

Altus

Wealth Management, LLC

Reaching Higher

Market & Portfolio Update

January 2017

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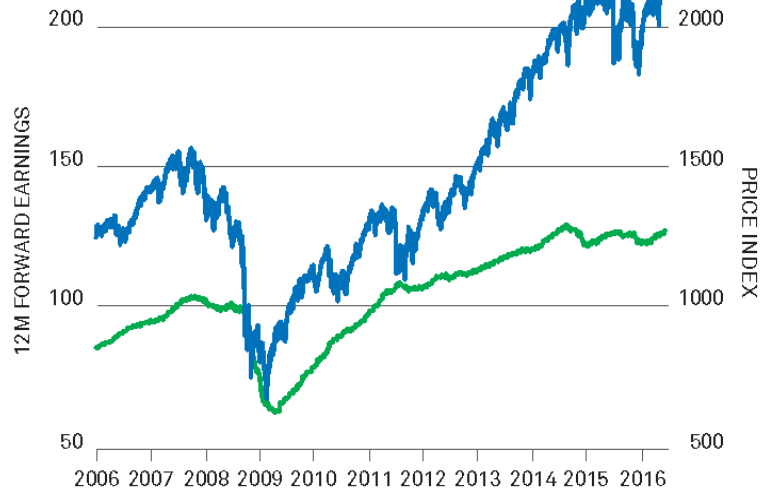
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Market Update

Fundamental View –

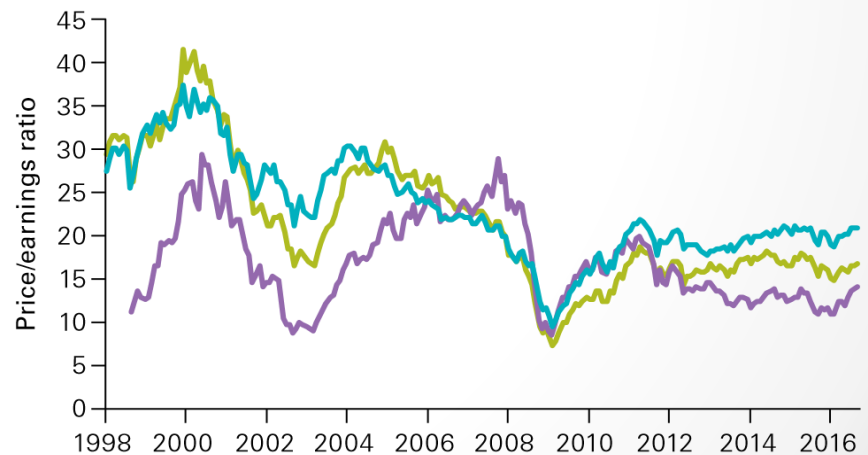
Under the new administration, a pro-growth legislative blitz is likely to unfold in 2017 that should be supportive of US equities. The administration has promised a significant amount of fiscal stimulus. From corporate tax reform and repatriation of foreign profits, to reduced regulation and infrastructure spending, US equity markets have a solid backdrop. Though, in our view, caution is warranted as valuations (see chart below) leave little room for an earnings disappointments or policy mistakes. For the first time in several years, we do see opportunity in foreign markets as valuations are attractive (see chart below). In addition, reform momentum, improving fundamentals and relatively weaker foreign currencies should support exports and improve foreign corporate profitability.

U.S. EQUITY PRICE AND EARNINGS¹



S&P 500 – Price Index (right axis) — S&P 500 – 12m Forward Earnings —

GLOBAL VALUATION COMPARISON²



— United States equities
— Developed international equities
— Emerging markets equities

