October 13, 2017

Dear Valued Client:

While we look forward to discussing this quarter's positive news, our hearts go out to those impacted by the spate of natural and unnatural disasters that have befallen those in our country and in the surrounding countries to our South. As a firm, we have made efforts to provide financial assistance and hope that the collective efforts of the many working to assist in these times of need will be a good start towards the rebuilding of lives and livelihoods that have been scarred by these events.

During the quarter, we shared a piece titled "Estate Planning for Catastrophe" written by our in-house Estate and Wealth Management Counsel Janice Forgays. A link to that piece is found here: Storm Preparedness.

We encourage you to read and implement what you can as we just never know when something might happen.

Third Quarter Market Review

Global equity markets advanced 5.3% during the third quarter, as measured by the MSCI ACWI Index, while the Bloomberg Barclays Global Aggregate Bond Index returned 1.8%.[1] Several stock market indices hit all-time highs, despite increased tensions with North Korea and devastating hurricanes. The global economy continued to improve, lifted by higher confidence readings, positive corporate earnings and supportive global monetary policy. The growth was broad-based as the Organization for Economic Cooperation and Development projected positive 2017 GDP growth for each of the 45 countries it tracks.[2] For the first nine months of 2017, global stocks returned 17.8% . . . on pace for the best year since 2009.

The S&P 500® Index of large-cap US stocks returned 4.5% for the quarter and 14.2% year-to-date. Small-cap stocks outperformed larger caps during the quarter, boosted by news of the US tax reform plan, with domestic-focused companies expected to see greater benefits from lower corporate tax rates. Technology stocks rose 8.7% on strength in more growth-oriented sectors. Energy stocks rebounded 6.8% with the rise in oil prices and impact of OPEC production cuts. The more defensive and higher-dividend sectors saw lower returns, including Utilities (+2.9%), Real Estate (+0.9%) and Consumer Staples (-1.4%), as bond yields moved higher.

The MSCI ACWI ex-US Index of international stocks gained 6.3% during the quarter and outperformed US stocks. Foreign currency appreciation was a notable contributor to performance as international stocks returned 4.5% in local market terms - which was more in-line with US stocks. European stocks benefited from positive sentiment among businesses and households, with record low unemployment in Germany. Asian markets rose as Japan's economy grew at a 2.5% annualized rate in the second quarter. Emerging markets returned 8.0%, lifted by gains in Brazil (+23.0%), Russia (+18.1%), and China (+14.8%), with the rebound in commodity prices and increase in global trade.

In fixed income, the Bloomberg Barclays US Aggregate Bond Index returned 0.9% for the quarter and 3.1% year-to-date. Bond yields declined early in the quarter on subdued inflation readings, but yields rose in September with expectations that tax reform could drive higher growth and inflation. Corporate bonds benefited from underlying

[1] Unless otherwise indicated, all index returns are from FactSet
[2] Source: OECD. "Interim Economic Outlook – Short-term Momentum: Will It Be Sustained? (Sept. 2017)"

