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Private Wealth Management

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To our clients and friends:

It has been a year of unexpected turns and twists, where conventional expectations have been turned on end.

The election of Donald Trump as this nation's 45th president is the latest example of this, defying almost every poll and expert prediction.

This is not the outcome that investors were expecting and that is reflected in today's volatility in financial markets around the world.

We realize that many of you are anxious about what this all means for markets, economies and your portfolio and so we wanted to reach out to you with some initial thoughts and perspective.

And we also acknowledge that this was a very long and contentious election and that people became very emotionally invested in the outcome, as well as traumatized by the process. It has been a very divisive election, reflecting a number of important cross-currents in society, as well as an overall discontent with the status quo, amplified through the large lens of the 24-hour news cycle and social media.

Our job in managing your portfolios is to cut through the emotion, rhetoric, personalities and hype and focus on the investable facts at hand.

In general, financial markets prefer stability and don't like change, especially unexpected change. One of the things unnerving the markets is that while Hillary Clinton was seen as a predictable choice, Donald Trump was not. There is much less known about what he will do, or will be able to do once he occupies the White House. But there are a number of areas where he has been vocal that will likely have an impact on companies and markets:

Tax Reform: Under President Trump, taxes are likely to decrease, especially for higher income earners. Corporate tax rates should also decrease and there will likely be a "tax holiday" to allow companies with large cash hordes overseas to repatriate them into the United States, ideally for new investment. We think that tax reform,

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especially corporate tax reform, would be a positive for the U.S. economy and markets, although it is unclear what it will mean for the national debt, which is projected to increase under his current plans.

Trade: Trump is likely to be more restrictive on global free trade than current policy. This tendency parallels similar tendencies towards protectionism elsewhere in the world. This is a mixed blessing in that many U.S. companies are multinational and do business all over the world. And, as consumers, we benefit from inexpensive imports from other nations. **A move towards greater protectionism will likely slow overall economic growth, increase prices and do little to create new jobs in the U.S. Our expectation is that Trump will be less protectionist in practice than his rhetoric suggests.**

Immigration: Immigration will likely be more restrictive and a negative for economic growth. The irony of the immigration issue is that with the aging of the Baby Boomers, we actually need a healthy inflow of qualified immigrants to replace and reinvigorate a shrinking labor force. In addition, our companies need to be able to attract the best and brightest talent from around the world.

Fiscal Spending and Regulatory Reform: Mr. Trump says that he wants to increase spending on infrastructure and defense and reduce the amount of regulation. **This would be a significant positive for the economy and companies in these infrastructure and defense industries.**

Federal Reserve: Mr. Trump has spoken about replacing Janet Yellen when her term is up. Global financial markets require stable leadership among the world's major Central Banks. A move to replace her could be unsettling to the markets unless she is replaced by someone of equal qualification and reputation.

Healthcare: He has spoken about scrapping the Affordable Care Act. This will be messy without a suitable alternative solution, but it should be positive for pharmaceutical, biotechnology, and medical device companies. We continue to think that healthcare is a very attractive area for long-term investment.

