Quarterly Review and Outlook

April 2017

EQUITABLE Trust

Trustees and Investment Advisors

"There is no security on this earth; there is only opportunity."

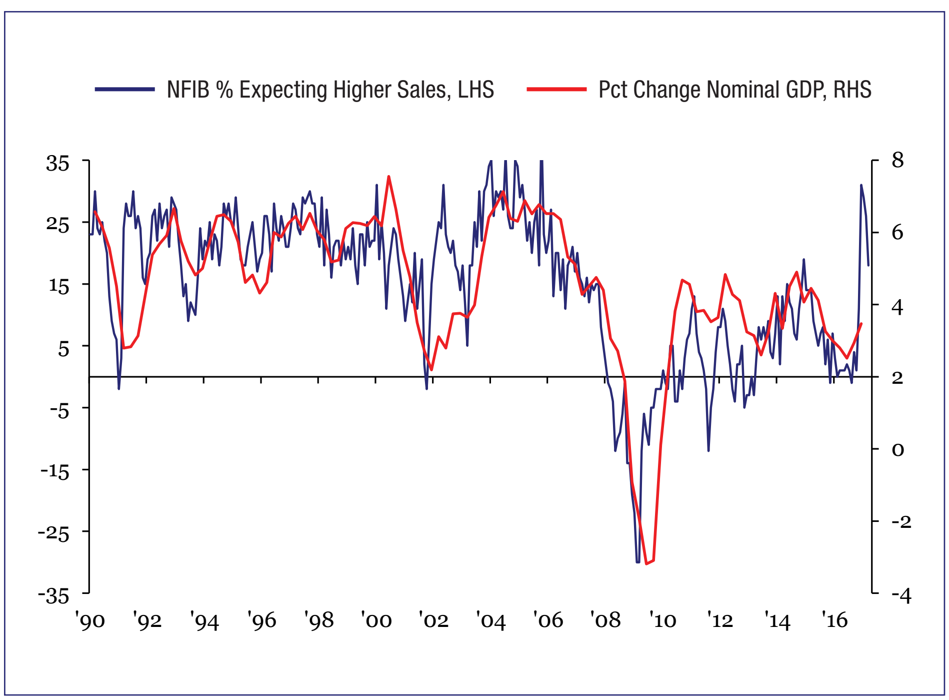
— General Douglas MacArthur (1880-1964)

The Markets Are Bending, Not Breaking

Stocks put in a solid performance in the first quarter despite giving up some of the gain later in March. Technology stocks and international stocks carried over their strong 2016 finish into the quarter while small cap and energy stocks lost some steam.

Improving economic data from around the world provided the Fed with "cover" for raising interest rates another 0.25%. In the U.S., employment figures remained strong, while consumer sentiment measures advanced. The National Federation of Independent Business's Sales Growth Expectations survey, which usually leads GDP growth, recovered significantly in the first quarter (see chart below). Wholesaler inventories and sales both rose sharply, while Purchasing Manager Indices from around the world strengthened.

Small Business Sales Growth Expectations
Predicting 7% GDP Growth
(BEA, NFIB)



(continued on next page)

Fixed income investments struggled in the quarter as the Fed raised the federal funds rate. Chair Janet Yellen testified, “The simple message is that the economy is doing well.” However, longer-term rates eased a little as foreign investors continued to buy Treasuries, presumably because they prefer our low yields to the “no yields” they find in their home markets. Municipal bonds made a small comeback as buyers now seem less convinced that income tax rates will be cut.

However, politics has been a source of stress weighing on the markets globally. In the U.S., the Republicans were tested by the failure to replace the Affordable Care Act. While its failure did not have a direct impact on the economic outlook, it very well could adversely affect health insurance consumers and healthcare providers. The failure did raise questions about the ability of Congress to achieve goals more important to the overall economy like tax reform, the debt ceiling and infrastructure spending. The Republican bill, known as the American Health Care Act, included $900 billion worth of tax cuts which, due to its failure, will not occur immediately. The loss of these tax cuts in the AHCA means that the baseline for tax reform will still stand at $43 trillion of budgeted spending over 10 years instead of $42 trillion. This makes budget neutral tax reform more difficult for Republicans as they will need to find new sources of revenue.

Abroad, the U.K. triggered Article 50 of the Lisbon Treaty, putting the European Council on notice that Britain intends to leave the EU. This action launches a two-year negotiation period to establish a new political and economic relationship. The French presidential election campaign has caused indigestion for European markets in that a win by Marine Le Pen could potentially split the EU. Polls showing her losing have not been much comfort to markets, given the failure of polls to correctly predict many significant elections over the past year.

