INVESTMENT AND ECONOMIC UPDATE

MARCH 10, 2017

On March 9th, the current S & P 500 bull market will celebrate its 8-year anniversary. After falling more than 10% during the first few weeks of early 2016 (just another in a series of market pullbacks and corrections that investors have experienced over the past several years) the market continued to recover and established multiple new all-time highs as recently as March 1, 2017.

When we last provided an update at the beginning of February, 2017, we commented that we remained moderately constructive for this year but would not be surprised by a market pullback or correction at some point. Well, that has not happened yet. It's been quite unusual that we have not had a single 1% move to the downside since October 11th 2016.

As valuation levels creep higher (note: they are currently above historical valuation levels), some sort of correction or market pullback appears ever more likely. Keep in mind corrections are a normal and healthy part of investing.

With an eye towards reducing volatility, starting in the summer of last year following Brexit, as the markets continued to move higher, we took a bit of froth out of our portfolios. We increased the quality of some of our holdings and further diversified with the addition of an ETF focused on small cap dividend paying companies. In addition as the U.S. markets moved higher and the dollar strengthened, it made foreign companies more attractive. Therefore, we added a bit more to our non-U.S. holdings through a broad based low cost ETF that invests outside the United States. We remain significantly underweight in non-U.S. holdings but expect to add to our foreign exposure if the economy and financial markets continue to improve overseas.

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It Starts with Planning, Investing and Staying on Course

At RDM, we are creating and constantly monitoring detailed financial models geared towards achieving each client's individualized goals, which may ultimately prove more important than blindly trying to beat some kind of benchmark index. The issues of risk, volatility, cash flow, taxes etc…are all very real issues which we believe need to be addressed in a comprehensive and astute manner. Certainly investment performance is crucial, but not the only important issue to consider on your path to financial success.

Portfolios are Doing Their Job

The broadest expression of RDM portfolio performance is the overall performance of all accounts. Globally (i.e. the allocation of all RDM portfolios), RDM stands at about 55% in equity and 45% in fixed income.

An appropriate benchmark is hard to determine since every client account has an allocation particular to very specific circumstances. Additionally there are specific issues in many client accounts which we have to manage around (i.e. tax issues, estate planning issues, special preferences, etc...) On top of that, almost half of our clients get regular checks from us and or receive required minimum distributions (RMD's) for retirement accounts.

If we use the S&P 500 for 55% (or the more global MSCI All Country World Index) and the Bloomberg Barclay's U.S. Aggregate Bond Index for the fixed income portion, we are off to a solid start in 2017 (net after fee and expenses) and have modestly, outperformed the appropriate benchmark indices.

Please note that securities regulations prohibit us from sharing specific portfolio returns in general communications like this one. Having said that, staying fully committed to our allocations for each of you has proven to be the right decision. Always feel free to call us at any time to review your allocation or specific return information.

In RDM Moderate portfolios (on the equity side for clients that have been with us for one full year and where client investment securities match our models), we are pleased to report that on a year to date basis, we have achieved a healthy portion of the market's returns focusing on both the S & P 500 as well as the MSCI All Country World Index. As a reminder, RDM Moderate portfolios include a

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certain amount of alternative investments that participate somewhat on the upside but also help mute volatility over time.

Markets are always moving. Last year value stocks were more in vogue while this year growth is back in fashion. This is almost the complete opposite of 2016. This year the RDM Growth Plus portfolios are the best performers year to date followed by RDM Growth and then RDM Moderate risk, and yep, you guessed it, income portfolios are the laggards.

Again, not all portfolios are identical and there are somewhat different holdings in some client accounts depending on the size of each account. However, on the whole, we are very pleased to report that since we did not run for the hills in the wake of the election or other market uncertainties that we faced, we have performed well for you.

Fixed Income Investments Performing Well

In RDM 60 / 40 Moderate Taxable portfolios, we are pleased to report that on a year to date basis, we have achieved a significant percentage of the returns of the appropriate 60 / 40 benchmark index (based on the S & P 500 / Bloomberg Barclays U.S. Aggregate Bond Indices) and have modestly outperformed the return of the appropriate benchmark based on the global MSCI All Country World Index combined with the Bloomberg Barclays U.S. Aggregate Bond Index).

Our basket of six fixed income mutual funds (which complement our individual corporate bond holdings) continue to perform well so far in early 2017.

The Move to IWS

When the move to the other Fidelity platform is complete, we will have even more flexibility since our stock and ETF trading costs get reduced to just $4.95. We will also be moving many client accounts to separate accounts (from mutual funds) and this will further reduce internal costs and help us be more tax efficient.

These are very exciting times. We are glad you are all along for the ride!

As a reminder, RDM investment portfolios are constructed to help each client meet their long term investment and financial goals. The relative aggressiveness and volatility of each portfolio is unique to each client.