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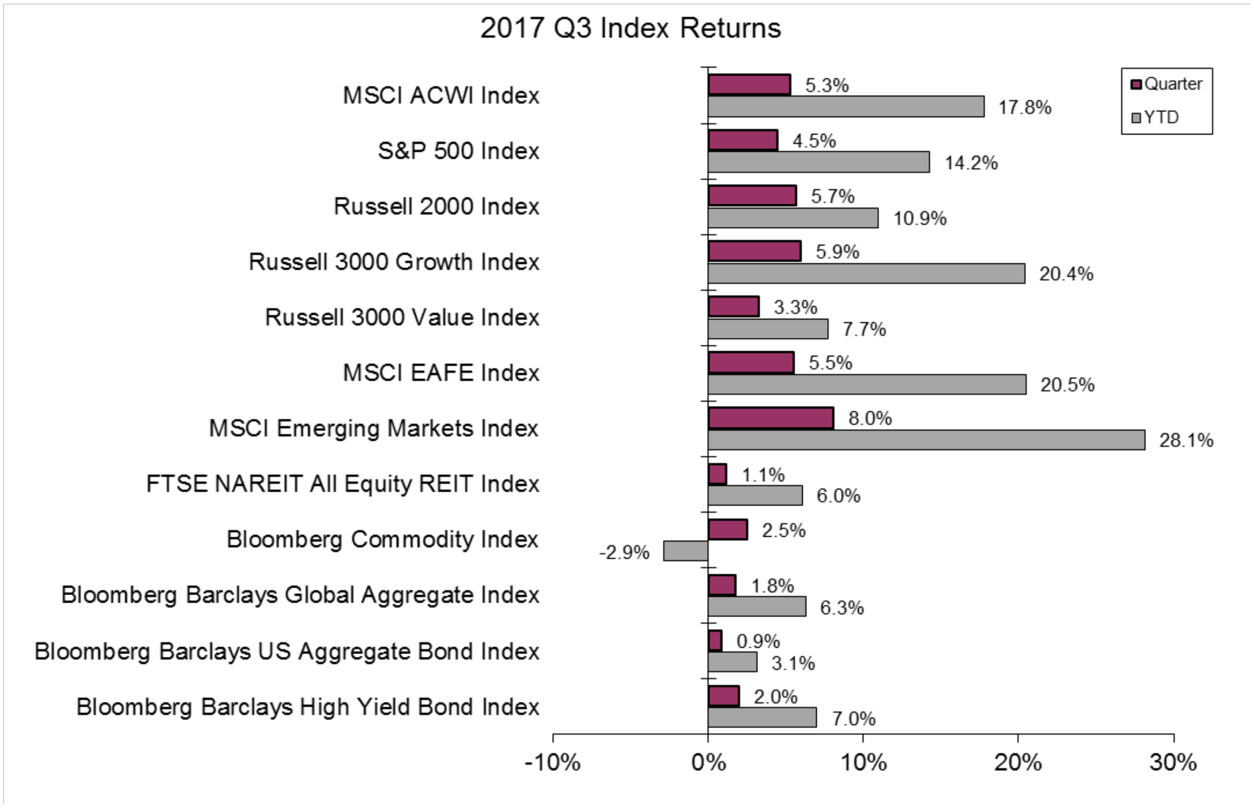
strength in the economy, with modest outperformance from high-yield bonds. Long-term issues outperformed shorter maturities as the yield curve flattened. International bonds were lifted by foreign currency gains versus the US dollar, while emerging market issues benefited from improved global growth prospects.



An index is a portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Indices are unmanaged, with no associated expenses, and investors cannot invest directly in an index. Past performance is no guarantee of future. Index returns from Morningstar Direct.

Economic Highlights

The US economy expanded 3.1% in the second quarter, up from the 1.2% gross domestic product (GDP) reading in the first quarter and the best number since 2015.[3] The Federal Reserve Bank of Atlanta forecast that GDP rose 2.7% in the third quarter, even with headwinds related to the hurricanes in Texas and Florida. Corporate earnings rose 14.0% and 10.3% (year-over-year), respectively, during the first two quarters of 2017, the first consecutive double-digit quarters since 2011. Analysts expect earnings growth to slow to 4.2% in the third quarter, highlighted by a rebound in the energy sector, but anticipate a return to double-digit gains in subsequent quarters.

