JJ BURNS

2017: 1st Quarter Summary

"Now is the winter of our discontent / Made glorious summer by this sun of York" Gloucester, *Richard III*

What a difference a year makes. Investors started 2016 mired in a brief but sharp correction in all assets. Beginning in mid-February, equity-related and commodity assets rebounded strongly, partially aided by the election of Donald Trump. The release of the market's 'animal spirits' spurred the 'Trump Trade,' which raised expectations for U.S. growth, inflation, fiscal spending and interest-rate increases. U.S. financial, industrial and smaller-cap stocks and high-yield bonds did well.

In this 1st quarter, investors cheered as the Trump Trade continued. International equity markets also joined the party, and benefitted from strong data and favorable valuations. As always, things are not perfect in paradise. U.S. stocks were flat in March, and commodities and the U.S. dollar have given back some gains as the Trade has lost some steam. Here's a summary table of market results:

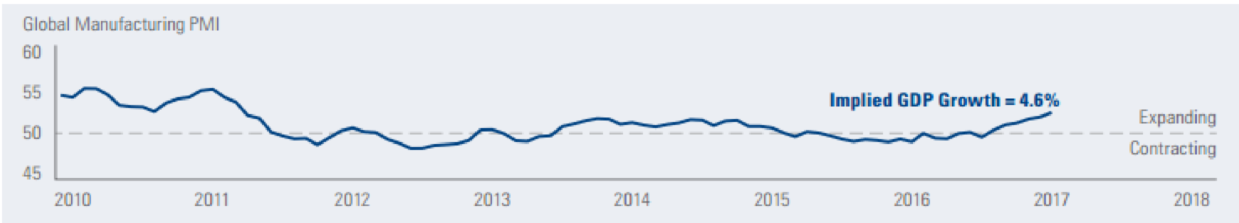
Index	Q1 2017	Q4 2016	TRUMP TRADE	YEAR 2016
FIXED INCOME				
BBgBarclays US HY 2% Issuer Cap	2.70%	1.75%	4.49%	17.13%
BBgBarclays Municipal	1.58%	<3.62%>	<1.25%>	0.25%
BBgBarclays Global Aggregate	0.44%	<2.34%>	<0.88%>	3.95%
BBgBarclays US Agg Bond	0.82%	<2.98%>	<1.30%>	2.65%
U.S. STOCKS				
Russell 1000 [Large-cap Stocks]	6.03%	3.83%	11.51%	12.05%
Russell 2000 [Small-cap Stocks]	2.47%	8.83%	16.67%	21.31%
S&P 500	6.07%	3.82%	11.35%	11.96%
INTERNATIONAL STOCKS				
MSCI ACWI Ex USA NR [All Stocks]	7.86%	<1.25%>	8.70%	4.50%
MSCI EAFE NR [Developed Markets]	7.25%	<0.71%>	9.51%	1.00%
MSCI EM NR [Emerging Markets]	11.45%	<4.16%>	6.84%	11.19%
REAL ASSETS				
U.S. Dollar	<1.82%>	7.07%	2.54%	3.63%
Morningstar US Real Asset Index	<1.02%>	<2.37%>	<0.19%>	4.93%
Bloomberg Commodity	<2.33%>	2.66%	2.10%	11.77%
S&P GSCI Crude Oil Spot	<5.81%>	11.36%	11.87%	45.03%
S&P United States REIT TR USD	0.58%	<2.96%>	5.16%	8.49%
S&P Global Ex US REIT TR USD	3.84%	<8.17%>	1.92%	4.00%

Source: Morningstar, Inc. USD data with dividends and interest; YTD data through 3/31/17
Trump Trade data from 11/09/16 to 3/31/17

"We know what we are, but know not what we may be" Ophelia, *Hamlet*

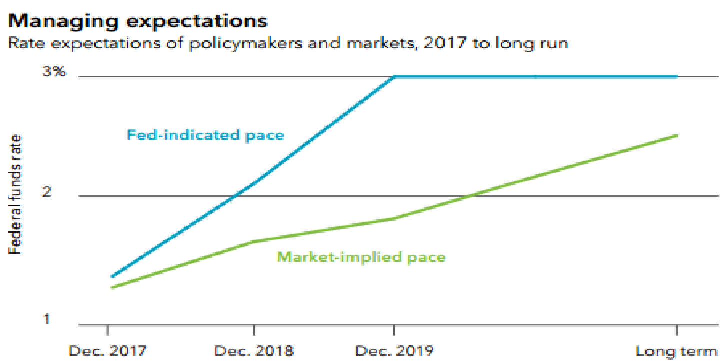
Let's look at the issues we think investors are processing in this new environment:

Global Growth: We see slow but steady progress, with signs that global growth is moving higher in all regions. This chart on Global PMI, where a reading above 50 is considered expansionary, reflects its highest level since 2011. Robust expectations and higher implied GDP growth are possible results. These may promote higher and more diversified commodity prices, inflation, revenues and higher global interest rates, and possibly a flat or weaker U.S. dollar.



