%	0.3%	2.3%
Interest rate policy	Rate increase	Negative Interest Rate Policy (NIRP)	Negative Interest Rate Policy (NIRP)	Rate cut
Stimulus	No	Yes	Yes	No
5-Year Market Return (Current Average)	11.6 10.7	2.1 10.0	4.0 9.0	-0.9 13.1
P/E	18.1	15.6	13.0	9.8
Yield	2.4	3.8	2.4	3.8

A Year Of Moderation

Global Market Outlook – Q2 Update

UNITED STATES

Clouded outlook

EUROZONE

Bad start, better outlook

ASIA-PACIFIC

Lumbering along

KEY POINTS

- › Forecast 2% GDP growth for 2016
- › Fed Funds rate to reach 0.75%–1.0% in 2016
- › U.S. Dollar nearing end of its bull run

- › Forecast 1.5% GDP growth
- › Continued central bank monetary stimulus
- › Expect 4%–8% corporate earnings growth
- › Valuations slightly cheap after sell off
- › Favored global equity market

- › Mixed GDP forecasts
- › China is the big unknown, but soft landing expected
- › Bright spots in India, Australia, New Zealand
- › Japanese growth weaker due to stronger Yen
- › Valuations relatively attractive

The bottom line: Modest growth environment with pockets of risks and opportunities. Diversification matters.

Update on Gifting for 2016

- Gifts to individuals
 - Lifetime exemption: \$5.45MM per person
 - Portable between spouses
 - Unified estate and gift tax | GST
 - Annual exclusion remains \$14,000
- Charitable gifting
 - IRA charitable rollover vs. appreciated assets
- ITC will review investment and tax implications and advise on optimal strategy