The Federal Reserve maintained the target rate for federal funds within the 1.00%-1.25% range at the July and September Federal Open Market Committee meetings. The unemployment rate was 4.4% in August, on the lower end of the Fed's longer-term targets, as modest wage gains contributed to subdued inflation readings. The Consumer Price Index (CPI) inflation rate rose 1.9% for the 12-month period through August on higher housing and energy prices. Core inflation (excluding food and energy) increased only 1.7%, while other Fed measures were also below the preferred 2% policy target.[4] Fed Chair Janet Yellen indicated that the low inflation numbers

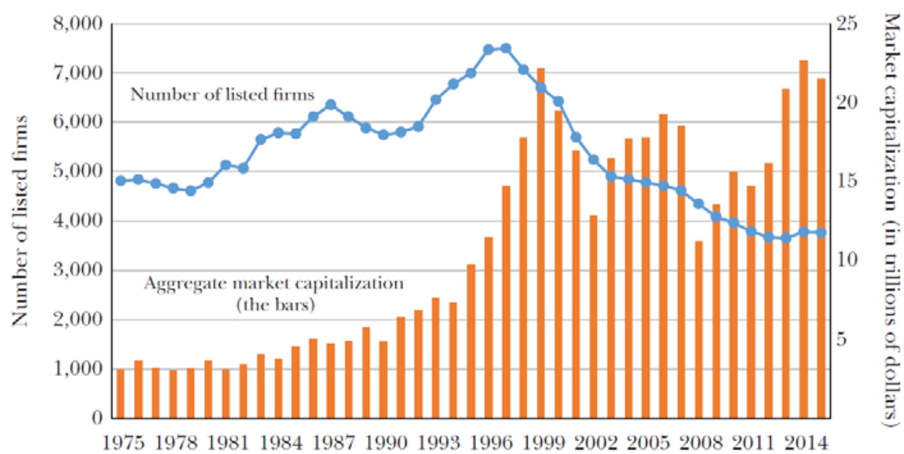
[3] Source: Bureau of Economic Analysis
4 Source: Bureau of Labor Statistics

were likely temporary and that inflation would stabilize to 2% in the next few years.

We continue to see strong economic numbers. American manufacturing expanded at the fastest pace in 13 years with the Institute for Supply Management reporting its September Purchasing Managers index (PMI) increasing to 60.8 from 58.5 in August. The U.S. non-manufacturing PMI rose to 59.8, the highest reading since August 2005. Data in China, Japan, and the Eurozone also showed solid advances.

Shrinking Stock Market

The decline in initial public offerings (IPOs), merger and acquisition activity, bankruptcies, and companies going private has led to a shrinking number of publicly traded companies. The chart below, with data through 2015, shows a 20% decrease since 1975. Low interest rates have given private companies seeking money an alternative to the public markets. As such, the ability to invest in companies like Uber and Airbnb is limited or not possible for many.



Source: The source for number of listings and market capitalization is Center for Research in Security Prices (CRSP) data.
Note: The market capitalization is shown in 2015 dollars.

For investors, the decline means more money seeking fewer stocks, a phenomenon that is considered one of the reasons for recent market gains. With interest rates moving higher, will public markets regain interest?

Outlook

Several developments dominated news headlines during the quarter, which prompted investors to re-evaluate their appetite for risk. The impact of multiple hurricanes, escalating tensions with North Korea, and government policy changes were all on investors' minds. Nonetheless, market volatility remained near historically low levels. Despite a brief spike in volatility on concerns over North Korea, the CBOE Volatility Index (VIX) ended the quarter at 9.51, the lowest monthly close since its 1990 inception. The divergence between headline risk and market moves reinforced the importance of investment discipline and broad-based portfolio diversification. Elevated valuations for US stocks relative to other regions (Price/Earnings ratio of 18.4x forward earnings in the U.S. vs 15.1x and 12.8x in international developed and emerging markets, respectively)[5] are among the reasons