We note that some market sentiment indicators suggest the market is overdue for a correction. However, improved global economic readings suggest a major bear market is unlikely. Consequently, we advise long-term investors to stay the course. Where portfolios hold cash, we would view any market corrections as opportunities to put those resources to work.

Market Diary Period Ending March 31, 2017

	RATES OF RETURN					
Equities	**Last 3 Mo.**	**YTD**	**1 year**	**3 years**	**5 years**	**10 years**
Global Stock Market (MSCI All Country World)	7.04	7.04	15.70	5.68	9.00	4.61
U.S. Stock Market (S&P 500)	6.07	6.07	17.16	10.35	13.28	7.50
U.S. Small-Cap Stocks (Russell 2000)	2.46	2.46	26.19	7.20	12.35	7.10
International Stocks (MSCI EAFE)	7.39	7.39	12.30	1.06	6.42	1.63
Emerging Markets Stocks (MSCI Emerging Markets)	11.45	11.45	17.63	1.52	1.15	3.04
Alternatives	**Last 3 Mo.**	**YTD**	**1 year**	**3 years**	**5 years**	**10 years**
Hedge Funds (HFRX Global Hedge Fund)	1.70	1.70	6.20	-0.40	1.30	-0.60
Global Real Estate (FTSE/EPRA NAREIT)	3.40	3.40	2.94	5.92	7.65	1.60
Commodities (Bloomberg Commodity)	-2.33	-2.33	8.71	-13.91	-9.54	-6.22
Energy (Bloomberg Commodity - Energy)	-11.41	-11.41	13.57	-28.41	-17.25	-17.34
Gold (Gold Spot)	8.30	8.30	1.06	-0.95	-5.66	6.52
Fixed Income	**Last 3 Mo.**	**YTD**	**1 year**	**3 years**	**5 years**	**10 years**
Barclays Aggregate	0.82	0.82	0.44	2.68	2.34	4.27
Barclays Municipals	1.58	1.58	0.15	3.55	3.24	4.33
Barclays High Yield	2.70	2.70	16.39	4.58	6.82	7.54

Rates of Return for periods longer than 12 months are annualized. Data is provided by Northern Trust and Hedge Fund Research.

Prepare to Meet Your Planner – and for Your Plan to Work

A 2015 survey conducted by Harris Poll reveals that most Americans only do estate and financial legacy planning on a whim. All too often, procrastination is THE reason plans never get drafted or implemented. The study found that only 52% of Americans have anything approaching a formal estate plan, and the ones who do often fail to discuss their plans with their family. Most respondents planned to leave their heirs equal portions of their assets, while some indicated that they planned to distribute their estate unequally among family members or not leave an inheritance at all. The important message was that in most cases plans are not properly drafted or communicated before death.

Organize essential information. No effort on your part will be wasted, and don't fall into the trap of putting the task off until you have the perfect software or filing system in place. Create a file, folder or notebook – whatever format speaks to you for the collection of information: financial accounts (and contacts); private business investments; real estate (and where deeds can be found); personal items (jewelry, art, collectibles - list and location); lockbox and storage locations; regular expenses (utilities, maintenance accounts and contacts); titles to vehicles, boats; insurance (life, property, health, long-term care, including policy numbers); veterans benefits; income tax returns; digital accounts (passwords and login information); family

(continued on back page)

contacts (full names, birth dates, addresses); and funeral plans. And by all means, be sure to note the beneficiary designations on the above assets if applicable.

The message here is to personally engage in the process of information consolidation, and do it sooner rather than later. What is important is to get started, even without a complete entry in every category; every entry you make will be a step in the right direction. The process doesn't require a commitment to a professional and need not involve any expense other than your time and thought, but the payoff can be enormous – even if only to enable you to take the next step to making and actually implementing a solid estate plan that fulfills your objectives for your family and intended beneficiaries. If you already have a plan in place, keep your information current.

We have found that a significant element of actually establishing a plan is uncertainty about how to get started. Typically, the first step in the planning process is an appointment with an informed trusted advisor or a competent estate planning attorney, or both. That part of the process involves consolidating thoughts about objectives and preferences. Many people are deterred from making the appointment without feeling that they are "ready" for the meeting. In any case, the first planning appointment can be more efficient, and therefore more cost effective, if proceeded by information organization.

After a plan has been adopted, essential information should be maintained and brought current at least annually – maybe a New Year resolution or a spring "clean-up" project. This will serve to make future planning meetings efficient and will be invaluable to the person responsible for administering your estate.

EQUITABLE Trust

Trustees and Investment Advisors

Equitable Trust Company
One Belle Meade Place
4400 Harding Pike, Suite 310
Nashville, Tennessee 37205

www.equitableco.com
Telephone: 615-460-9240
Fax: 615-460-9242
Toll Free: 1-866-442-3564