FIDUCIARY PERSPECTIVE

INSIGHTS ON PRIVATE WEALTH MANAGEMENT

FIRST QUARTER 2017

2017 ECONOMIC AND MARKET OUTLOOK

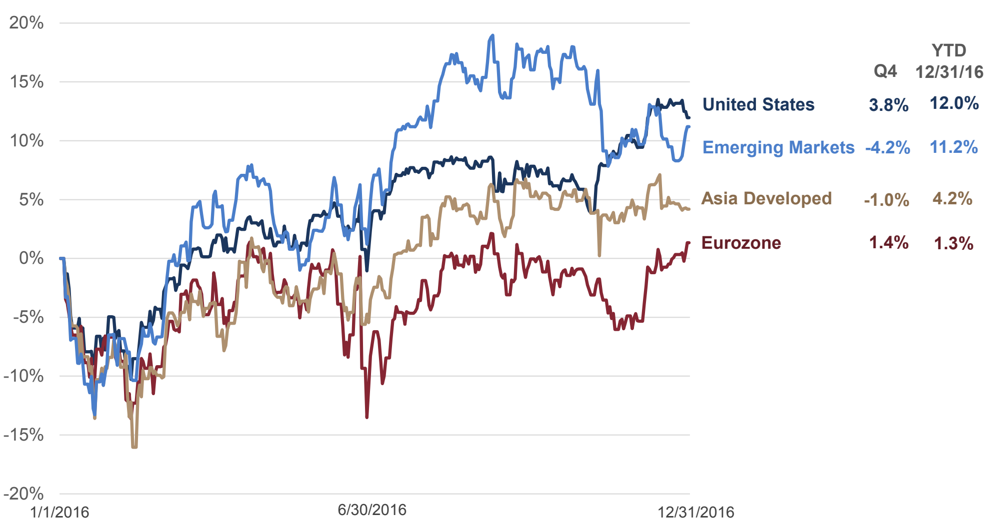
January 3, 2017

2016 RECAP: MARKET SURVIVED MANY SURPRISES, BUT POLLSTERS DIDN'T

"How strange to be surprised at anything which happens in life"
- Roman Emperor, Marcus Aurelius

If there was a dominant theme that characterized the investment landscape in 2016 it was the resiliency of the markets to multiple surprises. In January, China's decision to let the yuan slide roiled global equities and gave investors the false impression that they might be in for a long year. The continued slide of oil prices that month didn't help either. The equity markets, however, soon recovered their losses and reassumed a growth trajectory. In late June, it was the U.K.'s unexpected "Brexit" referendum vote that caught the markets by surprise. Global equities fell initially, but soon after, resumed their higher climb. And in November, the polls again faltered as Donald Trump's unexpected win in the presidential election threatened to stifle the market's momentum heading into year end. Analysts had predicted a sharp selloff in domestic equities in the event of a Trump win, yet stocks moved higher after the election.

Exhibit A: Equity Market Total Returns



Note: Returns based on the following indices: MSCI Emerging Markets Index USD, S&P 500 Index (U.S.), MSCI Pacific Index USD, MSCI EMU Index USD (Eurozone); Ending date of December 31, 2016

Source: Morningstar, Fiduciary Trust

By Peter C. Andersen
Chief Investment Officer

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The domestic and global gains and losses this year were somewhat remarkable. The S&P 500, after some fits and starts during the first two months of the year, finished 2016 up 12.0%, tacking on a 3.8% gain in the fourth quarter. Global equities, as reflected by the MSCI All Country World Index, also advanced. The index logged a 7.9% gain for the year, adding 1.2% in the fourth quarter. Emerging market stocks reversed their poor performance in 2015. The MSCI Emerging Markets Index was up 11.2% last year, although absorbed a -4.2% hit in the fourth quarter as the U.S. dollar gained strength. Eurozone stocks were able to recover much of their losses following the Brexit vote, as political uncertainty across the region weighed on the broader market. The MSCI European Monetary Index finished 2016 with a slight gain of 1.3%, posting a fourth-quarter gain of 1.4% (Exhibit A).

"Positive economic data provided oxygen to December's rally"

Many commentators wanted to attribute the year's strong finish to the anticipated policy positions of the incoming Trump administration. While they certainly played a role, the most important factor was likely the positive economic data that provided the oxygen to December's rally. Moreover, as we pointed out in our 2016 Q1 Outlook, the S&P 500 has now advanced in 15 out of the past 19 election years – going back to 1944.