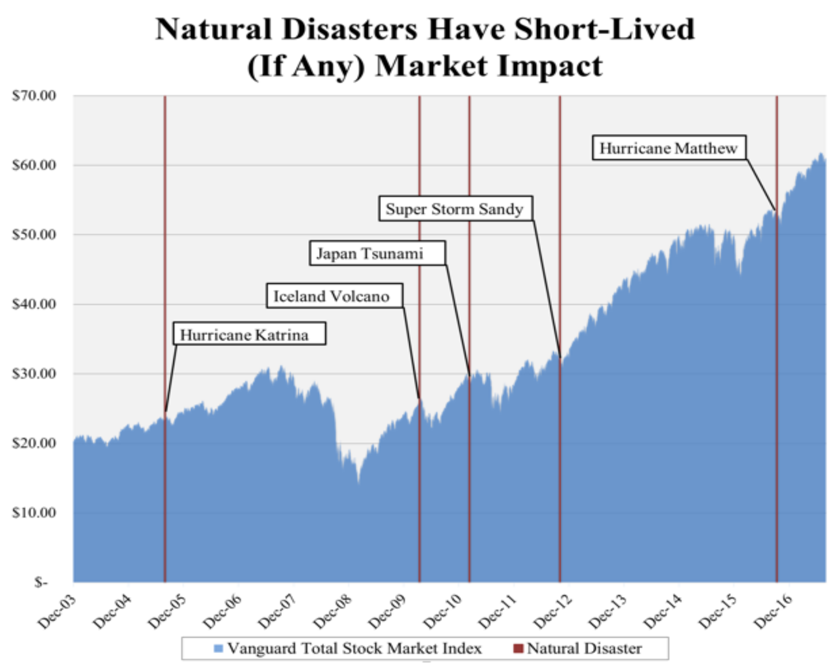
5 Source: BNY Mellon
6 Source: Bureau of Economic Analysis

for our decision to increase international and emerging markets exposure earlier this year. So far, this decision has been very rewarding and reinforces the potential long-term benefits for broad-based core market strategies that include international allocations.

We intend to maintain our additions overseas as the Bank of Japan and the ECB remain relatively accommodative (although this is changing) during a time where the Federal Reserve is raising rates. We are mindful of the currency impact brought about with these competing stances and that gains to US investors may be more muted if the US dollar strengthens more from here. Central bank policy will be a key factor to watch in the coming months as the Fed is expected to raise rates at its December meeting. The US dollar rose in September with tax reforms expected to stimulate growth, but was still down 8.5% year-to-date.[6]

Earnings growth has been an important catalyst for the stock market. On October 6th, FactSet estimated the earnings growth rate for the S&P500 to be 2.8%, down from their estimate of 5% a month earlier. Insurance company earnings declines related to the hurricanes accounts for most of this decline. We expect earnings season to quickly become the major market driver near-term.

From a market perspective, natural disasters have historically had a limited impact as shown below. Our local communities and national economy, like our markets, have proven to be resilient in the face of difficulty.



The markets have faced down numerous calls for a "top" this year. At some point, we expect a deeper decline more in line with those witnessed historically. So far, 2017 has been a bit of an anomaly. For the remainder of the year, we anticipate flows into the market by cash heavy investors fearing they are missing out, hedge fund managers who may have missed out, and pension plan contributions (early October) could provide a tailwind. If earnings deliver and legislation gets passed, these two would also be potentially additive to market gains.

On the flip side, geopolitical events could become disruptive despite the market's current decision to ignore them. We are also beginning to see signs of overconfidence, a contrarian indicator that has often preceded a reversal in the markets. The S&P 500/VIX Ratio is now at a point reminiscent of prior market tops. The IMF recently upped its global outlook but noted that "the global recovery may not be sustainable" and neither policy makers nor markets should be "lulled into complacency", warned Maurice Obstfeld, the IMF's chief economist, in a note accompanying the forecast. We concur.

PRW Wealth Management News

One of the benefits of our transition to Charles Schwab was our ability to reduce fees. We have always sought to use institutional share classes of mutual funds that have high investor minimums (often $1M or more) and consequently lower fees than retail investors can access (if access is even an option - in many situations, we can invest in closed funds if we have current ownership for clients). Over the course of the year, you may have noticed purchases and sales of a fund that you owned with no obvious name change. In fact, we were taking advantage of an industry practice that allows us to purchase a lower priced share class of a fund without creating an adverse tax consequence. The savings in some cases have been dramatic as new share classes just instituted this year allow us to take advantage of 30% plus expense reductions. We continue to seek out these opportunities as they present themselves.