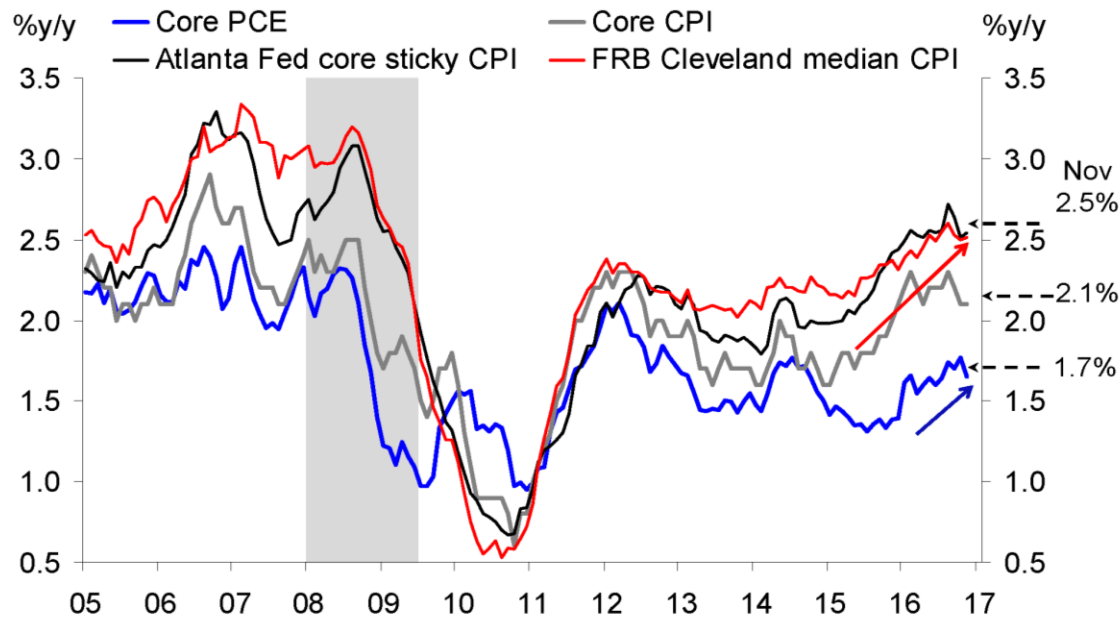
Market Update

Fundamental View – continued

No question our outlook for equity returns has improved. Not only have markets emerged from the deep earnings slump of the last couple of years, but the prospect of accelerated earnings growth seems higher given likely corporate tax reform and generally more business friendly environment. While we are

optimistic about future earnings growth, we caution companies will still face headwinds from the expected rise in interest rates and potentially higher inflation. Of course, the most common bullish argument for a continuation of the equity rally is that low inflation and low interest rates support higher stock prices. We are starting to see a rise in inflation (see chart on the left) and interest rates have also moved higher (see chart next page).

Is this the white of the eyes of inflation?