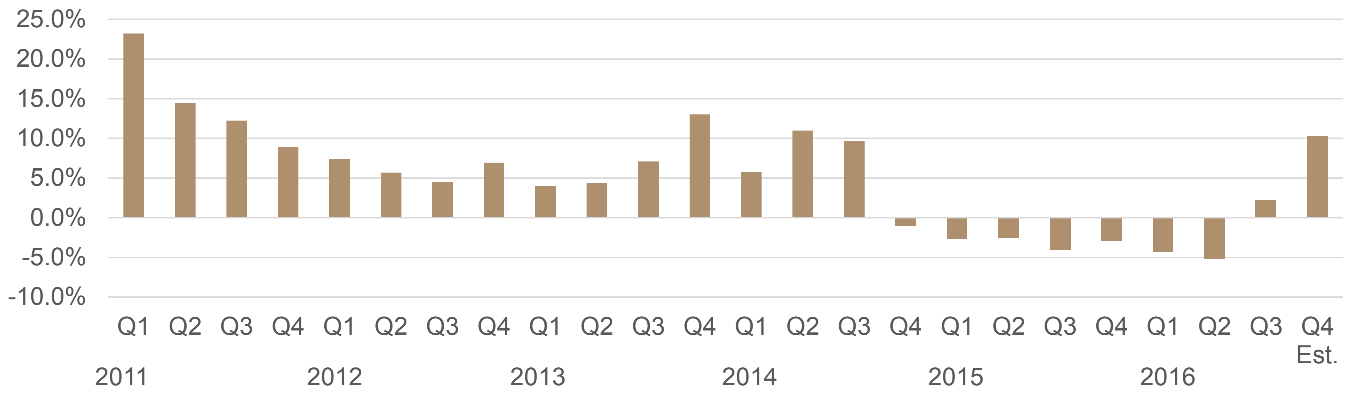
Among the economic drivers supporting the U.S. markets, the news was largely positive in the fourth quarter. The November jobs report showed little in the way of wage gains, but the low 4.6% unemployment rate brightened the picture. The manufacturing sector accelerated, as strong growth in new orders and production bolstered the November Purchasing Managers' Index (PMI) for Manufacturing, whose 54.1 reading came in above the consensus range. The U.S. Services PMI was equally strong, as new orders in November posted their highest rate so far in 2016, while the Non-Manufacturing Index easily beat expectations with a 57.2 reading. Consumer spending helped fuel an upward adjustment to GDP, reflecting 3.5% growth in Q3. The latest GDP data also showed that inventories narrowed, which only added to the confidence for the fourth quarter.

This positive sentiment translated into long-awaited earnings growth. After two quarters of negative earnings per share growth among S&P 500 companies, corporate profit growth was positive in the third quarter, and Q4 earnings are projected to be up as well (Exhibit B). As of December 31, 2016, equity valuations reached a 16.8 forward price-to-earnings ratio for the S&P 500, which is somewhat higher than the historical average of 14.8 since 2002.

Given the strong economic performance, the Federal Reserve had little choice but to raise interest rates in December, a move that Fed Chair, Janet Yellen, had been telegraphing for some time. During the first three quarters of the year, the 10-year Treasury yield reached all-time lows, and ended Q3 at 1.60%. However, by the end of the year the 10-year Treasury yield rose to 2.45%, increasing 85 basis points in the quarter, most of which occurred post-elections. A remarkably fast upward shift of the entire yield curve followed, in sharp contrast to pre-election expectations (Exhibit C).

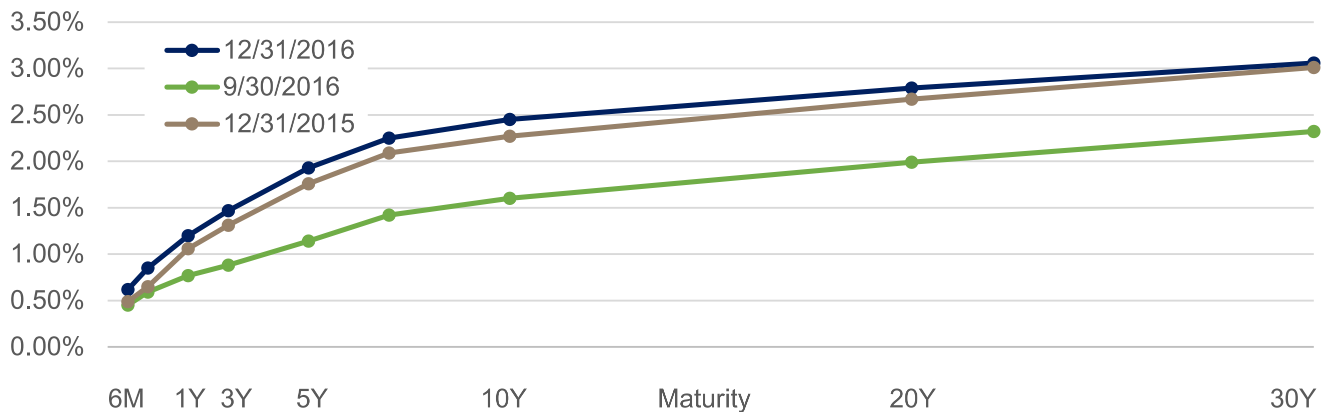
Overall, it was a solid to strong year in most asset classes, with the notable exceptions being Managed Futures as well as Global Bonds which gave up nearly all of their gains in the fourth quarter (Exhibit D).

