

EXECUTIVE BREAKFAST – FEBRUARY 28, 2017

MARKETS IN TRANSITION: NEW LEADERSHIP IN DC AND NEW LEADERSHIP IN YOUR INVESTMENT PORTFOLIO?

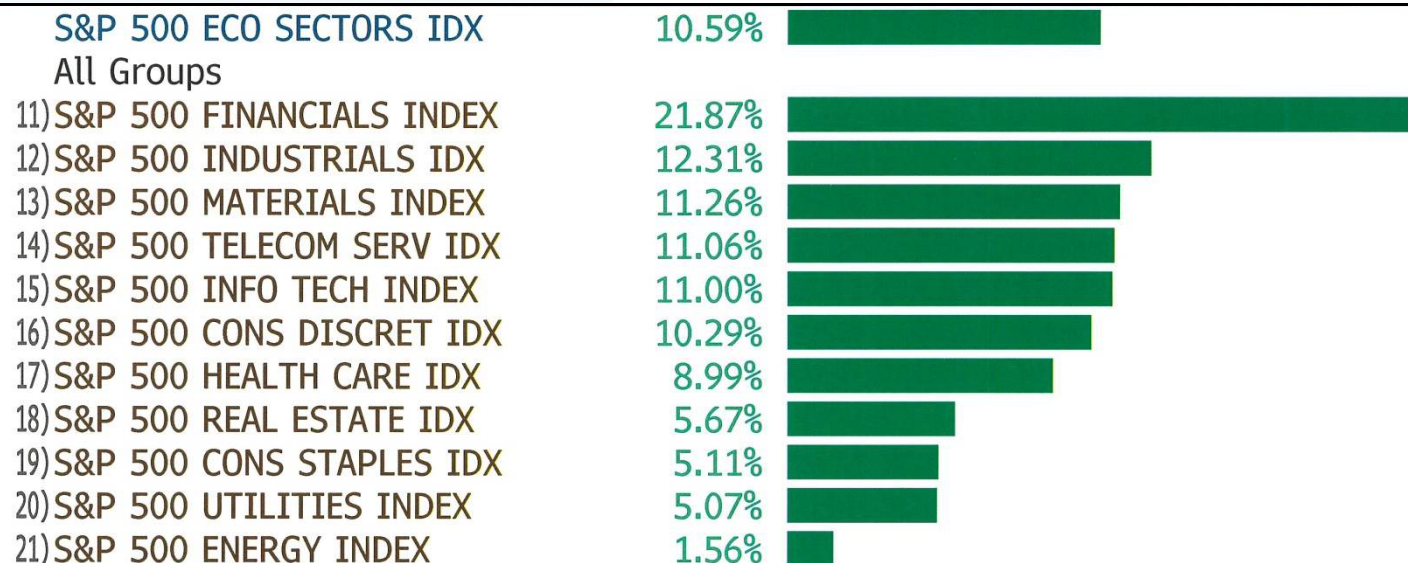
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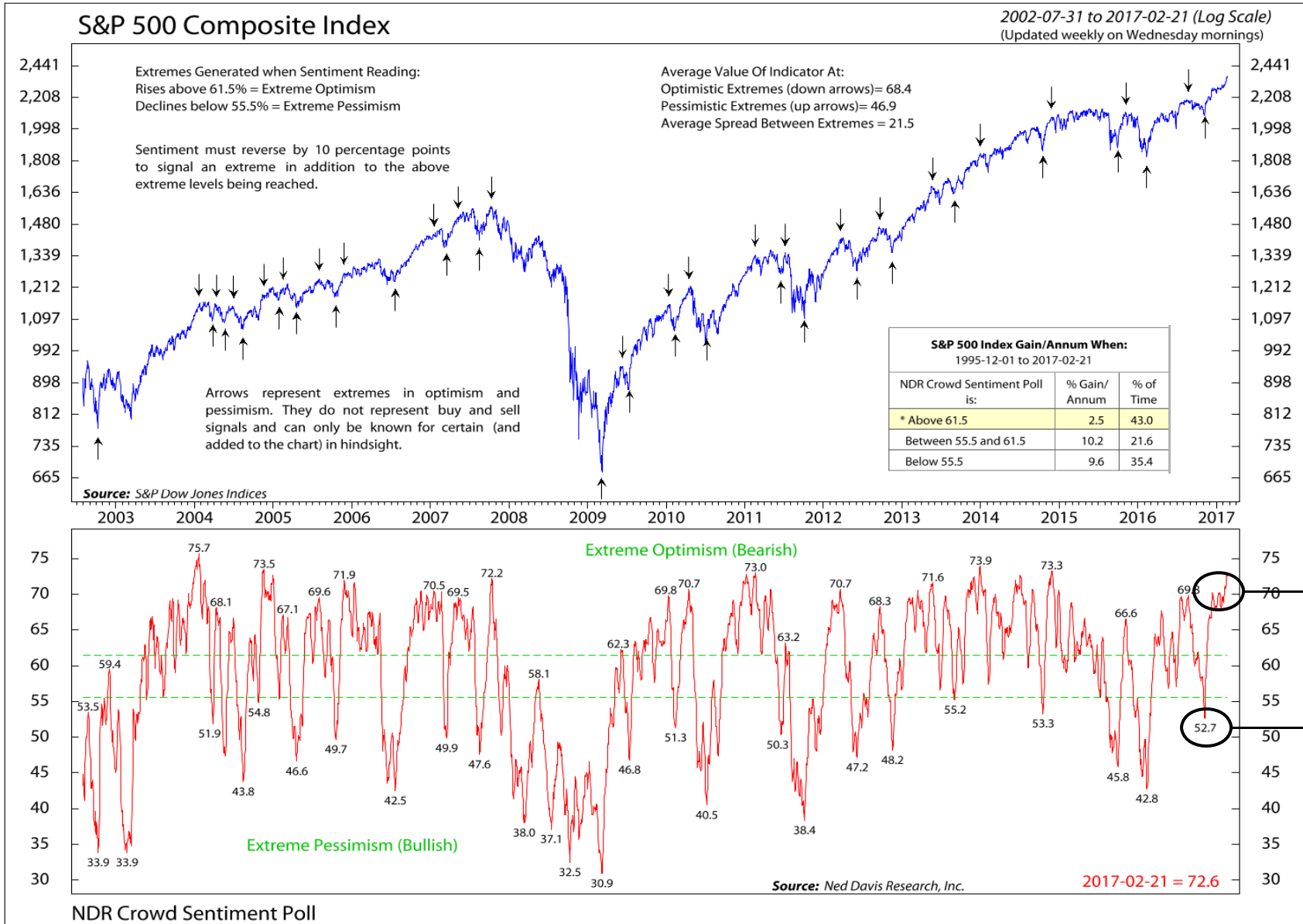
“... and will to the best of my ability, which is terrific ability, by the way. Everyone agrees, I have fantastic ability. So there’s no problem with my ability, believe me...”

