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OBERMEYER WOOD **NEWS**

SPRING 2017

MARKETPOINT

What a difference a year makes. Last year at this time we had just experienced the worst ever decline at the beginning of a year in the history of the market. Global stock indices were down ~10% in just six weeks, as concerns over global growth, interest rates, and energy prices weighed on the market. In contrast, equity markets began to improve in the 2nd half of 2016 and have continued to be mostly firm thus far in 2017.

There are multiple reasons for the optimism witnessed in the stock market. First, the U.S. economy is stable and continues to grow. Labor markets remain strong and consumer and business confidence have improved. Second, corporate earnings growth rates appear to be picking up. Third, strong stock buyback activity by company management continues to provide support to the equity market. Lastly, anticipation of the implementation of a variety of policy initiatives by the new administration has created optimism for a boost to future economic growth.

The new Trump administration initially laid out an ambitious legislative agenda which began with the decision to first take on the overhaul of the Affordable Care Act (aka Obamacare). The other initiatives were primarily aimed at stimulating the economy and job growth. Broadly speaking they include: tax reductions and reform for both corporations and individuals, reduction or elimination of the tax on the repatriation of the approximately $2.4 trillion of foreign earnings of U.S. companies held in overseas banks, review and reduction of some of the regulations on businesses, particularly in the banking sector, and a long-term program to invest in both new and old infrastructure throughout the country.

After the bruising debate and failure of the Republican Congress to pass a bill addressing healthcare, the pace and success of the other initiatives is uncertain. Agreement among the parties exists on portions of nearly all the other initiatives and odds seem to favor passage of parts of most of them. The full benefit of the various proposals will likely not be felt until 2018 and beyond, hopefully providing support for the economy for some time to come.

Notwithstanding a substantial amount of negative commentary during the election cycle, the U.S. economy has continued to strengthen. In fact, the U.S. economy grew nearly 2% during Q4 16 and appears well-positioned for further growth in 2017. The unemployment rate in the U.S. has fallen dramatically, from 10% in 2009 to 4.7% as of February 2017. Inflation is slightly below the Fed's target › of 2%. Consumer confidence has improved dramatically and reached a 16-year high in March. Home prices and sales continue to be strong. Economic activity in the manufacturing sector is also showing improvement.

Prompted by the improving economic data, the Fed began to raise short-term interest rates in December, and at its March meeting raised interest rates again, noting that it expects to raise rates twice more in 2017. In her remarks Fed chairwoman Janet Yellen said “the simple message is the economy is doing well.”

As a result, after a long period of slow recovery following the deep 2008 recession, the economy is finally beginning to emerge from the artificially low interest rate environment put in place during the crisis to a “normal” growth and interest rate environment. The Fed has begun this process slowly and deliberately in response to improving data, and historically, gradual interest rates increases have been accommodated reasonably well by a growing economy.

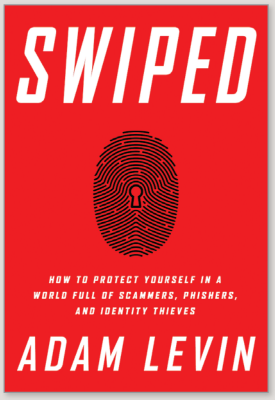
Encouragingly, the prospects for corporate earnings growth appear to be improving broadly as well. For Q1 17, Factset’s estimated earnings growth is about 9%, the highest earnings growth for the S&P Index since Q4 11. In the financial sector, higher interest rates and increased fixed income and equity trading activity will likely produce higher earnings over the next few years. Manufacturing industries reported a broad-based pick-up in activity in a recent economic report. Also supporting earnings are high levels of share repurchases by company management teams. Since 2008, according to S&P, over $3.4 trillion worth of stock has been repurchased. Share repurchase activity supports share prices and improves earnings per share growth. The combined impact of these factors creates a favorable environment for the continued moderate growth of the economy and corporate earnings before any benefit accruing to the economy from various initiatives over the next several years.

Of course, a variety of uncertainties exist, both economic and geopolitical. In the near-term if the administration’s initiatives continue to be mired down in the all too familiar partisan wrangling, investor disappointment could lead to increased market volatility which in turn could well provide for some attractive opportunities.

With the stock market’s rise since November, probably one of the more frequent questions currently is, “What’s the market going to do now?” Warren Buffett has said, “I have never met a man who could forecast the market.” Neither have we, including ourselves. We do thoughtfully and objectively assess the prospects for companies’ earnings and potential market risks and valuations. Equity valuations remain at the core of our investment philosophy. Currently, the valuation of the U.S. equity market is somewhat above the long-term average but it is not excessive in our judgment. We do not see an overheated economy or extreme stock valuations, situations that normally precede major market declines. We continue to believe equity investments will provide attractive, long-term returns particularly compared with bond-type investments.

We believe our investment process, based as it is on in-depth fundamental research and careful attention to valuation, helps to mitigate downside and provides an attractive risk/reward proposition. In the current environment we remain patiently focused on unearthing successful companies selling at attractive valuations even if at times we must “sift more sand to find the nuggets.”

