

THE
A QUARTERLY PUBLICATION • AUGUST 2017

ADVISOR

MANAGING WEALTH.

SECURING LEGACIES.



Dear Indiana Trust Clients and Friends,

In late April I was named President & CEO of Indiana Trust Company by our Board of Directors. I am very honored and humbled to lead our great Company. I am excited for the future of Indiana Trust! Over the past few months I have enjoyed working together with my colleagues to strengthen our long-term strategic plan for the Company and to address how we can best serve our clients.

Indiana Trust is an employee-owned company, having established an Employee Stock Ownership Plan (ESOP) 15 years ago. I believe that makes a positive difference in our commitment to client service.

Each of our employees has a vested interest in our Company's success. We understand that our continued success is directly linked to meeting the needs and expectations of our clients. We remain committed to providing exceptional client service to each of you and your families.

To that end, we have formed a Client Services Leadership Team, led by Steve Nilles as our new Director of Client Services. Steve will continue to work with our clients as an Investment Advisor, but as Director of Client Services he and his team will focus on ways to enhance our client experience and develop best practices for our wealth advisory services. Steve and I welcome your comments and suggestions on how we can improve upon your experience as a client.

Indiana Trust was founded nearly 30 years ago as an independent trust company and we remain independent to this day. This allows us to remain unbiased as your advisors, acting in your best interest and not in ours. You may have read or heard the news that many brokers and investment advisors are working feverishly to comply with recent federal regulations for fiduciaries in connection with management of their clients' retirement accounts. The new law was enacted to protect clients from advisors whose advice and actions were self-serving.

At Indiana Trust, we have always considered ourselves to be fiduciaries. We take that role – and the duty it creates - very seriously. We strive to always act in your best interest in the advice we give, in the administration of your accounts, and in the management of your assets. I pledge that we will remain local, independent, and unbiased. I also pledge that first-rate client service will be a priority.

Thank you for allowing us to serve you and your families. If there is something more we can do for you please don't hesitate to let us know. If you believe we could assist your friends or family please tell them to give us a call.

Thanks again for being such wonderful clients!

Warm regards,

David R. Kibbe, JD
President & CEO

RETURNS AS OF 6/30/2017

ASSET CLASS	2Q 2017	YTD
EQUITIES		
Large Cap US Equities (S&P 500)	3.1%	9.3%
Mid/Small Cap US Equities (Russell 2000)	2.5%	5.0%
International Developed Market Equities (MSCI EAFE)	7.3%	13.8%
Emerging Market Equities (MSCI Emerging Markets)	11.5%	18.4%
FIXED INCOME		
Bloomberg Barclays Capital US Aggregate Bond Index	1.5%	2.3%
BofA Merrill Lynch Municipals, 3-7 years	1.3%	3.0%
ALTERNATIVES		
Real Estate (FTSE EPRA/NAREIT Developed Index)	3.0%	5.4%

Founded in 1988, Indiana Trust and Investment Management Company is an independent trust company chartered under the Indiana banking statutes. It is a single-purpose financial institution

INDIANA TRUST
& Investment Management
COMPANY

dedicated exclusively to providing investment management and trust services to individuals, trusts, employee benefit plans, corporations, and not-for-profit organizations.

Global Stock Markets Gliding Through 2017

From experience, investors know that it is not unusual to see the U.S. stock market pull back by over 15% in a given calendar year. Yet since last spring, stock markets have been extraordinarily calm, even through the U.S. presidential election last November, which registered as little more than a blip in the market.

There are many intertwined explanations for this lack of volatility. The global economy is doing fairly well compared to recent history. The expectation of tax relief and regulatory reform in the U.S. has boosted corporate earnings projections – and corporate earnings have been strong this year.

Alongside these positive “macro” themes, a key reason why markets have been steady is because of the continued low interest rate and low inflation environment. The Federal Reserve has been raising its short-term target rate, but these rate hikes have not increased interest rates across the board. That is why mortgage and car loan rates have remained low. In the past, the U.S. market has performed well during periods of low rates and low inflation, so it is not entirely surprising that it is doing so now.

**GOOD GLOBAL ECONOMY. TAX RELIEF.
LOW INTEREST RATES. LOW INFLATION.**

Outside the U.S., foreign stock markets have also been strong over the last year. The rising values of major foreign currencies such as the euro and yen have been an added boost in 2017. Euro appreciation relative to the dollar added 7% to local currency returns for dollar-based investors through June. A similar story played out in emerging markets. This unforeseen currency tailwind, coupled with attractive valuations and corporate earnings growth, has made foreign markets attractive versus the U.S. stock market. Our anticipation is that in future years, international stocks will be a critical source of portfolio returns.

U.S. stocks set record highs during the second quarter on stronger corporate earnings and decent economic growth. Growth-oriented companies had spectacular returns for the quarter. Five tech companies (Apple, Google, Microsoft, Amazon and Facebook) now compose 10% of the U.S. market, and those five companies were responsible for almost a quarter of the market’s return for the first six months of the year.

This is a dramatic reversal from 2016, when value-oriented sectors such as utilities and energy stocks beat growth stocks by over 10%. This rapid change in performance leadership highlights the importance of remaining neutral between high-flying growth stocks and mature, unexciting value stocks:

it is virtually impossible to predict when one style will outperform the other.

Amazon made waves with its acquisition of Whole Foods, its first true foray into brick-and-mortar retail. The acquisition sent traditional retailer stocks into a downward spiral. Macy’s stock is down 33% this year, and its market capitalization has fallen from \$22.7 billion at the end of 2014 to \$7 billion today – a remarkable testament to the impact of online retailing on the traditional model.