Exhibit B: S&P 500 Historical & Forecast Earnings per Share Growth (YOY)



Source: Bloomberg, Fiduciary Trust

Exhibit C: U.S. Treasuries Yield Curves



Source: Bloomberg, Fiduciary Trust

Exhibit D: Total Returns by Asset Class

	Asset Class	2016 Q4	2016 Year
Equities	**U.S. Large Cap** *S&P 500 Index*	3.8%	12.0%
Equities	**U.S. Small Cap** *Russell 2000 Index*	8.8%	21.3%
Equities	**International Developed Markets** *MSCI EAFE Index*	-0.7%	1.0%
Equities	**Emerging Markets** *MSCI Emerging Markets Index*	-4.2%	11.2%
Equities	**Global REITs (ex-U.S.)** *DJ Global REIT ex-US Index*	-6.9%	1.4%
Alternatives	**Gold**	-12.4%	8.7%
Alternatives	**Managed Futures** *U.S. OE Managed Futures Index*	-3.3%	-2.7%
Alternatives	**Hedge Funds** *HFRX Global Hedge Fund Index*	1.2%	2.5%
Alternatives	**Master Limited Partnerships** *Alerian MLP Index*	2.0%	18.3%

	Asset Class	2016 Q4	2016 Year
Fixed Income	**U.S. Investment Grade** *Barclays Intermediate Gov't / Credit Index*	-2.1%	2.1%
Fixed Income	**Inflation-Protected** *BofAML US Treasury Inflation-Linked Index*	-2.6%	4.9%
Fixed Income	**Global High-yield** *Bloomberg Barclays Global HY Index*	-0.2%	14.3%
Fixed Income	**International** *Citi World Global Bond Index ex-U.S.*	-10.8%	1.8%
Cash	**Cash** *BofAML 3M US Treasury Note Index*	0.1%	0.3%

Source: Bloomberg, Morningstar Direct, Fiduciary Trust

2017 OUTLOOK: PLAN FOR THE UNEXPECTED

"In preparing for battle, I've always found that plans are useless, but planning is indispensable." - Dwight D. Eisenhower

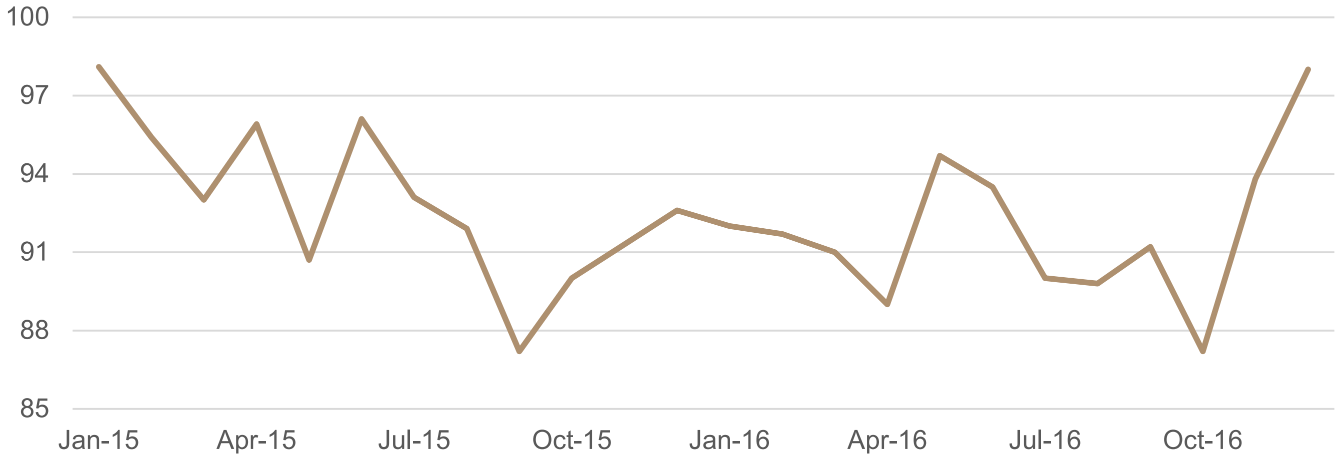
Looking ahead for this year, positioning portfolios for 2017 requires more adaptive planning than usual. Planning amid the constant uncertainties of world economics, asset valuations, and other usual investment matters is a familiar challenge. Factoring in the additional uncertainties of the president-elect's policies presents a more complicated picture, however. Our strategy is to construct portfolios to prevail in the face of this above-average uncertainty. As Eisenhower noted, planning is absolutely necessary, assuming that new information will make it necessary to be adaptive and to modify as needed.