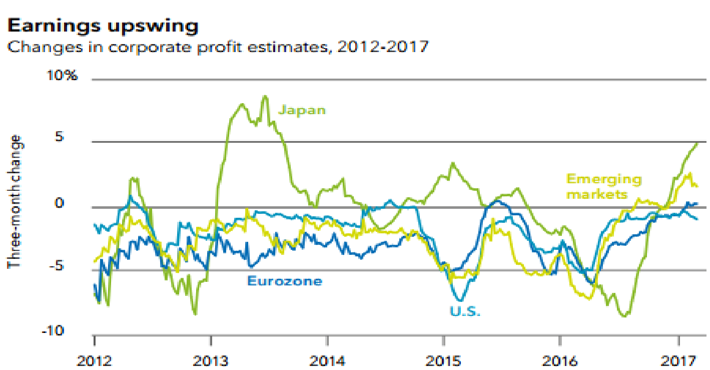
Source: Goldman Sachs

The Fed's interest-rate hikes: We're glad that the Fed has begun their hike cycle. It's expected to be fairly steady, and it signals that higher inflation and growth are on the horizon. At the current target policy level, the Fed should be able to react when the next recession strikes. One point of interest is the market's expectations for the proposed hikes, which is the difference between the Fed (blue line) and the market (green line) below. This possibly implies an expected slower pace of hikes, a lower terminal policy level, and lower growth than the Fed is projecting. Should data exceed Fed expectations for growth or show unemployment rising, the market may have sharp reactions.



Sources: BlackRock Investment Institute and Bloomberg, March 16, 2017.

Global stock earnings: Another positive sign is the uptick in regional earnings estimates, which are by nature volatile and subject to frequent revision. We know prices follow earnings, and much like rate increases, severe shortfalls and / or negative revisions will disappoint investors. These data reflect one view of current earnings expectations, and may provide some support to market growth:

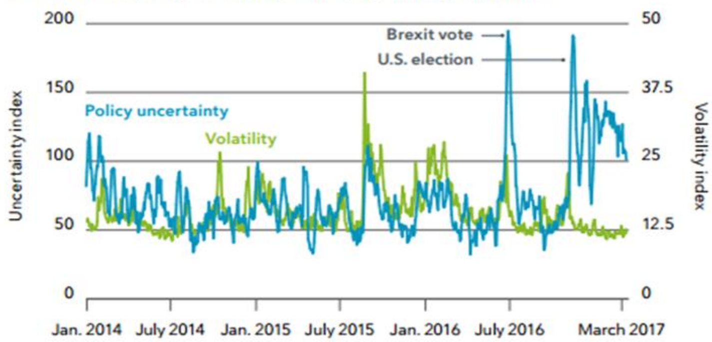


Sources: BlackRock Investment Institute, MSCI and Thomson Reuters, March 2017.
Notes: The lines show the three-month change in the aggregate 12-month forward earnings estimates. The data are based on the MSCI U.S., EMU, Japan and EM indexes.

Expectations and uncertainty: We've written about and discussed on our webcasts the almost surreal geopolitical situation. The world seems angry at itself, with few solid, progressive leadership relationships driving growth and living standards higher. Factionalism, despotism and reactionary nationalism are all on the rise; none ever result in positive developments. The U.S. markets, perhaps buoyed by animal spirits, have moved higher. Is this a reaction to positive economic data? A belief in the new administration's policies? More irrational exuberance by investors? Nationalist Geert Wilders' loss in the Netherlands? We would posit a combination of all of these reasons. As this graph shows, the level of policy uncertainty has not promoted nervousness in U.S. markets – yet.

What, me worry?

U.S. economic policy uncertainty and equity volatility, 2014-2017



Sources: BlackRock Investment Institute, Baker Bloom and Davis Economic Policy Uncertainty Index and Thomson Reuters, March 2017.
Notes: The economic policy uncertainty index measures policy-related economic uncertainty based on newspaper coverage of related terms. The CBOE Volatility Index, or VIX, is a measure of the implied volatility of S&P 500 Index options.

