

Market Update

Stoker Ostler

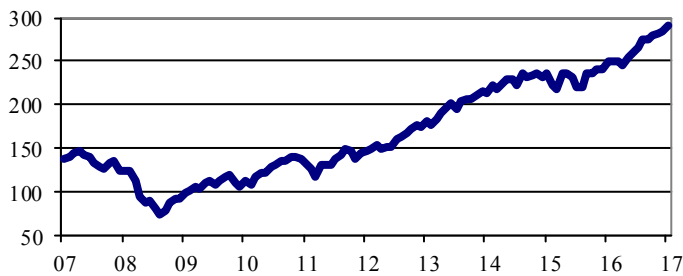
BMO  A part of BMO Financial Group

July 2017

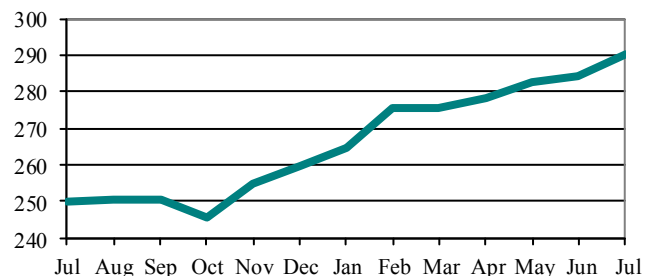
U.S. Markets

U.S. large-cap stocks continued their steady climb upward, ending July with an impressive year-to-date rally of 11.59% (S&P 500). Technology was the strongest performing sector with the tech-heavy NASDAQ Index up over 18.6% so far this year. U.S. small-cap stocks have increased 5.8% (Russell 2000 Index) year-to-date. These positive domestic equity returns were driven by improving economic conditions, increasing consumer confidence, rising corporate profits, and falling unemployment. The unemployment rate dropped to 4.3% at the end of July, down from 4.8% in January. Due to the positive economic progress, the Federal Reserve increased the federal funds rate to 1.0% during its June meeting. The Federal Reserve also signaled their intent to continue raising rates and begin winding down its bloated balance sheet. Weak inflation continues to be a concern. Despite rising short-term interest rates, bond prices generally increased with year-to-date returns of 2.7% (Barclays U.S. Aggregate Index). As a result of increasing U.S. production, oil prices ended the quarter at \$49.71, marking a 7.5% decline since January. Gold has increased by 10.3% this year, ending July at \$1,268.40 per troy ounce. Congress was unable to pass a healthcare bill, neither repealing nor replacing Obamacare, which calls into question Washington's ability to pass any meaningful tax reform in the near future.

Large U.S. Stocks--07/31/07 - 07/31/17
S&P 500 Stock Index (Base=100)

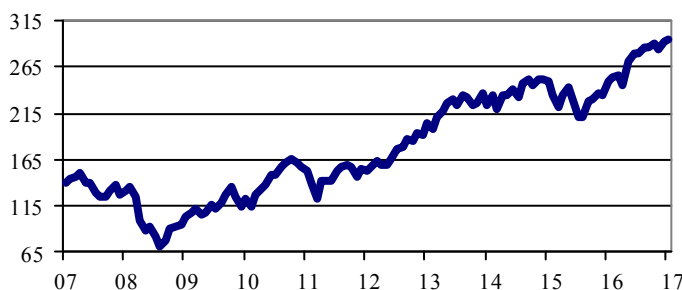


Large U.S. Stocks--07/31/16 - 07/31/17
S&P 500 Stock Index

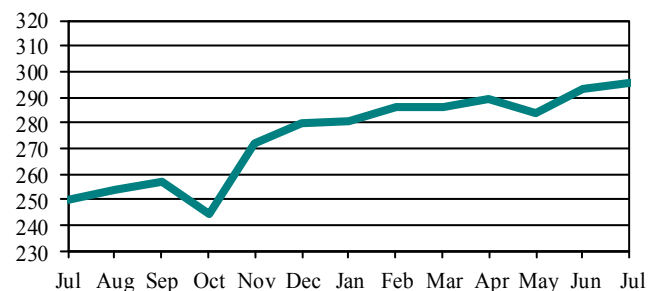


Thru 07/31/17	Year to Date	1 Year	5 Years	10 Years
S&P 500	+11.6%	+16.1%	+14.8%	+7.7%

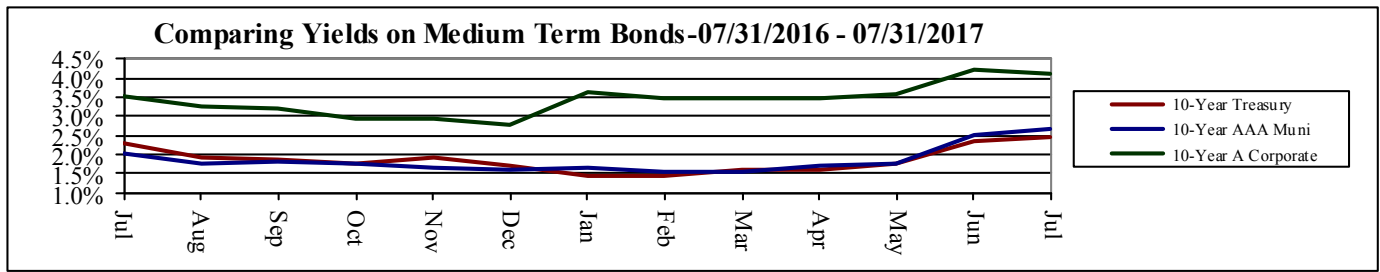
Small U.S. Stocks--07/31/07 - 07/31/17
Russell 2000 Index (Base=100)