Since the election, investors are excited about the potential positive benefits of lower corporate and personal tax rates, fiscal stimulus, infrastructure spending, deregulation and potentially higher interest rates down the road.

Returns from 11/8/2016 - 2/24/2017



Source: Bloomberg

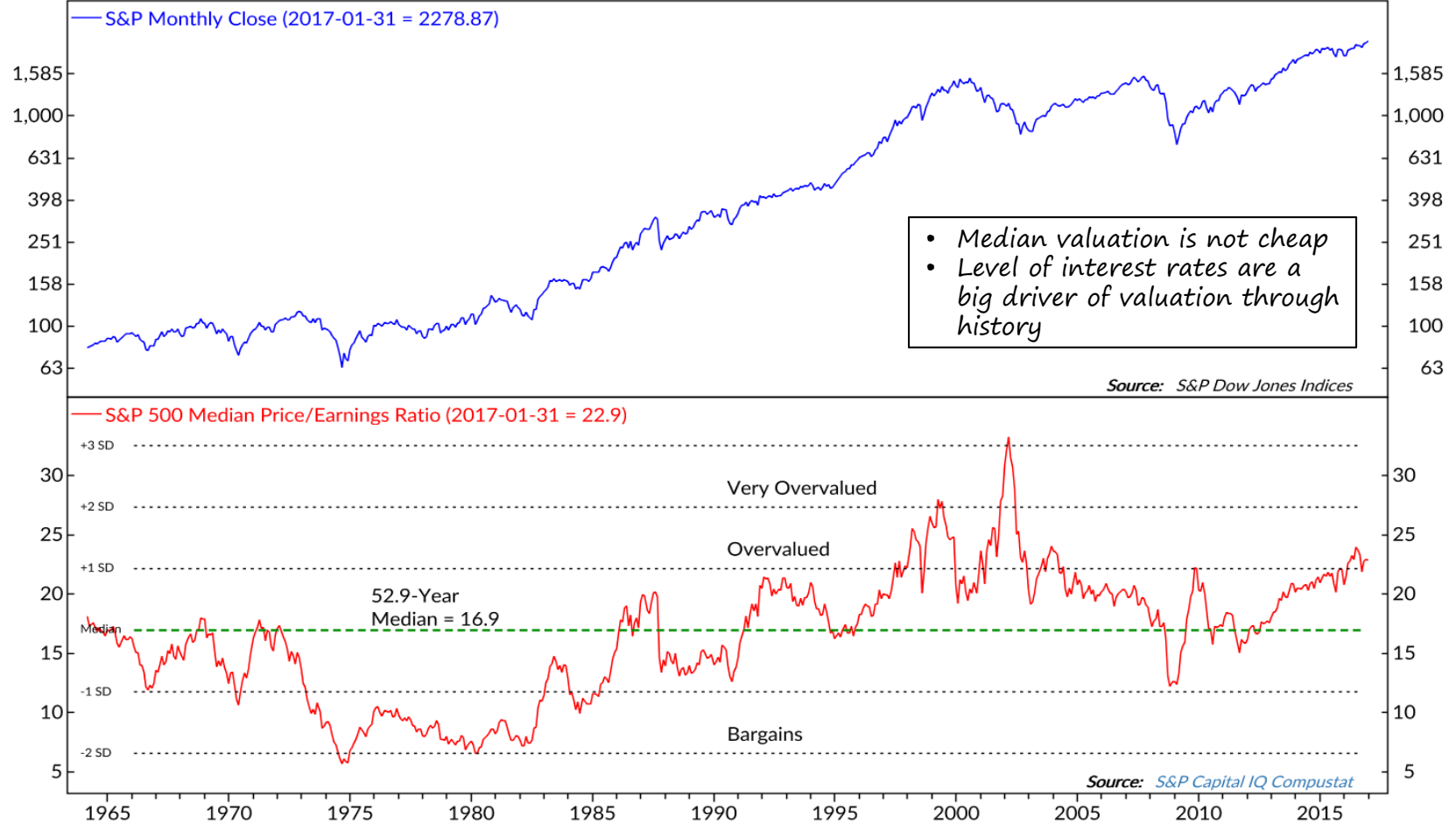


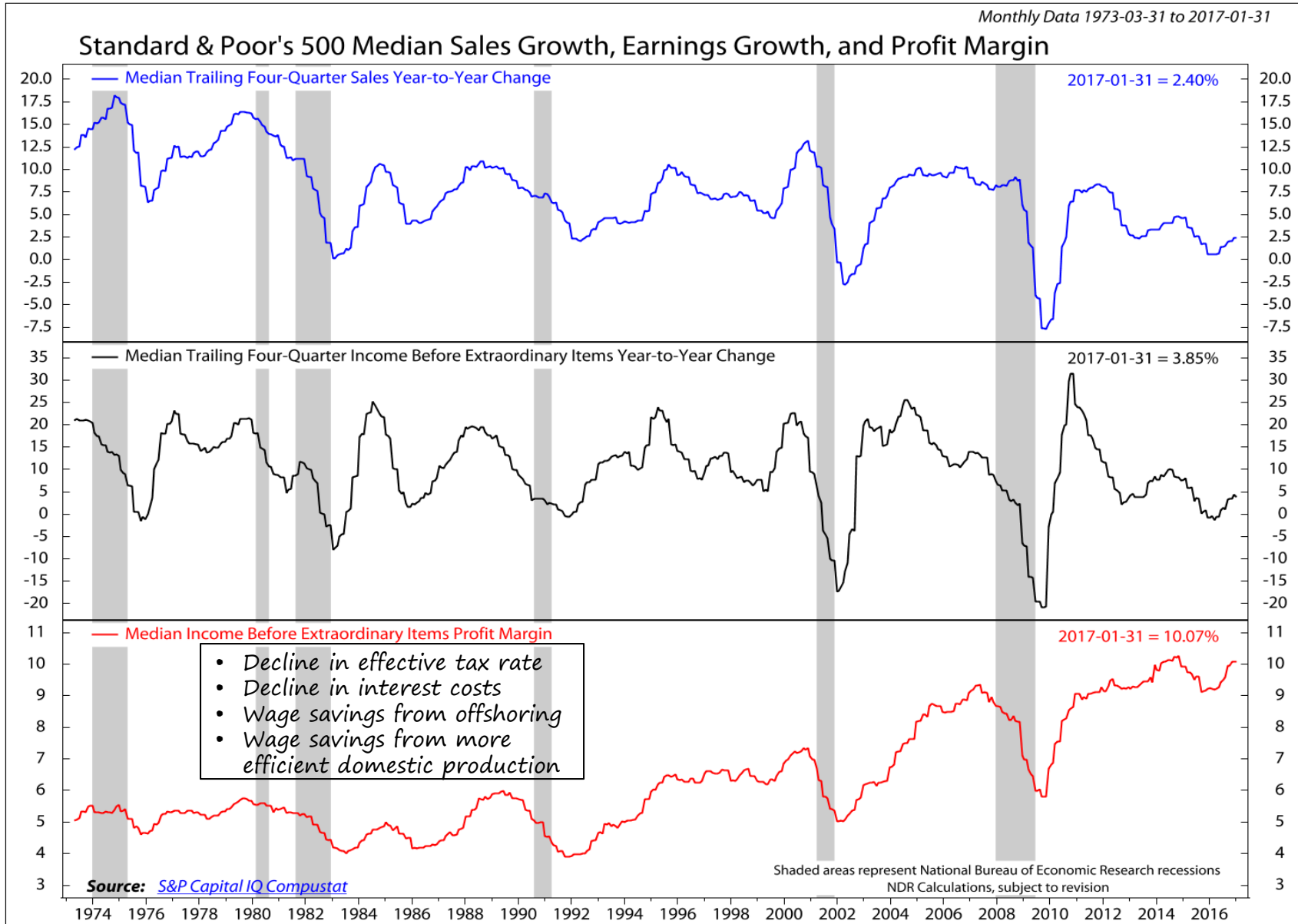
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S&P 500 Median Price/Earnings Ratio (NDR Calculation)