"Consumer confidence has shown strong positive trends"

We typically employ a data-heavy, fundamental approach to formulating our market outlook. In more tempered markets, this makes sense. But given the less familiar style of President-elect Trump, we must also consider a range of subjective scenarios. As the presidency develops and becomes more established, we will incorporate unfolding information into our market guidance (see our article, "The Evolution of Trump's Transition," for additional detail). It is important to realize that prior to the election, the U.S. economy had been improving, with companies reporting strong operating results, the labor picture brightening, and overall growth increasing at a reasonable rate. For example, consumer confidence has shown strong positive trends with December's reading being the highest since January '15. Even before the election results, the consumer was expressing a growing optimism (Exhibit E). Using this generally improving foundation as our baseline, we make the following observations on interest rates, markets, and portfolio positioning:

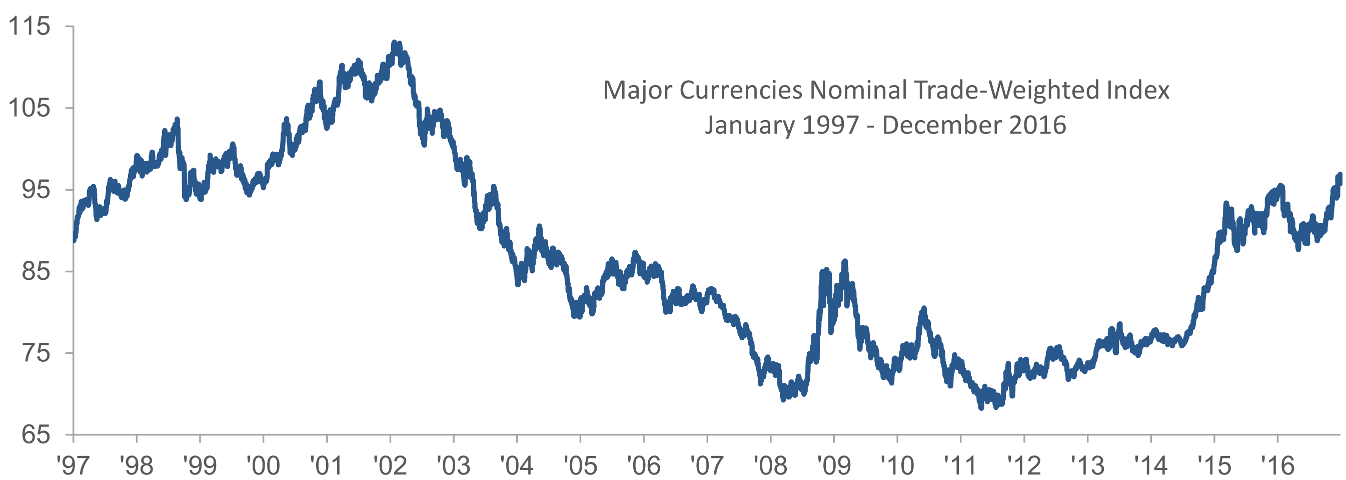
Interest Rates: The U.S. economy's improving condition is now quite evident, yet short-term interest rates remain exceptionally low. The Fed's rate increase in December 2016 implies the Fed believes that growth is on a steady track. Given our baseline and the Fed's latest action, we expect the economy will continue growing at a modest, but steadily improving pace — even without factoring in the potential of several Trump policies to boost economic growth. This will result in possibly several measured rate hikes by the Fed in 2017. As the year progresses, and if the new administration rolls out pro-growth policies, inflation could increase beyond our expectations and drive the Fed to raise rates faster than our baseline scenario. However, the opposite could occur, where the new administration is hampered by a gridlocked Congress, and anticipated growth is less than our baseline scenario. Currently, it is impossible to assess accurately either likelihood. Thus, it is important to maintain exposure to investment grade fixed income which should act as ballast against uncertainty and the return of risk aversion. On the other hand, if the pace of growth increases, interest rates will most likely rise, but should reach a ceiling as demand for higher yields limits the rate rise at some point. In addition, such excessive demand could bolster the dollar further, possibly causing international market turmoil (Exhibit F). We have already seen how countries such as China have been selling treasuries to support their own currency levels. So far, these actions have had marginal effect, but could escalate if rates were to continue upward. The general desire to avoid this global involvement could also act as a possible governor for higher rates. Higher rates could impact U.S. companies with international divisions, since the resulting stronger dollar would weaken earnings contributions from overseas operations.

