Investment Report Summary for CMA, October 2017 (revised) – prepared by John Howle

1. 2017 YTD Returns: (as of 09/30/17)
   - CMA Return: 7.40% YTD
   - Estimated Annual Cash Flow: $33,771 (gross) and $26,471 (net)
   - Current Combined Cash Flow Yield: 4.60%

2. Portfolio Value:

12/31/15	$661,398
12/31/16	$696,996
09/30/17	$736,886

3. CMA Investment Growth:

   - Beginning Value: $696,996 (12/31/16)
     - Withdrawals: $32,639
     - <u>Fees: $5,299</u>
   - Sub Total: $659,058
     - Contributions: $20,000!
     - Income: $26,697
     - <u>Investment Gain: $31,131</u>
   - Ending Value: $736,886

4. Index Return 2017 YTD:

   - Bond Markets:
     - Bloomberg Barclays **Aggregate Bond** Index: 3.14%
     - Bloomberg Barclays **Muni Bond** Index: 4.66%
     - Bloomberg Barclays **Corporate Bond** Index: 5.22%
     - Bloomberg Barclays **High Yield Corporate** Bond Index: 7.04%
     - Bloomberg Barclays **Mortgage Bond** Index: 2.33%
     - Bloomberg Barclays **Taxable Municipal Bond** Index: 6.47%

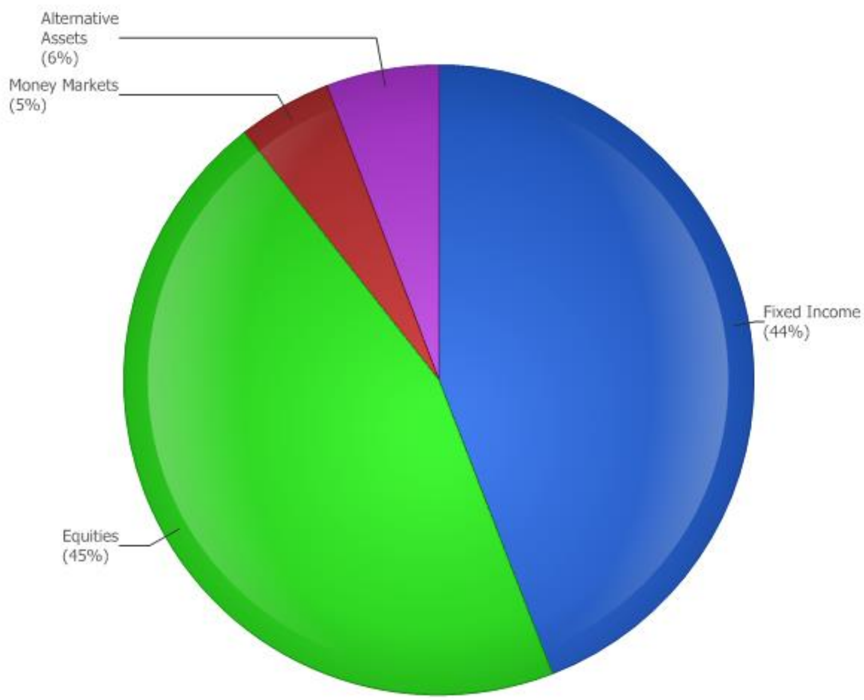
   - Equity Markets:
     - S&P 500 – 14.24%
     - Dow Jones – 15.45%
     - NASDAQ – 21.72%
     - MSCI World Index – 16.52%

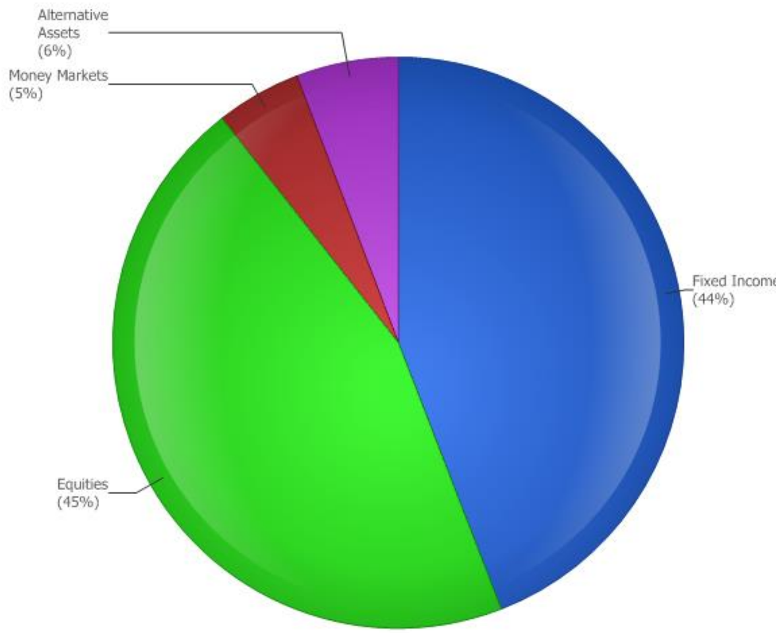
5. Your Portfolios:

   All sectors of the portfolio are performing well at this time with high yield bonds leading the way with a 14.40% YTD return. It is not often we get these kinds of gains 2 years in a row in the fixed income markets. Last year's total return in bonds was in the 14% range as well. Given the lower risk structure of the AQR Long/Short Equity Fund I am very pleased with its YTD performance of 12.20%.

6. Asset Allocation

   - Fixed Income – 44%
   - Equities – 45%
   - Alternative Assets – 6%
   - Money Markets – 5%





7. Markets:

   Bond Markets: Just about all bond sectors pulled back or at least had a pause in YTD total return during the 3rd quarter. This is not that surprising considering we are near lows in yields and credit spreads are very tight and near the low end of historical levels. Given the low rates and tight credit spreads it becomes even more difficult to generate high levels of income or total return as we are now pushing on a string. In fact I had stated as the first of the year that we would most likely just earn the coupon this year and that would be a win. 'Earning the coupon' means that the 'total return' in bonds at the end of the year is very close to what the coupon rate was at the beginning of the year. With bonds that is really all we typically as for and additional returns are the icing on the cake. **Reducing credit risk and reducing exposure to those areas that the Federal Reserve is pulling back from will be the strategy for now. This means a more barbell approach to duration and a continued improvement in overall credit risk.**

   Equity Markets: The equity markets continue to defy gravity and just continue to lift higher with no real correction in the past 12 months. In fact the last pullback of any magnitude was this time last year when saw a whopping 3.96% pull back in the S&P 500. All but 2 of the underlying broad industry sectors are positing positive returns for the year with IT leading the way with a 26% gain YTD. Telecom and energy are the only 2 sectors in the red for the year. Without some existential catalyst to the downside I don't see much standing in the way for the equity market to continue to march forward. The current P/E for the S&P 500 is 19.15 but was actually higher in March of this year at a 22 P/E. With the S&P 500 higher today but with a lower P/E tells us that we are at least seeing earnings growth at a level that for now is supporting not only supporting the current P/E level but actually reducing it. **A slight increase in international market holdings is the focus in the equity markets for now while letting the current holdings continue to run.**