Source: BEA, BLS, FRBCLE, FRBATL, Haver Analytics, DB Global Markets Research

Deutsche Bank Research

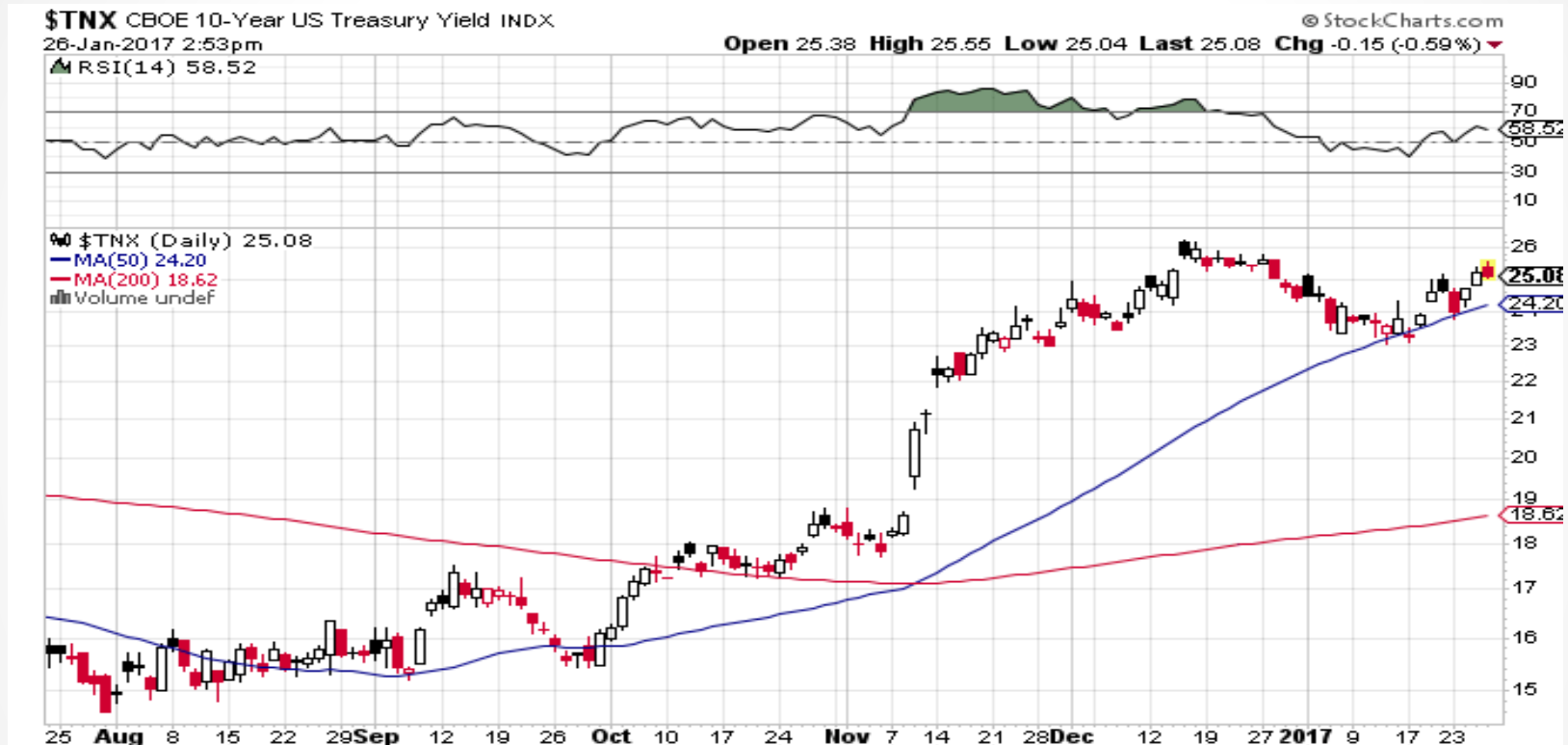
Torsten Slok, torsten.slok@db.com +1 212 250-2155