Exhibit E: U.S. Consumer Sentiment Index



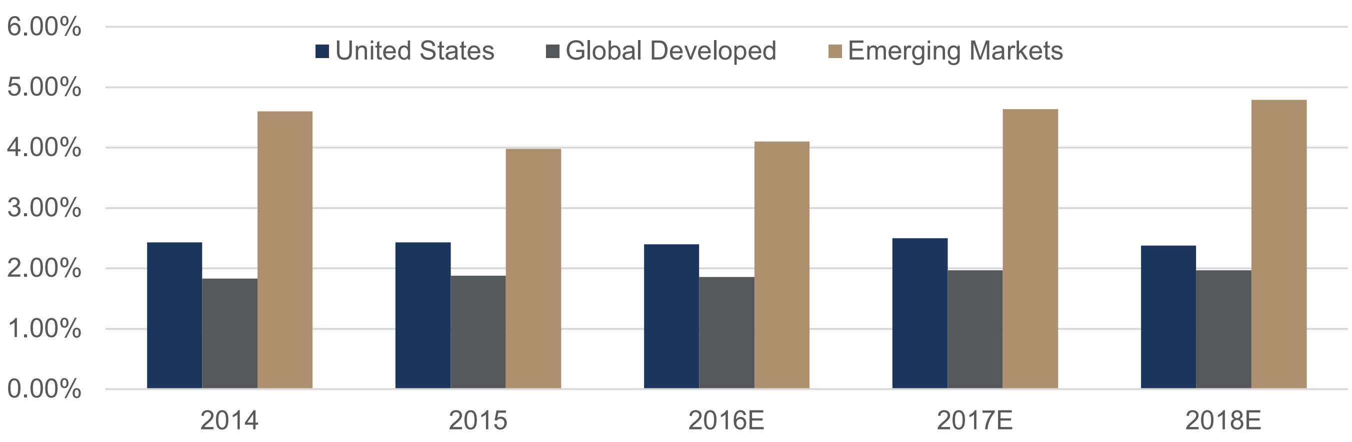
Source: University of Michigan, Fiduciary Trust

Exhibit F: U.S. Dollar Index



Note: Currencies in the Trade Weighted U.S. Dollar Major Currencies Index are: British pound, euro, Swedish kroner, Australian dollar, Canadian dollar, Japanese yen and Swiss franc.
Source: Morningstar

Exhibit G: Gross Domestic Product Growth



Note: Global Developed includes the United States; figures for 2016 - 18 are forecasts
Source: International Monetary Fund World Economic Outlook, October 2016, Fiduciary Trust

“Several industries are increasingly attractive within the improving economic backdrop”

U.S. Markets: The stronger earnings and GDP results have boosted optimism for U.S. stocks in the year ahead. Several industries are increasingly attractive within the improving economic backdrop. For example, many banks have begun to recover from a long period of regulatory fines and lawsuits related to the 2008 credit disasters. In addition, banks have returned to making their profits from traditional lines of lending, not through derivatives and other channels that fueled the financial crisis. Consumer discretionary stocks should perform well too, as the consumer recovery continues. Because they have adjusted their operations to accommodate lower oil prices, select energy companies should also perform better and be profitable in 2017.

The general outlook for U.S. securities is complicated by the possibilities that the new administration will enact policies that could be favorable to equities. If that occurs, we will adjust our forward-looking expectations for the impacted asset classes, which will certainly include U.S. stocks. We have already seen how sensitive the U.S. markets are to the possibilities: In November, the anticipation alone regarding the impact of Trump’s potential policies on markets drove the 10-year U.S. Treasury well above 2%, while four major equity indices reached record levels. While part of these results were certainly attributable to fundamental improvements, it is likely that speculation also contributed to the impressive rally in equities and the associated back-up in interest rates.

International Developed Markets: We are expecting only moderate potential for increased earnings post-Brexit. Looking at GDP growth by region, the developed markets are expected to post the now familiar lackluster growth in GDP (Exhibit G). The European Central Bank may continue to be supportive, but strong headwinds will persist. Although quantitative easing will continue through the end of 2017 and support the fledging signs of economic recovery, our view remains that the process of executing the Brexit presents far too many unanswered questions at this point. Additionally, analysts will be closely watching the elections in France and Germany. These elections have the possibility of challenging the rationale for a European Union by this time next year. It is possible that such uncertainties will impact consumer confidence and general businesses. This, in turn, would drive only modest earnings growth for international developed market asset classes, especially if there are better, less-complicated opportunities elsewhere in the world. Additionally, parts of Europe are seeing somewhat slow growth, and Japan appears, for now, to be stabilized. Japan’s continued weak economy may be helped by the Bank of Japan’s extremely accommodating monetary policy, but serious questions remain.

Emerging Markets: We are more optimistic on this area of the world. There are improving company fundamentals as well as fair stock valuations at this point. Also, GDP consensus growth for the member countries appears bright. The asset class appears less impeded by Brexit concerns, but may be impacted by U.S. trade policy changes. Our 2017 baseline scenario for China is stable economic growth as the government will go to greater lengths to encourage a calm environment as a backdrop to the Party Congress meeting in December 2017. This baseline assumption is complicated by recent comments from president-elect Trump. Public comments suggesting a review of current trade relations may introduce uncertainty and add volatility to our base assumptions. Elsewhere, we see signs of structural changes, such as India’s elimination of its higher denominated bank notes, intending to cast sunlight on an underground community. In other emerging market countries, the likely turning of the commodities cycle may provide some economic relief to countries such as Russia and Brazil. These specific details would support the general theme of a collectively improving asset class.