"Some are born great, some achieve greatness, and some have greatness thrust upon them." Malvolio, *Twelfth Night*

We are optimistic about the economy and the markets in the near term. Investors have been shrugging off steady but historically unremarkable U.S. growth data in the belief that the past will somehow replicate itself in the future. We also acknowledge that the post-Financial Crisis world is different, but not necessarily worse. There are clearly many serious issues facing the world's policy and economic leaders, and the policy uncertainty index referenced above indicates that some of our optimism is shared. President Trump has proposed an ambitious and complex agenda that includes fiscal stimulus for the U.S. economy. Other nations are facing many of the same choices as the U.S., and we remain hopeful they will rise to meet them. The grey cloud in this thinking is the rocky start to Mr. Trump's administration, and the recognition that the expected policy changes will not be easily outlined or approved. We expect this cloud to importune other leaders as well.

Our near-term market expectations are for high single-digit returns for stocks and low single-digit returns for bonds, given the data we see. Our approach to the expected volatility and uncertainty ahead is to ensure that we have the right target exposure to countries, regions and securities, and to be prepared to take advantage of allocation or rebalancing opportunities that present themselves. Finally, we will review allocations and risk assumptions as we conduct financial-plan and portfolio reviews to keep our clients focused on their long-term goals regardless of the current market environment.

As always, we welcome your comments and questions.

-Your Wealth Management Team at JJ Burns & Company

Disclosure: J.J. Burns & Company, LLC is a registered investment adviser with the U.S. Securities & Exchange Commission and maintains notice filings with the States of New York, Florida, Pennsylvania, New Jersey, Connecticut, and California. J.J. Burns & Company, LLC only transacts business in states where it is properly registered, or excluded or exempted from registration. Follow-up and individualized responses to persons that involves either the effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, as the case may be, will not be made absent compliance with state investment adviser and investment adviser representative registration requirements, or an applicable exemption or exclusion.

Unless otherwise stated, performance numbers refer to indexes, which cannot be invested in directly and have no fees or trading expenses associated with them. All index data provided by Morningstar, Inc.

 Indices are not available for direct investment; their performance does not reflect the expenses associated with the management of an actual portfolio.

Past performance is no guarantee of future results. This information is provided for educational purposes only and should not be considered investment advice or a solicitation to buy or sell securities.

Investing risks include loss of principal and fluctuating value. Small cap securities are subject to greater volatility than those in other asset categories. International investing involves special risks such as currency fluctuation and political instability. Investing in emerging markets may accentuate these risks. Sector-specific investments can also increase these risks.

Fixed income securities are subject to increased loss of principal during periods of rising interest rates. Fixed-income investments are subject to various other risks, including changes in credit quality, liquidity, prepayments, and other factors. REIT risks include changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and creditworthiness of the issuer.

The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The Barclays US Corporate High Yield 2% Issuer Capped Bond Index is an issuer-constrained version of the flagship US Corporate High Yield Index, which measures the USD-denominated, high yield, fixed-rate corporate bond market. The index follows the same rules as the uncapped version, but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value indexwide on a pro rata basis. The Barclays U.S. Aggregate Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The Barclays US Municipal Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed tax exempt bond market. The index includes state and local general obligation, revenue, insured, and pre-refunded bonds. The Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. Returns hedged to various currencies are published for multi-currency indices.

The Morningstar® US Real Asset Index is a diversified portfolio of four different asset classes that have historically displayed high sensitivity to inflation. Real assets are defined as TIPS, commodity futures-based strategies, real estate investment trusts, and inflation-sensitive equities such as upstream commodity stocks and master limited partnerships

The S&P U.S. REIT Index defines and measures the investable universe of publicly traded real estate investment trusts domiciled in the United States. The S&P Global ex US REIT index is a comprehensive benchmark of publicly traded equity REITs listed in both developed and emerging markets, excluding the United States. The S&P 500® index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. The S&P GSCI is designed as a benchmark for investment in the commodity markets and as a measure of commodity market performance over time. It is also designed as a tradable index that is readily accessible to market participants.

The MSCI ACWI ex USA Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 23 Emerging Markets (EM) countries. The MSCI EAFE Index is an equity index which captures large and mid-cap representation across Developed Markets countries around the world, excluding the US and Canada. The MSCI Emerging Markets Index captures large and mid-cap representation across 23 Emerging Markets (EM) countries.

The Bloomberg Commodity Total Return index is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. The index currently represents 20 commodities, which are weighted to account for economic significance and market liquidity.