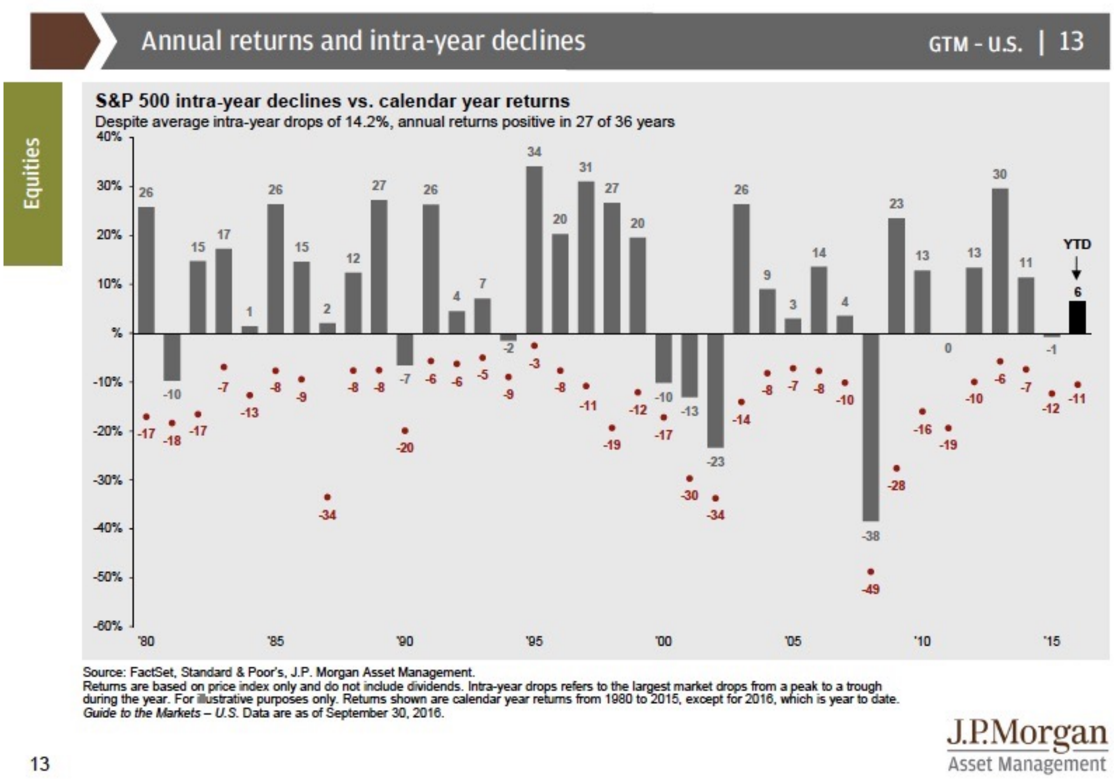
Energy: He plans to loosen regulations on the production of fossil fuels in this country, especially coal. It is unclear what impact this might have as the U.S. is already producing an abundance of oil and natural gas, as well as alternative energy forms that are cheaper and cleaner than coal.

Inflation: The combination of protectionism, tighter immigration policy, and higher fiscal spending will likely be inflationary. We would expect higher rates of inflation and higher interest rates going forward.

At this point, all of this is conjecture. There tends to be a significant disconnect between what a candidate for president says he or she wants to do if elected, and what they are actually able to do once they take office. In this case, President Trump will enjoy a Republican-controlled House and Senate and should have a much easier time putting his plans in action.

Regardless of who the president is, the U.S. economy is incredibly powerful, dynamic and resilient, imbued with natural resources, a diverse population, a vibrant private sector, stable government institutions, friendly neighbors to the North and South and thousands of miles of water on either side. None of this has changed nor will change.

We like to point to the chart below, from J.P. Morgan that shows the returns for the U.S. Stock Market since 1980. The chart shows the return for each year as well as the maximum decline for the market during each year.



What is notable is that there has been a meaningful decline in markets almost every year, averaging 14% a year, and yet, most of the years, the markets ended *up* for the year. During this period, there were recessions, five presidents, the 1987 market crash, two Iraq wars, the dot.com bubble and bust, the 9-11 attacks, the Afghan War and second Iraq war, and the global financial crisis. In almost every year you could have found a good reason to sell your portfolio and crawl under a rock. And yet, over the full span of the years, through all the news and drama, the U.S. economy continued to grow and the markets appreciated over 1,900% or about 8.5% a year, and that is not even counting dividends, which would have brought the average return above 11%.

Our goal in writing this is not to argue that nothing has changed, but to say that it is important to take a measured assessment of the world, economies and markets. If this year has proven anything, it is that conventional wisdom is often wrong. The future tends to unfold differently than the consensus expectation.

We are likely in for a bumpy ride over the coming days, but markets do not typically decline for long unless there is a recession. At the moment we do not currently forecast a recession. Much of what happens next will depend on what Mr. Trump says and the kind of team he puts together to run the government and instill confidence in markets. It is unlikely that Mr. Trump will want to sink the economy, at least intentionally and, if anything will want to invigorate it. But there will also be change and disruption and volatility along the way.

Meanwhile, progressive companies in this economy will continue to innovate and grow, as will the rest of the developing world. This remains a time of incredible innovation, change, and opportunity. We believe in investing in this opportunity for the long-term regardless of the near-term politics.

We will continue to evaluate our assumptions and economic data in the context of the flow of relevant news and information and make adjustments accordingly.

And we are always here and available to speak if you want to discuss any questions or concerns you may have.

One behalf of everyone at Jurika, Mills & Keifer, we thank you for your ongoing trust and confidence.

Sincerely,

Karl

Karl Mills, CFA

President