Exhibit H: Fiduciary Trust Asset Class Perspectives

	Asset Class	Attractiveness			Key Thoughts
		Less	Neutral	More	
Equities	U.S. Large Cap		●		Valuations are consistent with long-term averages, yet low inflation and interest-rate levels suggest potential upside. As economy strengthens, increasingly attractive.
Equities	U.S. Small Cap			●	U.S. centric nature of most company business models is appealing.
Equities	Developed Market	●			Despite Asia's stability, expect continued economic and political uncertainty in the Eurozone due to "Brexit." EU issues again in focus – Italy.
Equities	Emerging Market		●		Uncertainties remain elevated, though valuation reflects that. Higher potential reward, accompanied with higher risk.
Equities	Global REITs (ex-U.S.)		●		Outperformance has led to rich valuations. Fundamentals solid. Brexit uncertainties present a challenge.
Fixed Income	U.S. Investment Grade		●		Fed increasingly sensitive to market (over)reaction to hikes and likely to move slowly; election causing surprise parallel shift up. Given global uncertainty, "ballast" nature of asset class remains appealing.
Fixed Income	Inflation-Protected	●			Inexpensive breakeven inflation rates. Upward inflation pressure likely to remain uncertain.
Fixed Income	Global High-yield			●	Negative sentiment overdone due to higher energy defaults. Overall asset class is stable and still attractive in a rising rate environment.
Fixed Income	International		●		Relative to U.S. fixed income, global bonds offer less compelling risk/reward.
Alternatives	Gold		●		Strengthening dollar remains a hindrance on performance, though the safe haven bid remains strong.
Alternatives	Managed Futures	●			Current environment poses challenges for trend-following strategies.
Alternatives	Hedge Funds	●			Overall asset class has disappointed in recent years. Correlations to equities higher than forecasted.
Alternatives	Master Limited Partnerships	●			Despite attractive yields, sensitivity to volatile energy prices is challenging.
Cash	Cash		●		Uncorrelated asset with almost no volatility.

Exhibit H summarizes our views on these asset classes, as well as provides our perspective on a variety of other assets.

These basic outlooks on various asset classes will no doubt be adjusted as greater clarity emerges on the direction of taxes, financial services and energy regulation, infrastructure investment, health care, and trade policy. It will likely take some time for nominated cabinet members to be confirmed by Congress, and then additional weeks and months before a number of the new policies are approved. Hence, it is early to incorporate this speculative data into our outlook, but our forward-looking expectations are adaptable to the likely rolling disclosure format. We will plan accordingly because planning is indispensable and an important component of Fiduciary's investment approach. ❑

Our outlook on asset classes will be adjusted based on greater U.S. policy clarity and other factors

THE EVOLUTION OF TRUMP'S TRANSITION

By Peter C. Andersen, Chief Investment Officer

January 3, 2017

So far, the market response to the Trump victory has been quite bullish. In 2017, three key questions regarding Trump's proposals face investors: 1) How will they be translated for legislative approval? 2) How quickly will they be implemented? and 3) What types of businesses are likely to benefit from their enactment?

THE THREE PHASES OF UNEXPECTED CHANGE

Often, when major unexpected economic, political or other events emerge, the market impact occurs in three phases: Initial Reaction, Speculation and Emerging Reality (Exhibit A). We've had two major unexpected events this year with the Brexit vote in June and Trump's win in November. In light of the unprecedented nature of this past election cycle, these three phases may be even more pronounced as investors digest what a Donald Trump White House will mean for their portfolios over the short- and long-term time horizons.

PHASE ONE: TRUMP'S UNEXPECTED WIN

In the first phase, which typically marks the first few trading sessions following an unexpected event, the markets essentially provide what amounts to a "hot take" on what the change will mean for the broader economy and business growth. It is common for markets to oscillate considerably over a short time frame. In the case of Trump's unexpected win, the Dow initially reacted negatively to the increased uncertainty, dropping 800 points in election night futures trading. However, the day after the election, the Dow closed up 257 points. Trump's pro-business agenda advocated on the campaign trail combined with Republican control of the Senate and House propelled domestic equities higher absent any new facts—other than selection of one of the two presidential candidates known to everyone the day before. Expectations for a stronger dollar, meanwhile, served to steepen the yield curve initially.

Exhibit A: Phases of Unexpected Change

Phases	Typical Characteristics
PHASE ONE: Initial Reaction	• Markets trade largely on sentiment, absent clear facts
PHASE TWO: Speculation	• Actual "data points," policies, and facts emerge—however, these are largely insufficient to fully define a course, the magnitude and timing of change • Investors begin to project impacts to economies, sectors, and individual companies • Markets begin to stabilize (at higher or lower levels), with revised expectations priced in
PHASE THREE: Emerging Reality	• Investor expectations are revised based on the new reality, in terms of policies, economic growth, earnings, and other factors • These revised expectations can lead to another market adjustment (up or down), depending upon whether the emerging reality is more or less in line with the initial set of "data points" interpreted during Phase Two.

PHASE TWO: TWO MONTHS PRIOR TO INAUGURATION

The market's rapid response of apparent stability in Phase One helped set the backdrop for the second phase. This second phase has been marked by the early actions of the President-Elect and initial reactions to his cabinet nominees and other material facts (e.g., November's *New York Times* interview, etc.). In the month that followed the election, for instance, Trump's selections for key posts served to inform market participants of a more pragmatic, "pro-business" policy approach than anticipated (although there has certainly been some broader controversy surrounding some of the cabinet nominees). As the markets transitioned from the first to the second phase, the focus of most investors—independent of social, environmental and international issues—has been on six key areas: taxes, banking, energy, healthcare, infrastructure, and trade. At this early stage, the markets have interpreted (rightly or wrongly) President Trump to be more tempered than Candidate Trump, at least as it relates to these key policy positions.