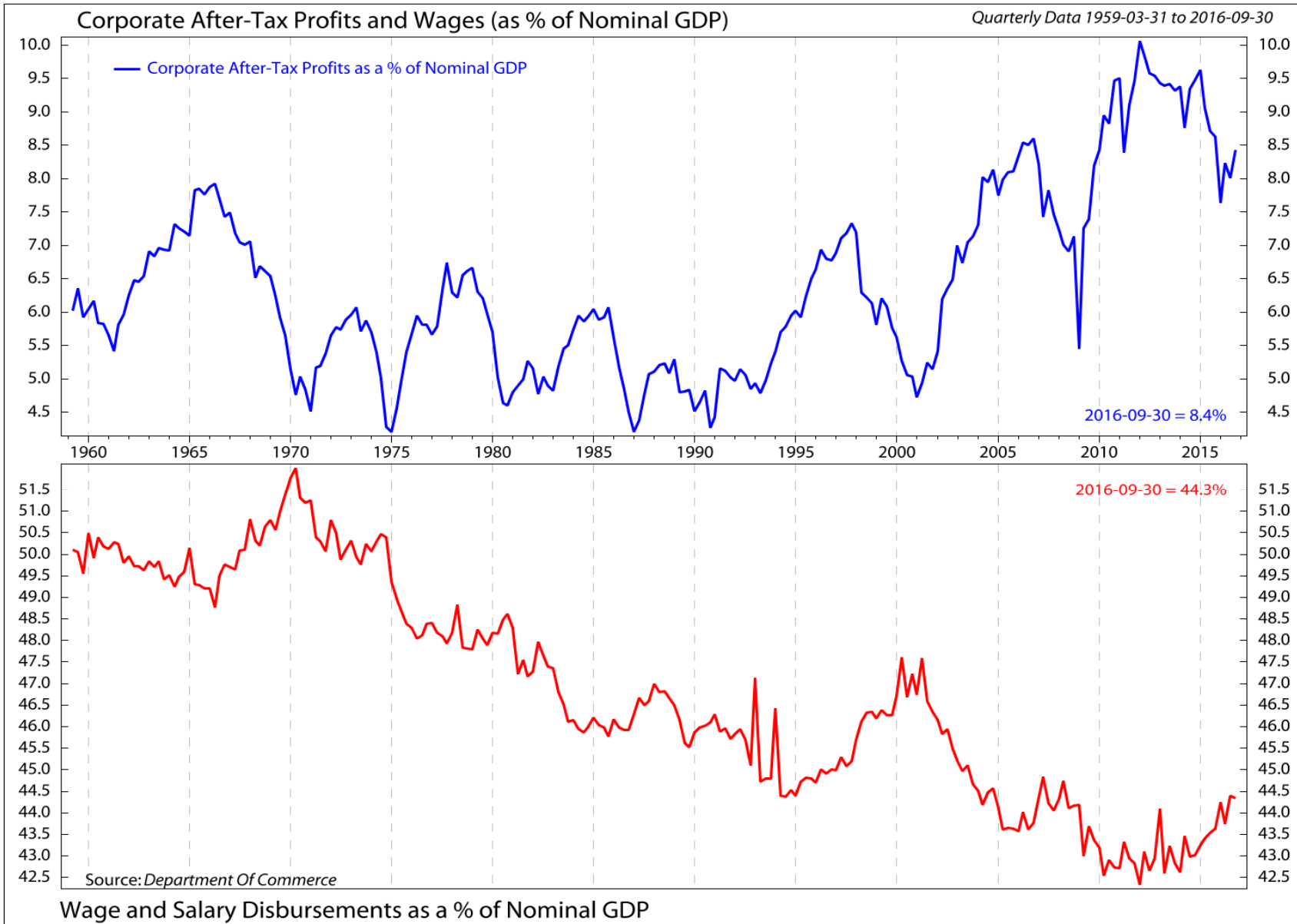
Monthly Data 1964-03-31 to 2017-01-31