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Market Update

Fundamental View – continued

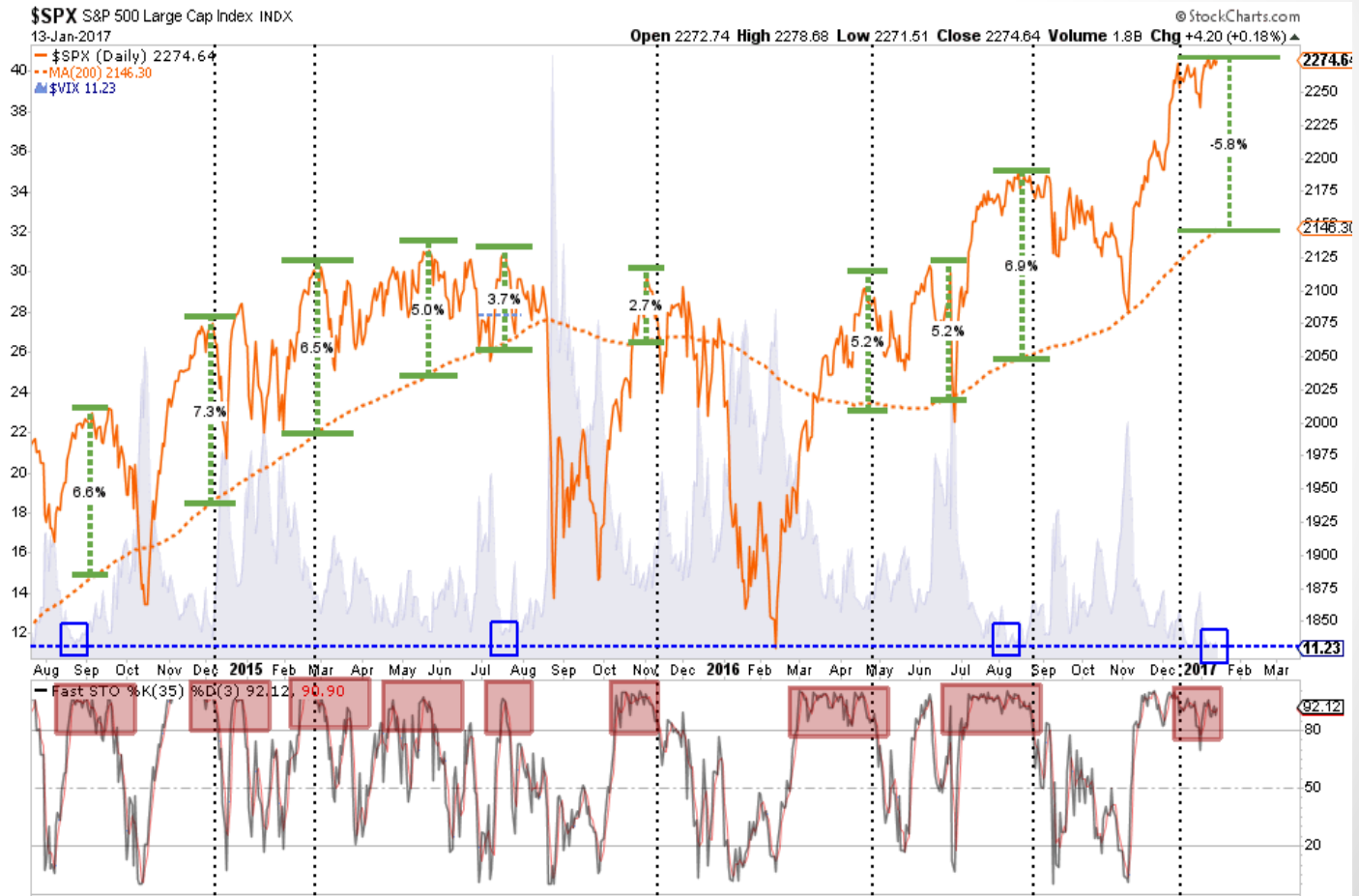


While not our base case, if growth accelerates too rapidly causing inflation to rise and the Fed to move more aggressively in raising interest rates, our expectation regarding future equity returns will have to be reduced.

Market Update

Technical View

The chart below is a daily price chart going back to late summer of 2014. The current extension of the market above the 200 day moving average (DMA), combined with extremely low volatility readings and overbought conditions, have not been kind to investors over the last couple of years. These pullbacks have not meant an end to the bull market cycle. However, proper risk management is warranted at these levels. A 3-5% pull back in equity prices is a far more attractive range in which to invest fresh cash.



Portfolio Strategy

We recently invested in several ETF's. Below is a description of each:

The **iShares Dow Jones International Select Dividend** ETF (ticker IDV) tracks a dividend-weighted index of 100 of the highest-yielding securities in developed countries outside the US.

The **iShares 0-5 Year TIPS Bond** ETF (ticker STIP) tracks a market weighted index of U.S. Treasury Inflation-Protected Securities (TIPS) with a remaining maturity of less than 5 years.

The **iShares Floating Rate** ETF (ticker FLOT) tracks a market-weighted index of US-dollar-denominated, investment-grade floating rate notes with maturities of 0-5 years.

The **iShares Short Maturity Bond** ETF (ticker NEAR) aims to maximize income and preserve capital using very short maturity, USD denominated global fixed income securities in an actively-managed fund. Duration is targeted at 1 year or less and maturity at 3 years or less.

We will continue to monitor and analyze all available data from both a fundamental and a technical basis to assist us in our decision making. We hope you find this information useful. As always, we encourage you to reach out to your advisor if you would like to talk further about any of the information presented.

*Sincerely,
Your Altus Team*

Altus Wealth Management, LLC

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Past performance does not guarantee future results. All investments involve the risk of loss, including the possible loss of all principal invested and any return thereon.

¹Thomson Reuters Datastream, IBES, MSCI, BlackRock Investment Institute, 12/31/16

²Notes: The figure displays price/earnings ratios with 36-month trailing average earnings. U.S. equities are represented by the MSCI US Index, Developed international equities are represented by the MSCI World ex USA Index, and Emerging markets equities are represented by the MSCI Emerging Markets Index. Source: Vanguard calculations based on data from Thomson Reuters Datastream.