October 3, 2016

Dear Clients and Friends:

As the third quarter of 2016 came to an end, financial markets reached near record levels as investors were comfortable taking risk with an accommodating global monetary policy. This August, the S&P 500 Equity Index reached a record high level of 2,190 and returned nearly 8% for the year. In July, the U.S. Ten Year Treasury yield reached a record low of 1.36% (currently 1.60%) and has produced approximately a 6.28% year to date return as global central banks continued purchasing bonds. Emerging markets and high yield bonds also did well in Q3 (8.99% & 4.75%, respectively) as investors continued to allocate resources to riskier asset classes in a desire for income in this low yield world. Naturally, we are pleased by the market's positive returns and the corresponding impact on client portfolios, but fully expect continued volatility heading into Q4 with the looming Presidential election and a December Federal Reserve meeting.

Index	Index Close	QTD	YTD
S&P 500	2,164.69	3.85%	7.84%
DJIA	18,261.45	2.78%	7.21%
NASDAQ	5312	10.02%	7.15%
Barclays Aggregate Bond (ETF)	112.42	0.38%	5.71%
MSCI Europe-Australasia-Far East	59.13	5.93%	2.77%
MSCI Emerging Markets	37.45	8.99%	13.73%

We are now in the eighth year of the current economic expansion in the States. The U.S. economy has muted momentum with no overheated sectors, and we expect modest growth to continue with projected year-over-year GDP growth of approximately 2.0%. Labor market activity continues to increase, with the number of job openings and new hires increasing. The rate of job growth appears to have decelerated, which is to be expected in the later stages of an expansion. However, wage and salary pressures are increasing in selected businesses and are likely to become more widespread.

The inflation picture is mixed. Global over-capacity is depressing the cost of finished goods. Slower growth in China is restraining commodity prices, but a reduction in the oversupply of oil has led to an increase in oil prices. We expect headline inflation to increase to 2.0% by year-end. With the recovery in oil prices and the recent stabilization of the dollar, we expect corporate

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profits to increase moderately in the remainder of this year. Additionally, we continue to expect a slow and gradual normalization path for interest rates with perhaps one rate hike before year-end.

At this point, our view is consistent with our past communications during the market volatility produced by the U.K.'s June vote to leave the E.U. (Brexit). We continue to recommend clients stay well diversified and invested for the long term. Investors who fled markets in June due to fear and uncertainty subsequently under performed. Similarly, we currently believe investors who let greed encourage them to change investment allocations and chase recent strong performance, will also underperform in the long term.

As stewards of your financial assets, we view current market levels as motivation to remain vigilant, prudent, and will continue searching for unforeseen risks. For example, as the markets continue to rally we are engaged in active risk management. For Locust Capital, risk management means assessing the possibility for large fluctuations in an assets value relative to potential asset returns and deciding if that balance is suitable for clients. In addition, we actively employ the simple but effective risk management tool of portfolio re-balancing. In summary, we strive to use modern portfolio theory to build the best risk adjusted portfolios (Markowitz Efficient Frontier) and through the consistent application of monitoring and rebalancing, we bring that theory into practice.

On a separate note, over the next few months Locust Capital will begin the process of implementing a new technology operations platform called Tamarac. Converting our current operations systems to Tamarac will mean that we will be migrating to the most comprehensive and dynamic system available in the wealth management industry. In practical terms conversion to Tamarac will mean improvements to our processes and ultimately your experience.

Enjoy the pleasant Fall weather and the last three months of 2016.

Sincerely,

Locust Capital