QUARTERLY UPDATE

ECONOMIC HIGHLIGHTS

Strong Domestic Economy, but Maturing Cycle of Economic growth in terms of GDP and employment metrics continue to boost US equity markets. Favorable tax policies and strong corporate results continue to act as tailwinds for domestic equity markets. As the Fed continues to tighten, equity markets could see further pressure until corporate earnings resilience is confirmed in a higher rate environment.

TRADE TALKS AND INTERNATIONAL FACTORS

While some outstanding trade discussions have come to a close, most notably between the US and Canada, others continue to add pressure in potentially affected sectors. Trade tensions between China and the US pose a significant issue for export-oriented nations, as the two largest players come to agreements concerning trade policies between them.

OUR THOUGHTS ON EQUITIES

For the foreseeable future, we can reasonably expect the US economy to continue growing, albeit at a slower trajectory from what we've seen in the past 2 years. We are overall positive on domestic equity markets as corporate growth and favorable business environments continue to be a widely accepted normality into Q4 2018. With consumer spending and sentiment strong into Q4, there are reasonable expectations for a strong holiday season and Q4 earnings persistence. Although we remain positive on domestic markets, we maintain a cautious outlook with regards to several factors. As the Fed continues to raise rates, there may be a catalyst for inflationary forces to affect the overall economy. So far, inflationary measures remain well within Fed guidance and CPI (Consumer Price Index) metrics are releasing below
Wall Street's expectations. Pullbacks and misses for 2019 are likely, as the streets expectations remain high into 2019, after a strong 2018. ▪ We remain positive primarily in large and mid-cap pharmaceutical and biotech companies, emerging and breakthrough technology, and defense contractors. We are bearish in capital intensive markets with defensive and cyclical
characteristics, such as telecom, auto manufacturing, and metal refining. o Fixed Income ▪Reiterating the effects of rising rates, we will be continuing with our strategy of shorter term,

low duration corporate and municipal bonds. As rates continue to increase, we will begin to see more favorable rates across the board. While we are beginning to see increases in yields, the impending rate increases pose a significant risk to mark-to-market prices, which is the main driver of our short-term position. Given the increase in US treasury yields, we reaffirm our cash management stance, by purchasing treasuries in lieu of cash holdings.

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