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ECONOMIC AND MARKET COMMENTARY

This is now the second longest bull market in the post-World War II period (source: CFRA / S & P Global). We may be in the latter stages of the current expansion based on factors such as a relatively low unemployment rate, the fact that the Federal Reserve Bank is tightening policy and wage growth is finally starting to rise somewhat. However, and importantly, we still do not see a recession ahead. In fact, economic growth could pick up somewhat later this year into 2018.

According to the latest poll of economists, U.S. GDP growth is currently forecast to be 2.3% in 2017, and 2.4% in 2018 compared with growth of just 1.6% last year. Based on the Trump administration's economic goals, GDP growth estimates for 2017 and 2018 (more likely) could move higher in coming months. Global growth is also forecast to show improvement over the next several quarters as well.

In his state of the Union address on February 28th, President Trump sounded more presidential and included less of the harsh rhetoric that he used on the campaign trail. In terms of looking for leadership out of Washington, this was somewhat encouraging. However, his speech was short on specifics, leaving many questions that still need to be answered.

Yes valuation levels (based on either trailing or forward price to earnings levels) are high and sentiment is getting a little frothy. These are ongoing concerns we have. Near term market risks in March include another quarter point rate increase by the Federal Reserve Bank, debate over the debt ceiling in Washington and the announcement of Article 50 (i.e. the UK formerly announcing plans to leave the EU).

Offsetting these concerns somewhat is the fact that economic data has been improving (not only here but also around the world), corporate profits are rising, interest rates remain historically low and President Trump is focused on increasing jobs, cutting regulation and boosting economic growth.

One area of the economy that has been weak over the past several years has been the manufacturing sector. However, due partly to a rebound in oil prices and stabilization in the dollar, manufacturing activity has shown signs of improvement in recent months. On March 1, the Institute for Supply Management's ISM Manufacturing report was released and it rose to a new cycle high of 57.7 versus 56 last month (compared with a six month

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average of 54.2). For reference, a level above 50 indicates expansion while a reading below 50 indicates contraction. Importantly new orders (a forward looking component within the ISM Manufacturing Index) rose to 65.0 representing the highest reading since August, 2009.

Looking at some of the other timely indicators we keep an eye on each month, the Monthly Leading Economic Index (source: Conference Board) continues to rise, weekly jobless claims are at the lowest level since 1973 (source: Department of Labor), credit spreads remain at healthy levels (source: Fidelity), corporate profits are improving (source: Factset) and consumer confidence is at or near multi-decade highs (source: University of Michigan Consumer Sentiment Survey).

THE FEDERAL RESERVE BANK AND INTEREST RATES

Turning to The Federal Reserve Bank, the central bank appears increasingly likely to raise rates by a quarter point when it next meets on March 15th, 2017. This would represent the third rate hike during the current cycle. This time around the Federal Reserve Bank (at least so far) is taking a gradual approach and is in the process of removing the emergency policy that has been in place for the past several years rather than aggressively raising rates and threatening the economic expansion.

Short term rates continue to remain accommodative by historical standards i.e. real rates (the short term Fed Funds rate minus the rate of inflation) currently remain below zero. Looking ahead, if economy continues to expand, The Federal Reserve Bank is likely to continue raising rates at a gradual pace over the next couple of years. Following a rate hike later this month, we believe there will be two additional quarter point rate increases later this year in 2017.

SUMMARY

To the surprise of many this has been one of the longest bull markets in history looking at data going back to 1928. Based on one of the longest bull markets combined with rising valuation levels, it would seem only appropriate to temper our enthusiasm somewhat in the period ahead. However, if parts of Donald Trump’s pro-growth agenda currently focused on less regulation, lower taxes and increased infrastructure and defense spending do get passed, that could provide a further boost to the economy and financial markets later this year or more likely in 2018.

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Based on current economic data, we believe the medium term outlook for equity markets remains constructive and we do not see a recession ahead. Interest rates are likely to move somewhat higher reflecting continued improvement in the U.S. and global economy. On the positive side consumer and business confidence levels remain high, job growth remains steady, credit spreads remain attractive, corporate profits are rising and manufacturing activity is showing signs of improvement. Market internals (based on things like advancing versus declining stocks, the percent of stocks above their 50 and 200 day moving averages and the performance of more pro-growth parts of the market) have looked fairly healthy in recent months. This of course could change over time.

Among the risks that we see on the horizon is that policy initiatives out of Washington either get delayed or fail to live up to expectations. After all, a certain part of the current market advance has been fueled by optimism about lower taxes, less regulation and increased infrastructure spending. Other potential headwinds on our radar include a further rise in already high market valuation levels, excessive tightening by the Federal Reserve Bank, a sharp rise in the dollar or interest rates or a major geo-political or terrorist event overseas. Lastly, debt levels in the economy remain historically high and could become a source of concern for the markets at some point depending on how President Trump's policy initiatives are financed.

Respectfully,

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