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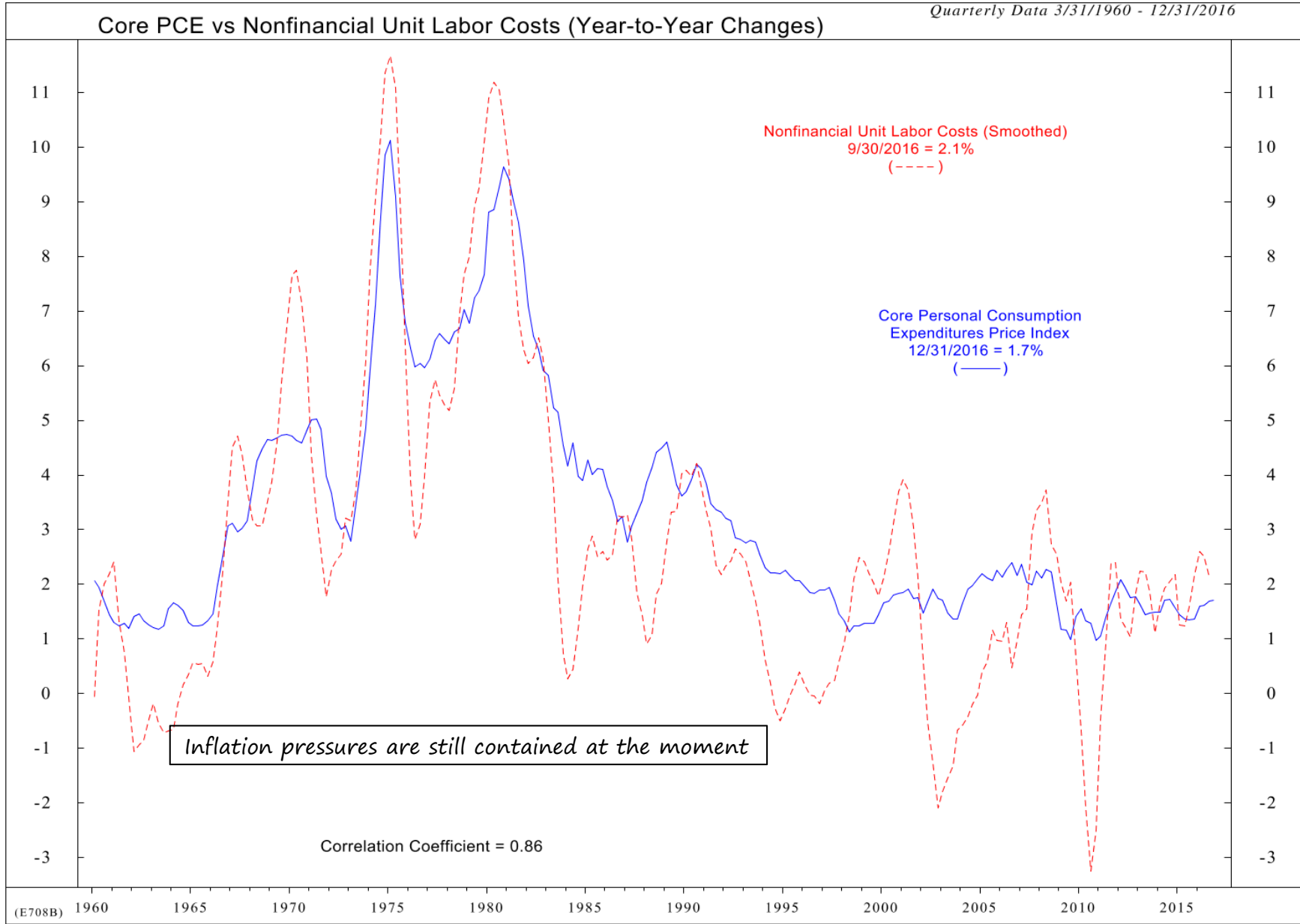