Small U.S. Stocks--07/31/16 - 07/31/17
Russell 2000 Index



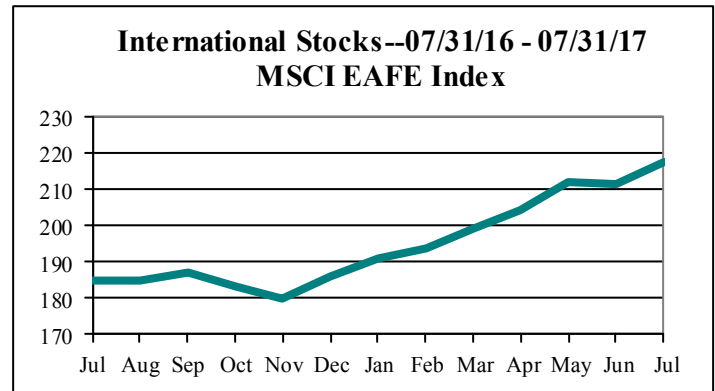
Thru 07/31/17	Year to Date	1 Year	5 Years	10 Years
Russell 2000	+5.8%	+18.5%	+14.2%	+7.8%



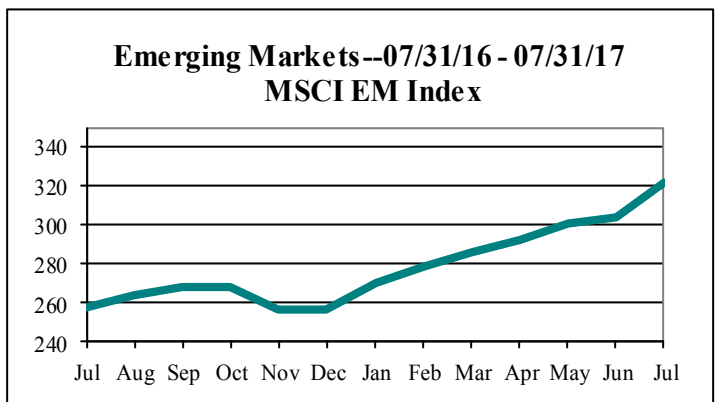
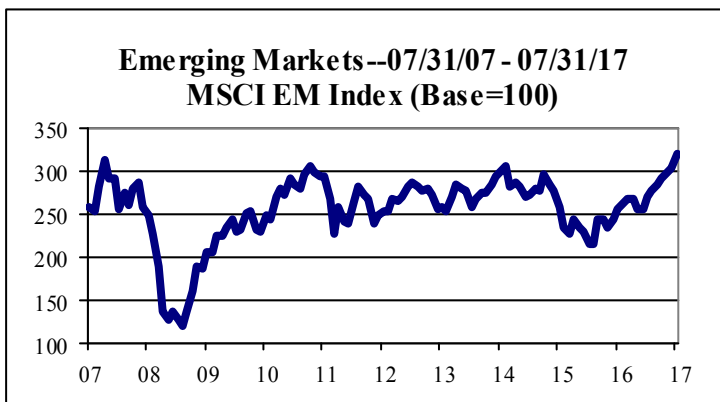
International Markets

International equities enjoyed the strongest first half of the year since 2009. International developed large-cap equities were up 17.1% (MSCI EAFE Index) year-to-date, while international developed small-cap equities were up 20.1% (MSCI EAFE Small Index) during the same time period. These strong returns came as GDP growth in the Eurozone slightly outpaced U.S. GDP growth over the last 18 months and unemployment rates continued to decline. Strong growth helped to dispel fears of a Eurozone break-up amidst nationalist movements and lingering struggles in Italian and Greek economies. During the second quarter of the year, the Eurozone consumer confidence index rose to the highest levels seen in over a decade. The European Central Bank (ECB), the U.S. Federal Reserve's counterpart for the Eurozone, could signal a pullback in their bond-buying program as early as September, citing improving conditions as justification, having already raised growth forecasts twice this year.

Emerging markets have been one of the strongest asset classes so far this year. The MSCI Emerging Markets Index has posted lofty year-to-date returns of 25.5%. The weakening of the U.S. dollar and better-than-expected growth in places like Mexico and China contributed to the positive returns seen across many emerging market countries.



Thru 07/31/17	Year to Date	1 Year	5 Years	10 Years
MSCI EAFE	+17.1%	+17.7%	+9.2%	+1.8%



Thru 07/31/17	Year to Date	1 Year	5 Years	10 Years
MSCI EM	+25.5%	+24.9%	+4.9%	+2.2%

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