TOP OF MIND: *SWIPED*



It is an unfortunate truth of the modern era that we are all vulnerable to identity theft. The headline-grabbing information breaches at Target, Yahoo, Anthem, and many other companies and institutions have heightened awareness, though not necessarily individual preparedness. In *Swiped: How to Protect Yourself in a World Full of Scammers, Phishers, and Identity Thieves*, author Adam Levin aims to leave his readers better equipped to defend against and recover from identity theft.

In 2016, the U.S. saw an estimated 15.4 million Americans victimized by identity theft. Although the first line of defense against identity theft generally resides with the individual, it is forgivable that so many of us are underprepared: the threats we face are numerous and ever-shifting. Part of the problem is that we leave digital traces of our identity on a scale never before seen. Take for example something as seemingly innocuous as signing up for a rewards card at a grocery store. Depending on how that data is stored, you could inadvertently provide a trove of personal information should there be a data breach.

Swiped helps prepare its readership against this threatening landscape through what Levin calls the "Three Ms." Levin describes them as follows:

- ***Minimize your exposure.*** *Don't share your personal information with anyone unless you are in control of the interaction, don't overshare on social media, be a good steward of your passwords, safeguard any documents that can be used to hijack your identity.*
- ***Monitor your accounts.*** *Check your credit report religiously, keep track of your credit score, review major accounts daily if possible.*
- ***Manage the damage.*** *Make sure you get on top of any incursion into your identity quickly and/or enroll in a program where professionals help you navigate and resolve identity compromises.*

For our part, we take our responsibility to safeguard our clients' data incredibly seriously. We perform an annual audit of our cybersecurity protocol and, on an ongoing basis, work hard to stay abreast of and respond appropriately to the changing security landscape. As a registered investment adviser, we have significant amounts of data that would be valuable to identity thieves. We encourage you to help us protect your data by doing any or all of the following:

- Call or stop by one of our offices when requesting a third-party wire so we can properly confirm it is really you making the request. We also will make outgoing calls to verify details in many cases.
- If you need to send us something containing Personally Identifiable Information (PII), we are happy to provide a secure link where you can upload such information more safely. Faxes are also an option.
- Contact us immediately if you have any doubts about whether an email or other communication is really from us.

We invite you to reach out with any questions you may have about how we and your custodians work to safeguard your accounts and information. We also encourage you to read *Swiped* if you would like to bolster your own protection and preparedness. Please reach out if you would like us to mail you a copy.

TEAM UPDATE

NEW TEAM MEMBERS

We are pleased to welcome three new team members to Obermeyer Wood.

Charlton Rugg joins us in our Denver office in the role of *Chief Compliance Officer*. He brings extensive experience in securities regulation and law, well positioning him to direct our compliance program and to serve as a general resource on regulatory and legal matters.

Building out our client service team, the Aspen and Denver offices each have a new face in the role of *Assistant, Client Services*. **Jody Dible**, in our Aspen office, brings a range of experience in operations and support roles, with a background in accounting, executive support, and general management. **Naomi Seldin**, in our Denver office, comes from a media and editing background, having worked at several regional East Coast newspapers as well as for a D.C.-based financial news aggregator. Both Naomi and Jody will be working closely with clients to address their needs while also lending general support to our current team.

Team biographies and contact information can be found on our website at www.obermeyerwood.com. We invite you to say hello to our newest team members the next time you visit our offices.

OBERMEYER WOOD RECOGNIZED BY *FORBES* AND *BARRON'S*

Our firm was honored to be included in two prestigious rankings in recent months.

Ali Phillips was recognized by *Forbes* as one of the nation's top female wealth advisors. The inaugural ranking, published this past February, identifies 200 women advisors across both brokerage firms and independent asset managers. Ali is ranked 26th in the nation and is the top-placed nominee in Colorado. *Forbes* partnered with Shook Research to produce the ranking, which is based on quality of practice, industry experience, and client retention, among other factors.

Separately, Wally Obermeyer was listed in *Barron's* 2017 ranking of America's top financial advisors. This is Wally's fifth year on the list and he is the third-placed advisor in Colorado. In selecting each state's top advisors, *Barron's* considers criteria including assets under management, the overall quality of the practice, philanthropic work, and regulatory record.

While the rankings list individuals, these accomplishments reflect the efforts of our entire team as we collaborate on client relationships and investment ideas. We also acknowledge these recognitions wouldn't be possible without the ongoing support of our wonderful clients. We are grateful and thank you for your continued partnership.

ObermeyerWood
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Our Team

EXECUTIVE COMMITTEE

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George F. Wood, CFA
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Senior Vice President

Ali Flynn Phillips
Senior Vice President

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Maia Babbs, CFA
Vice President, Investments and Client Advisory

Joseph S. Chin, CFA
Vice President, Investments

Roger Hennefeld, CFA
Vice President, Trading and Investments

Dana Gleason Nightingale, CFA
Vice President, Investments and Client Advisory

G. Tod Wood, CFA
Vice President, Investments

COMPLIANCE

Charlton A. Rugg
Chief Compliance Officer

CLIENT SERVICES AND OPERATIONS

Mary A. Elisberg
Vice President, Client Services

Christine Goodendorf
Associate, Finance

Molly A. Hartzler
Associate, Client Services

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Kimbo Brown-Schirato
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Assistant, Client Services

Naomi Seldin
Assistant, Client Services