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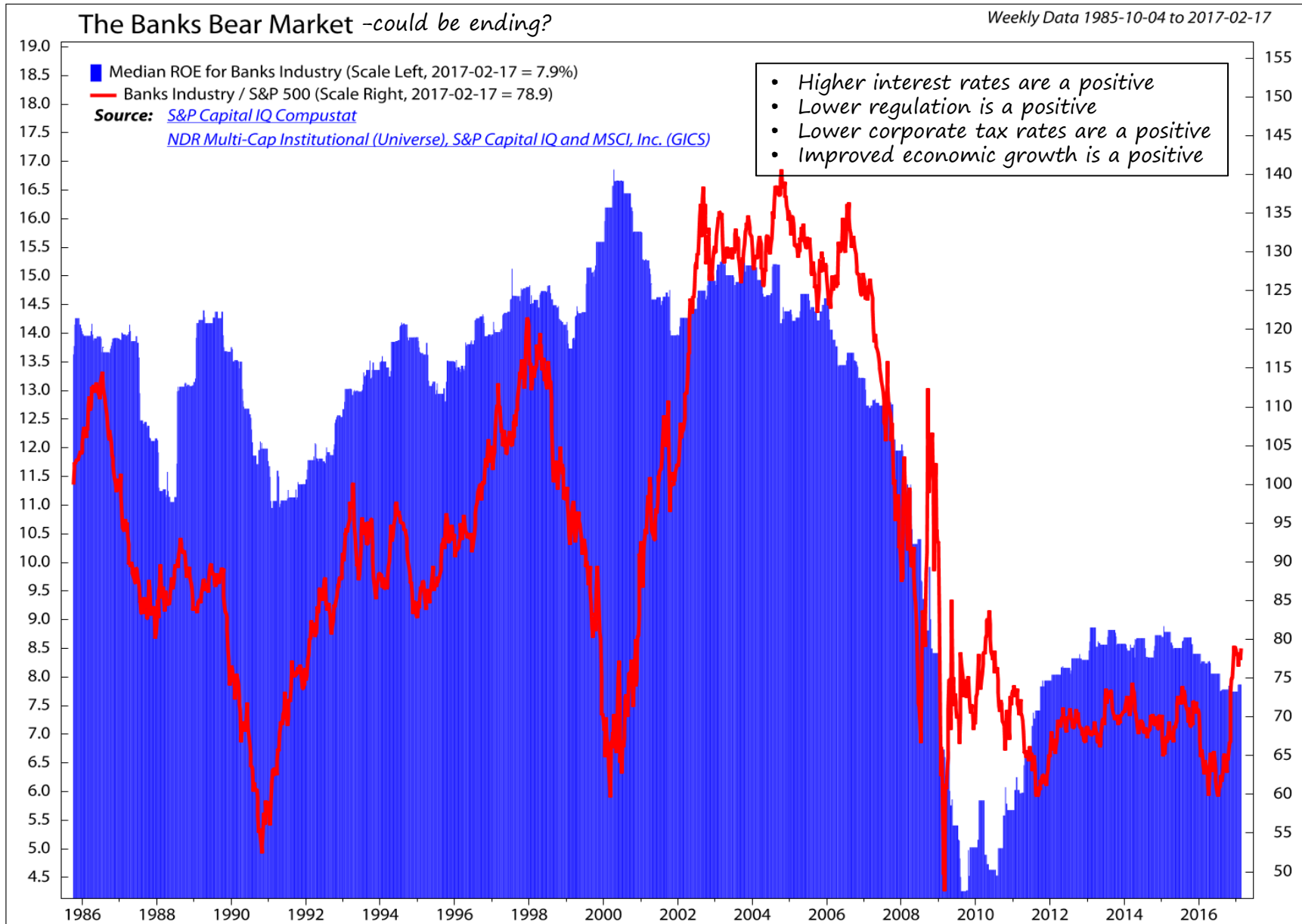
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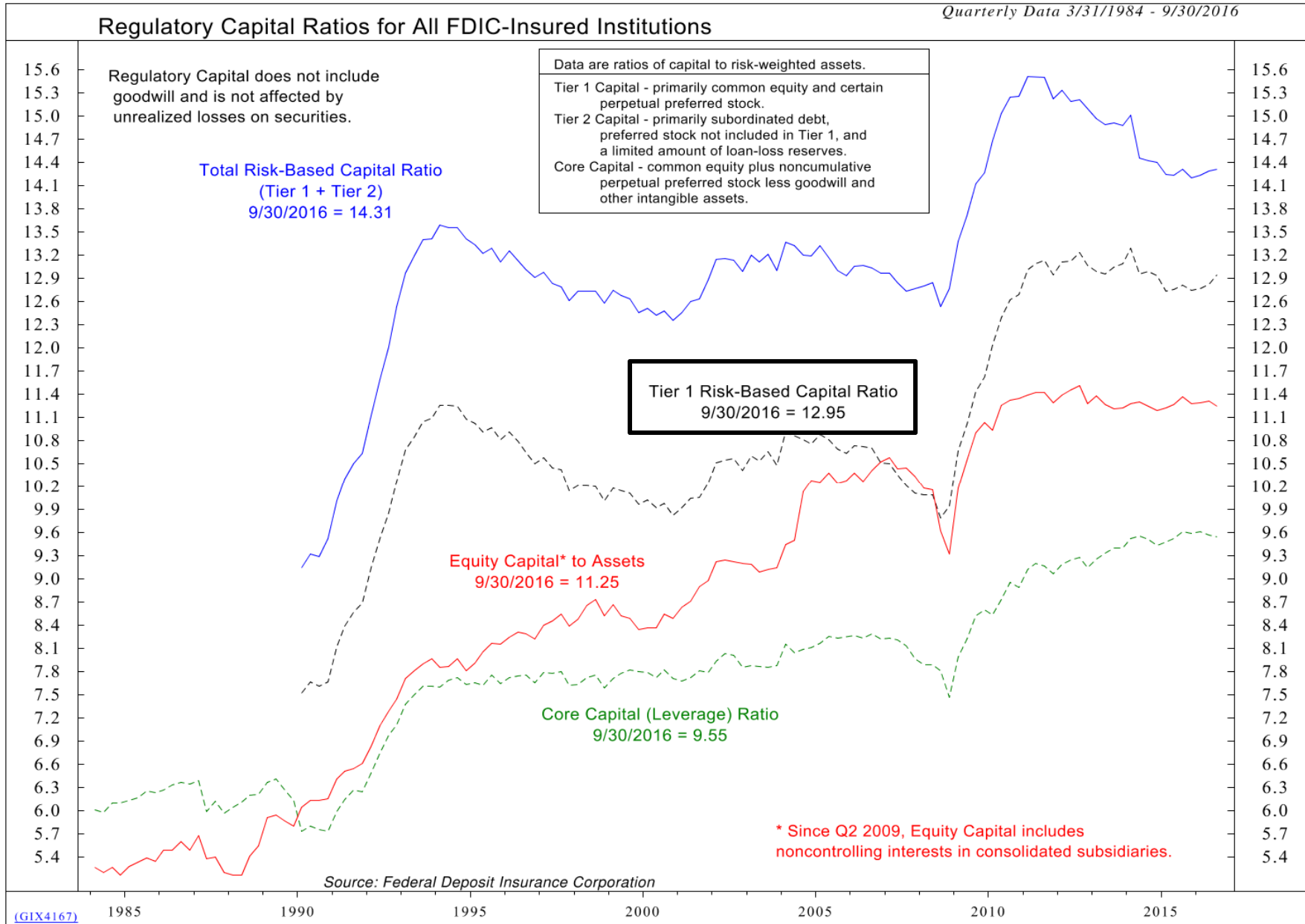


