3Q:2017 Market Outlook

LURIE WEALTH ADVISORS

Strong second quarter performance has pushed market valuations higher. With fiscal policy delays and potential tighter monetary conditions, markets may need to rely on improving earnings growth for continued positive performance.

US Fiscal Policy

Fiscal policy delays Washington gridlock Politics versus Markets	US fiscal policy initiatives have struggled to move forward. The conflict between political parties is approaching all-time highs. While this conflict appears to be a threat to the economy, research shows that markets do better when Washington is in gridlock. Since 1984, the S&P 500 has gained 17.1% annualized when conflict is high versus 0.78% when the parties are "getting along".[1]

US Monetary Policy

Short-term rate hikes Fed balance sheet normalization	The Federal Reserve is expected to raise short-term interest rates one more time this year. The odds for the timing of the next rate hike are 10% for September, 10% for November, and 50% for December. Additionally, the Federal Reserve is expected to begin normalizing their $4.5 billion balance sheet in by allowing assets to mature and not replacing them.[2]

European Earnings Growth

Double-digit earnings growth Growing positive expectations	Earnings are expected to grow 15% for the STOXX Europe 600 in 2017. That compares to the 9% expected growth for the S&P 500.[3] European economic data has been consistently exceeding expectations since the middle of 2016 raising expectations for continued positive momentum. This compares to more disappointing economic data releases in the second quarter for US companies as strong expectations have begun to diminish.[4]

Equity Market Valuations

United States (17.7x)[5] Europe (15.1x)[5] Japan (14.3x)[5] Emerging Markets (12.9x)[5]	Market valuations continue to be a source of concern for investors. The strong second quarter market performance has pushed valuations higher. The 17.7 multiple for the S&P 500 is trading 17% higher than the STOXX Europe 600 muliple of 15.1.[5]

Fixed Income Credit Markets

Tight Credit Spreads Improving default rates	The spread in yield between credit sensitive corporate and US Treasury bonds has tightened since the first quarter of 2016. Investors have chased after the higher yields that IG corporate bonds, high yield corporate bonds and senior bank loans have provided. Default rates have improved from the 2016 energy sector collapse.

This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice.

Current Asset Class Views

Core Asset Classes

US Equities	
Large Cap	⟺
Mid Cap	↑
Small Cap	↑
International Equities	
Developed Large Cap	↑
Fixed Income	
Short-term Muni Bonds	⟺
Short-term IG Corp Bonds	⟺

Opportunistic Asset Classes

Equities	
Emerging Market Equities	↑
Int'l Developed Small Cap Equities	↑
Fixed Income	
High Yield Bonds	⟺
Bank Loans	⟺
Preferred Stock	⟺
Emerging Market Bonds	⟺
Alternatives	
MLPs	↓
Commodities	↓
Direct Real Estate	⟺
Hedge Funds	↓

↑ - Positive ↓ - Negative ⟺ - Neutral

Bolded asset classes are currently held in portfolios. Views and opinions expressed are for informational purposes only and do not constitute a recommendation to buy, sell, or hold any security, they should not be construed as investment advice.

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Footnotes

[1] - "2017 Mid-year US Equity Outlook: Rattle and Hum", Liz Ann Sonders, Charles Schwab, July 3, 2017
[2] - "US Daily: June FOMC Wrap-Up: Undeterred" David Mericle & Jan Hatzius, Goldman Sachs, 18, 2017
[3] - "Europe Weekly Kickstart", Lilia Peytavin, Peter Oppenheimer, Sharon Bell, Goldman Sachs, July 14, 2017
[4] - "2017 Mid-Year Outlook: As Markets Rise, So Do Risks", Tower Square Investment Management, June 2017
[5] - "GOAL Kickstart: Climbing the Peak" Ian Wright, Portfolio Strategy - Europe Goldman Sachs, July 17, 2017

Disclosures:

Investors should consider the investment objectives, risks and charges and expenses of the funds carefully before investing. The prospectuses for each mutual fund and variable annuity held within these accounts contain this and other information about the funds/underlying investments. Contact your financial adviser at 612-381-8857 to obtain a prospectus, which should be read carefully before investing or sending money.

Treasury securities are backed by the full faith and credit of the U.S. government as to the timely payment of principal and interest. The principal value will fluctuate with changes in market conditions. If they are not held to maturity, they may be worth more or less than their original value.

For any Municipal Bonds: Investors may be subject to state taxes and federal minimum tax.

High Yield Funds: A High Yield Fund yield is high due, in part, to the volatility and risk of the high securities market. High yield funds are also known as “junk bonds.”

Money Market Funds: An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund. Redemption is at the then current net asset value which may be more or less than the original cost.

International Funds: There are additional risks associated with international investing, such as currency fluctuations, political and economic stability, and differences in accounting standards. These are all magnified in emerging markets. Please consult your financial advisor for more information.

Small Cap Funds: Small-cap funds may be subject to a higher degree of market risk than large-cap stocks, or more established companies’ securities. Furthermore, the illiquidity of the small-cap market may adversely affect the value of an investment so that shares, when redeemed, may be worth more or less than their original cost.

REITs: REITS are subject to various risks such as illiquidity and property devaluation based on adverse economic and real estate market conditions and may not be suitable for all investors. A prospectus that discloses all risks, fees and expenses may be obtained from 612-381-8857. Read the prospectus carefully before investing. This is not a solicitation or offering which can only be made in conjunction with a copy of the prospectus.

Tax-free mutual funds: Income may be subject to local, state, and/or the alternative minimum tax.

An investment in MLPs involves risks that differ from a similar investment in equity securities, such as common stock, of a corporation. Holders of equity securities issued by MLPs have the rights typically afforded to limited partners in a limited partnership. As compared to common shareholders of a corporation, holders of such equity securities have more limited control and limited rights to vote on matters affecting the partnership. There are certain tax risks associated with an investment in equity MLP units. Additionally, conflicts of interest may exist among common unit holders, subordinated unit holders and the general partner or managing member of an MLP; for example a conflict may arise as a result of incentive distribution payments

Investing in the bond market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and the current low interest rate environment increases this risk. Current reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed.

Investors should be aware that hedge funds often engage in leverage, short-selling, arbitrage, hedging, derivatives, and other speculative investment practices that may increase investment loss. Hedge funds can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information. While hedge funds may appear similar to mutual funds, they are not necessarily subject to the same regulatory requirements as mutual funds.

The risk of loss in trading commodities and futures can be substantial. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you.

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.