"The markets have interpreted President Trump to be more tempered than Candidate Trump"

KEY POLICY POSITIONS AND PROPOSED CABINET MEMBERS

Taxes and Bank Regulation: Steve Mnuchin, Treasury Secretary nominee, has stressed that lowering taxes and easing the regulatory burdens on banks are two of his biggest priorities. However, he is not necessarily calling for the outright repeal of Dodd-Frank, but rather wants to eliminate the complexity that serves to impede small business loans. Regarding corporate taxes, he's advocated for the repatriation tax plan advocated by Trump and has also articulated lowering the top business tax rate from 35% to 15 percent. Tax reform is central to Mnuchin's mandate to stimulate growth and get the GDP to a sustained 3% to 4% range.

Energy and the Environment: Other policy initiatives may have a more direct impact on specific sectors. Within energy, for instance, Trump's selection of Ryan Zinke for Interior Secretary fulfills a Trump campaign pledge to increase U.S.' energy independence and may be favorable for the coal industry (Zinke has supported coal development on Federal lands). Scott Pruitt, nominated for EPA Administrator, is considered to be a climate change skeptic and has been a vocal proponent of fracking. Rex Tillerson, Trump's nominee for Secretary of State, also brings energy sector expertise as the former CEO of ExxonMobil. Independent of long-term environmental issues, these selections directionally indicate a favorable short-term pro-energy position which the market has imbedded in stock valuations.

Healthcare: This is another complex area that has been in the spotlight. President-elect Trump's nomination of Tom Price as the Health and Human Services Secretary would seem to confirm that the new administration intends to see through its campaign promises to roll back the Affordable Care Act. As a Congressman, Price introduced legislation aimed at replacing Obamacare, a proposal that sought to stall Medicaid expansion and eliminate the individual mandate (In fact, fully repealing the Act will be virtually impossible under a probable Senate filibuster and Republicans can't agree on how to replace it).

Infrastructure: One of the biggest uncertainties that has dominated the second phase of the post-election market cycle relates to Trump's promise of $1 trillion in infrastructure spending. This would provide a tailwind to the construction, manufacturing, and materials sectors, and naturally buttress employment. Approval may be complicated, though. The new administration has selected a number of deficit hawks for key roles who might challenge a proposal. For instance, Mick Mulvaney, nominated for the Office of Management and Budget Director, voted against raising the debt ceiling back in 2011.

Trade: With the proposed appointment of Wilbur Ross as Commerce Secretary, Trump is selecting an experienced investor and executive who is quite knowledgeable about international trade. However, considering that most of Mr. Ross' business ventures have relied upon financial engineering, significant headcount reductions, and offshoring, it will be interesting to see how his approach fits with President-elect Trump's campaign rhetoric. Since being nominated, Ross has stressed that tariffs are merely part of trade negotiations with other countries, and typically the "last" line of defense against cheating or efforts to game the market. Given this uncertainty, many global conglomerates are waiting to gain more insights into the Trump administration's approach to both trade and taxes.

"Most of the directional Phase II actions will take some time"

How will all of these policy areas impact investment markets in 2017 and beyond? Answering that question during Phase Two requires a skillful blending of the current facts and some thoughtful projections. As we go to print, there are many evolving factors that challenge our formulating forward-looking expectations. Acknowledging that background, we have established a template (See Exhibit B) to outline our current opinions on how various industries may be impacted.

PHASE THREE: 2017 POST-INAUGURATION

After January 20th, the policy discussions will be translated into reality, reshaped, or, in some cases, abandoned. However, we expect that most of the directional Phase II actions will take some time. There will also be other questions that stem from the potential corollaries to the proposed agenda: Will the stimulus from "Trumponomics" translate into a strong dollar that inhibits economic growth? Will company funds that are repatriated back to the U.S. be deployed toward growth initiatives or merely channeled toward buybacks and dividends to support stock prices? How will these policies affect emerging market economies? And, to what extent are best-case scenarios being priced into the market, and what will be the reactions to policy disappointment or delay?

While there is significant talk from the incoming Trump administration claiming that widespread implementation changes will occur in the first 100 days of the presidency, a number of realities exist that will likely affect that perception. First, while Trump can make some changes without Congressional approval – such as those related to trade, the environment, and other regulations — he will need Senate approval for his Cabinet choices. In addition, he will need the entire Congress' support for policy changes in healthcare, taxes, infrastructure, and other areas. In addition, depending upon when President Trump wants to address it, there will likely be significant Congressional debate over his nominee to the currently vacant seat on the Supreme Court. Further, although the Republicans have majorities in both houses of Congress, it is unknown how united they will be in proposing and passing legislation. Once legislation is approved, it will then take time for implementation to occur. We expect that it may take anywhere from six months to two years for some policies to produce the full impact of their intentions.