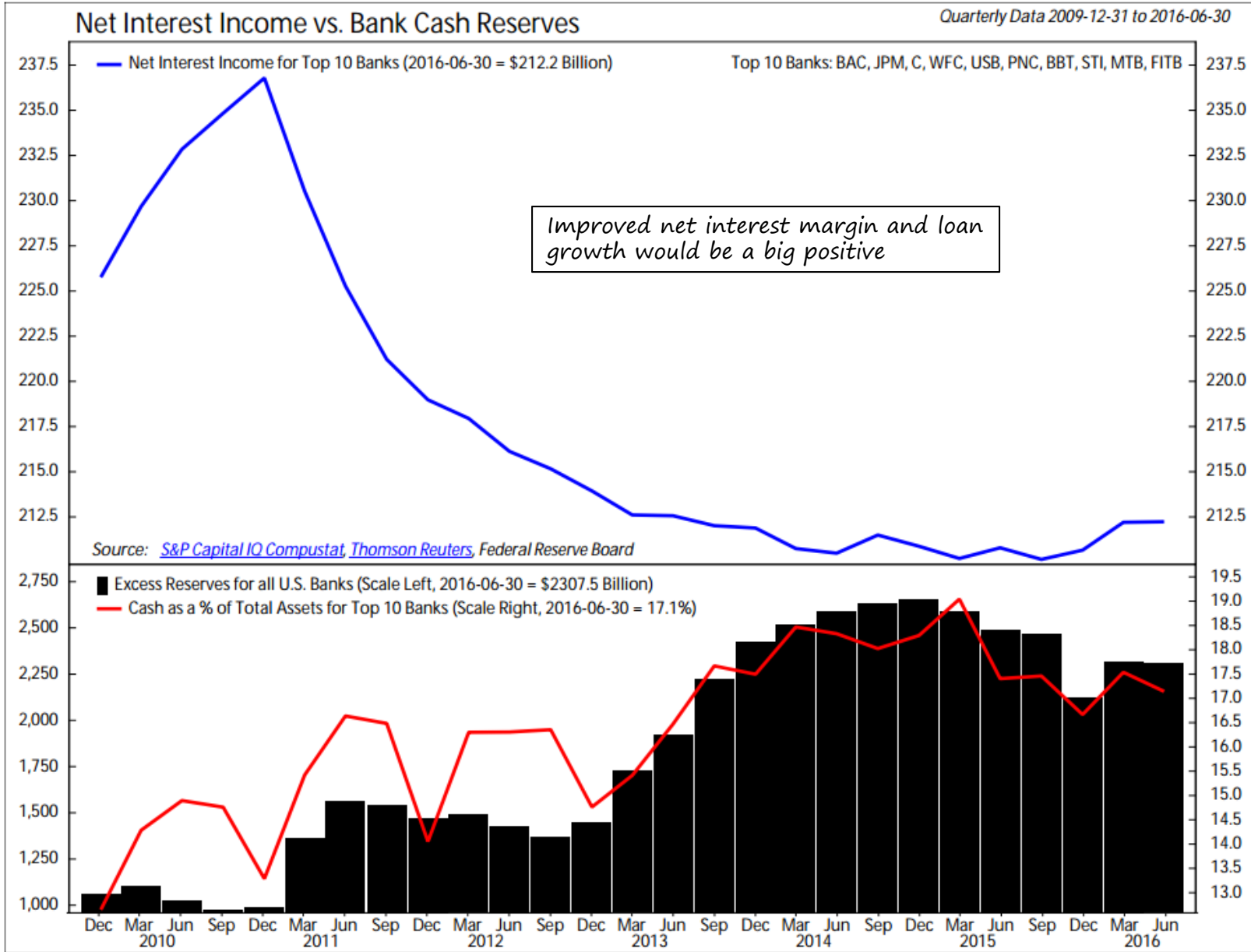
Banks – The Bear Market Could be Ending

While the valuation picture for banks is not as attractive as it was pre-election, the industry is still one of the cheapest areas in an expensive market with a potential for improved profitability in the future.