Foreign developed markets were strong in the second quarter amid signs of improving economic growth and fading political uncertainty. Markets cheered Emmanuel Macron’s victory in the French presidential election as the centrist leader pledged to keep France in the European Union. Investor sentiment decidedly improved with the defeat of populist candidate Marine Le Pen, who had campaigned on an anti-EU and anti-immigration platform. This led the euro to rally strongly versus the dollar, a further boost to returns for dollar-based investors.

International developed markets equity valuations continue to appear lower – and thus relatively less expensive – compared to the U.S. market. There are a few structural reasons for this: for one, the U.S. market has a heavier weight in technology stocks which carry higher valuations. Even so, the relatively inexpensive valuations attached to foreign stocks provides a solid case for their importance to portfolio returns in coming years. While low valuations are not necessarily a good harbinger of short-term returns, they are a better indicator of long-term returns.

Emerging markets stocks climbed higher in the second quarter, helped by a strengthening global economy, solid growth from technology-related companies, and a weaker U.S. dollar. Emerging markets were up 12% in the second quarter, and their 18% year-to-date return is the best across major asset classes. Returns were strong across Asia and technology stocks surged, fueled by demand for a wide range of components used in electronics and increasing use of mobile services on smartphones. Chinese internet giants Alibaba and Tencent soared 31% and 25%, respectively. Both delivered robust quarterly earnings, underscoring China’s ongoing shift to a consumer-led economy.



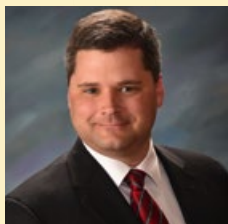


Fixed Income Markets

At its June meeting, the Federal Reserve continued to deliver on its promise of increasing its overnight target interest rate, which now stands at about 1%. Some economists are beginning to question whether the Fed will increase its target rate twice more this year in the face of subdued core inflation. The other half of its dual mandate – full employment – has provided the Fed with more rationale for its rate-raising mode.

While short-term rates have increased as a result of the Fed's rate actions, most intermediate-term rates have stabilized and have even come down in 2017. The Treasury yield curve has flattened. A few factors are at play as to why intermediate- and long-term rates may remain in a low range. One important reason is that inflation expectations have weakened. Also, major central banks outside the U.S. still have low-rate policies in place. The global low-interest-rate environment makes the U.S. market relatively attractive to foreign investors.

Welcome Our New Associate ANDREW HECK, JD, CTFA, CFIRS



Mr. Heck joined Indiana Trust in May 2017 as a Wealth Advisor and Trust Counsel. He will be assisting clients in achieving their financial and estate planning goals, as well as working with his colleagues to provide comprehensive service to the company's clients.

Prior to joining Indiana Trust, Mr. Heck spent more than 11 years as a practicing attorney, focusing on assisting clients with trust and estate, corporate and tax matters. Mr. Heck then served a local, regional bank as a trust administrator and trust counsel for more than five years. He looks forward to joining his colleagues at Indiana Trust in serving their clients for many years to come.

Andrew received his bachelor's degree from Wabash College in 1997, and his law degree from Valparaiso University in 2000. He has attained the Certified Trust and Financial Advisor certification from the American Banker's Association, and the Certified Fiduciary and Investment Risk Specialist designation from Cannon Financial Institute. He currently serves as a member of the Kiwanis Club of South Bend, as well as a board member of The Scholarship Foundation of St. Joseph County, Inc. Andrew, his wife and their two children live in South Bend. He enjoys reading, traveling, participating at church and spending time with his family.

INDIANA TRUST
& Investment Management
COMPANY

4045 Edison Lakes Parkway
Suite 100
Mishawaka, IN 46545
Phone: 574 271-3400
Fax: 574 271-0378

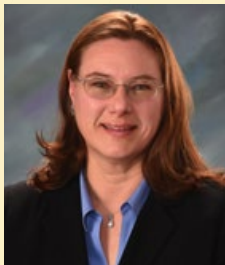
315 West Adams Street
Muncie, IN 47305
Phone: 765 254-3500
Fax: 765 254-3510

307 South Main Street
Suite 311
Elkhart, IN 46516
Phone: 574 294-3500
Fax: 574 294-3506

CHECK OUT OUR WEBSITE!
WWW.INDTRUST.COM



Welcome Our New Associate
JESSICA K. BURBRINK, CFP, CTFA



Jessica joined Indiana Trust in May 2017. She will be splitting her time between the Elkhart and Mishawaka offices. Her focus is on working closely with clients on financial planning and portfolio management. She started working in financial services in 1991 and has experience in investments, insurance, banking and trust. For 16 years prior to joining Indiana Trust, she worked as part of a team providing financial planning and wealth management.

Jessica received her bachelor's degree from Indiana University-Bloomington. She is an honor graduate of the Cannon Trust School and obtained her Certified Trust and Financial Advisor (CTFA) designation in 2001. She completed coursework from the College for Financial Planning and received the Certified Financial Planner (CFP) designation in 2007. She has served on a variety of volunteer boards over the years.

Jessica is deeply involved in Indiana/USA Swimming as a referee and parent of three swimmers. In addition to teaching and recruiting new officials for area clubs, she spends many weekends officiating swimming meets at the local and state level.

2017

Please join us for our upcoming
Quarterly Investment Briefing:

Thursday, November 2nd
4:00 p.m. to 6:00 p.m.

The Holiday Inn
St. Joseph Conference Center
1208 E. Douglas Rd.
Mishawaka, IN 46546