Our core investment beliefs around asset allocation, diversification, and a long-term perspective have guided Fiduciary Trust through all types of economic environments. While the next four years may be challenging, we expect this approach to provide the best guidance going forward. Our investment strategy, focused on optimizing risk-return tradeoffs, is designed to protect against the downside risk that often accompanies uncertainty. As we expect many of these questions and themes to play out throughout 2017, we will continue to evaluate the positioning of client portfolios within the context of a stable, long-term approach. ❑

Exhibit B: Our Interpretations of Trump's Proposed Policies

Trump's Policy Area	Market's Current Interpretation	Complicating Factors
Taxes	↑ U.S.-centric businesses, large and small cap stocks	• Short-term benefit likely depending upon implementation • Longer-term, if the U.S. deficit increases, interest rates could rise, stifling growth • Equity valuations already incorporate some of these expectations
Banking	↑ Banks, financial institutions ↑ Small cap stocks	• U.S. bank and small cap valuations have already increased, reducing upside
Energy	↑ Oil, gas and coal producers	• Global excess oil supply • OPEC efforts to reduce supply • Global environmental agreements
Health Care	↓ Heath care providers ? Pharma companies	• Balancing Obamacare reductions with maintaining coverage for Americans—unlikely full elimination • Changing regulations for pharma companies
Infrastructure	↑ Construction firms ↑ Materials providers ↑ Select manufacturers	• General workforce availability • Immigration policies and impact on labor supply • Wage rates and inflation • Resistance to deficit spending
Trade	↑ U.S.-centric businesses ? Global multi-nationals ? International developed markets ? Emerging markets	• Potential reduction in global growth • Possible retaliation from trading partners • Wage rates and inflation • World currency stability issues

↑ = likely positive impact ↓ = likely negative impact ? = uncertain or mixed impact

"Our investment strategy is focused on optimizing risk-return tradeoffs"

NEWS AND NOTES

FTC is honored to be shortlisted as a finalist in five categories for the *Family Wealth Report* Awards

Jody King and Thanda Brassard are being recognized as Five Star Professionals in the February 2017 issue of *Boston Magazine*

Fiduciary Trust of New England was again named a Most Advisor-Friendly Trust Company by *The Trust Advisor*

Chief Investment Officer Peter Andersen published new Forbes articles

In Q4, FTC officers also appeared in *the Wall Street Journal, CNBC, Bloomberg, the Washington Post* and *Barron's*.

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Comments or suggested future topics? Email us at perspective@fiduciary-trust.com

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2016 UPDATE AND 2017 PRIORITIES

By Austin V. Shapard, President & CEO

2016 continued the theme of reinvestment at Fiduciary Trust, which began a little over two years ago when I joined the firm. Amidst an active year of client service, our corporate initiatives focused on investments, client engagement, and broader market visibility.

With the addition of Peter Andersen as our new Chief Investment Officer, we instituted several new actions to refine our investment process. These enhancements reinforced our long-held investment tenets including diversification, tax efficiency, and long time horizons. In addition, we continued to enhance our operations in how we forecast asset class performance and construct client investment portfolios and are seeing the early benefits of these efforts.

Throughout the year, we engaged with clients in new and innovative ways, including broadcasting our first webcast, emailing versions of our Insights articles, and launching a new, enhanced website. We published a number of essays on topics ranging from families dealing with Alzheimer's to the impact of Trump's election on the markets. In addition, we hosted several investment, financial planning and cultural events for our clients and professional colleagues, providing open opportunities for discussion and engagement in different settings.

We also began to thoughtfully raise our profile in the market. To better represent our forward-looking perspective, we developed a new logo and visual identity, and enhanced our marketing communications. We also expanded our coverage in the media, as well as our social media and advertising activities. In addition, the firm and our officers received a number of awards related to our work for clients and the community.

While we undertook several key corporate initiatives this year, our most important accomplishments continue to be the interactions and impact we have had upon our clients. We have helped young families organize their finances for new children. We have facilitated options for couples planning for well-deserved retirements. We have assisted charities in funding programs that make our communities better. We have been steady counselors to clients who recently lost their partners and who are navigating new territories as single spouses.

These are the types of accomplishments of which we are proudest because they reflect our principal professional goal: to help our clients live the lives they desire. Because of our belief that clients' accomplishments are the ultimate corporate objective, Fiduciary has continued to distinguish itself throughout the years. 2016 was no different and this focus manifested itself in our continued 98% annual client retention rate and a significant number of new families choosing to work with us—the most ever in one year.

As 2017 unfolds, we will remain committed to the success of our clients. Areas of continued internal focus include our investment process, the way we communicate and engage with clients, technology, and ensuring that we field a team of high-quality professionals defined by integrity, common sense, and empathy.

I believe I speak for all my colleagues when I say that every day we feel lucky to be associated with this special institution, its proud history of client service, and its bright future.

Austin V. Shapard