During the quarter, Elliot was interviewed by the National Financial Planning Association for a piece on diversification in a time of high correlation and increasing rates. The piece will be published this quarter. He also discussed the differences in fixed income options in today's world with writers at CNBC digital.

We are also pleased to announce the promotion of Christian Stone to Senior Wealth Advisor. Chris has been a terrific addition to our team since joining PRW over three years ago.

As always, please contact us if there have been any changes to your financial situation, your investment objectives, or your instructions concerning your account.

We look forward to seeing and working with you in the months ahead. Thank you.

Sincerely,

Bill — Rich

William A. Payne | Richard A. Renwick | Elliot B. Herman

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Benchmark Definitions

Bloomberg Barclays Capital US Aggregate Bond Index: broad-based index measuring investment grade, US dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related & corporate securities, MBS (agency fixed-rate & hybrid ARM pass-through), ABSs & CMBs.
Bloomberg Barclays Global Aggregate Index: Covers the most liquid portion of the global investment grade fixed-rate bond market, including government, credit and collateralized securities.
Bloomberg Barclays Capital High Yield Bond Index: measures market of US $-denominated, non-investment grade, fixed-rate, taxable corporate bonds.
Bloomberg Commodity Index: The Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Indexes.
CBOE Volatility Index (VIX): The CBOE's Volatility Index, known by its ticker symbol VIX, is a popular measure of the implied volatility of S&P 500 index options, calculated and published by the Chicago Board Options Exchange.
Dow Jones Industrial Average: 30 stock index of large, well-known US companies covering all industries except Transportation & Utilities.
FTSE NAREIT US Equity REIT Index: US publicly-traded REITs. Equity REITs include firms that own, manage and lease investment-grade commercial RE. A company is classified as an equity REIT if 75% or more of its gross invested book assets are invested in real property.
MSCI ACWI Index: A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International, and is comprised of stocks from both developed and emerging markets.
MSCI ACWI ex-US Index: The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries*. With 1,859 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.
MSCI EAFE Index (Europe, Australasia, and Far East): a free-float-adjusted, market-capitalization-weighted index designed to measure the equity market performance of developed markets, excluding US & Canada.
MSCI Emerging Markets Index: free-float-adjusted, market-capitalization-weighted index designed to measure equity performance of emerging markets.
NASDAQ Composite Index: broad-based index measuring all NASDAQ domestic & international com. stocks on NASDAQ stock Market.
Russell 1000 Growth Index: an index that measures the performance of the large cap growth segment of the US equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates.
Russell 1000 Value Index: an index that measures the performance of the large cap value segment of the US equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth rates.
Russell 2000: The Russell 2000 Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index.
Russell 2500 Growth Index: an index that measures the performance of the small to mid-cap growth segment of the US equity universe. It includes those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.
Russell 2500 Value Index: an index that measures the performance of the small to mid-cap value segment of the US equity universe. It includes those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.
Russell 3000 Growth: A market capitalization weighted index based on the Russell 3000 index. The Russell 3000 Growth Index includes companies that display signs of above average growth. The index is used to provide a gauge of the performance of growth stocks in the U.S.
Russell 3000 Value: A market-capitalization weighted equity index maintained by the Russell Investment Group and based on the Russell 3000 Index, which measures how U.S. stocks in the equity value segment perform. Included in the Russell 3000 Value Index are stocks from the Russell 3000 Index with lower price-to-book ratios and lower expected growth rates.
S&P 500® Index: an index of 500 leading companies in leading industries of the US economy, capturing 75% coverage of US equities.