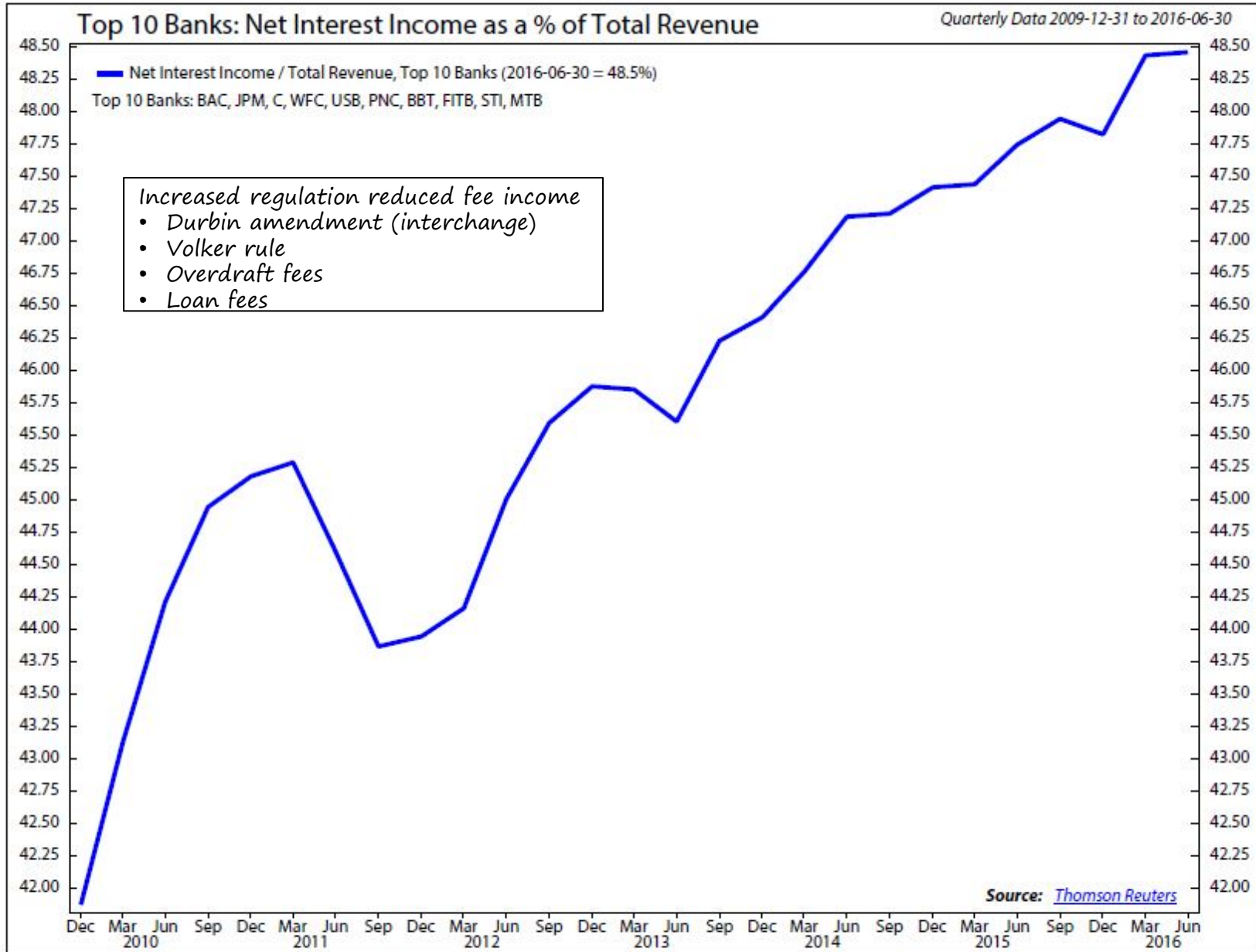


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CORPORATE AND PERSONAL TAX REFORM

Still lots of questions regarding what the underlying proposal will look like.

Underlying goal of the current Republican House plan is to move the US from income based to destination based tax system which would bring the US closer to other countries.

- Questions about the ability of the reform to be revenue neutral
- Border Adjustable Tax System (BAT) is getting a lot of pushback.
 - What are the implications for the US dollar?
 - Will it be viewed as protectionist by other countries?
 - Favors domestic companies and exporters at the expense of large importers.
- Deductibility of interest?

Personal Income Tax reform is tied in with corporate reform with many details yet to be finalized.

CONCLUSION

In summary, the majority of the administration proposals are positive for economic growth.

If implemented, these proposals could lead to bigger fiscal deficits, upwards wage pressures, higher long-term interest rates, and potentially lower bond prices in the future.

The one sector uniquely positioned to benefit from higher interest rates, lower regulation, lower corporate tax rates, and better economic growth is financials—the sub-group of banks specifically.

Still waiting for the details on the tax and healthcare reforms.