Central Trust Company

THE CENTRAL VIEW

CENTRAL TRUST COMPANY IS PROUD TO PROVIDE YOU THE FOLLOWING MARKET COMMENTARY.

Third Quarter 2017

MIDYEAR UPDATE

Global equity and credit markets had strong performances in the first half of 2017. Global stock markets reached record highs in July. Economic growth has broadened, earnings reaccelerated, political uncertainty subsided in Europe (French election), and investors anticipated future fiscal reform.

The combination of moderate global growth, low inflation and low interest rates is a positive backdrop for risk assets. Highlights include the following:

Growth: Synchronized Global Growth Expands

One of our key themes for 2017 is that growth would continue at a moderate rate and expand globally. This is the first time, in five years, we have an upswing in synchronized global growth. Momentum has strengthened in Europe and other developed markets. Importantly, China's growth has stabilized providing support for emerging markets and has reduced concerns of investors. The US is benefiting from a strong labor market and easy financial conditions (Figure 1).

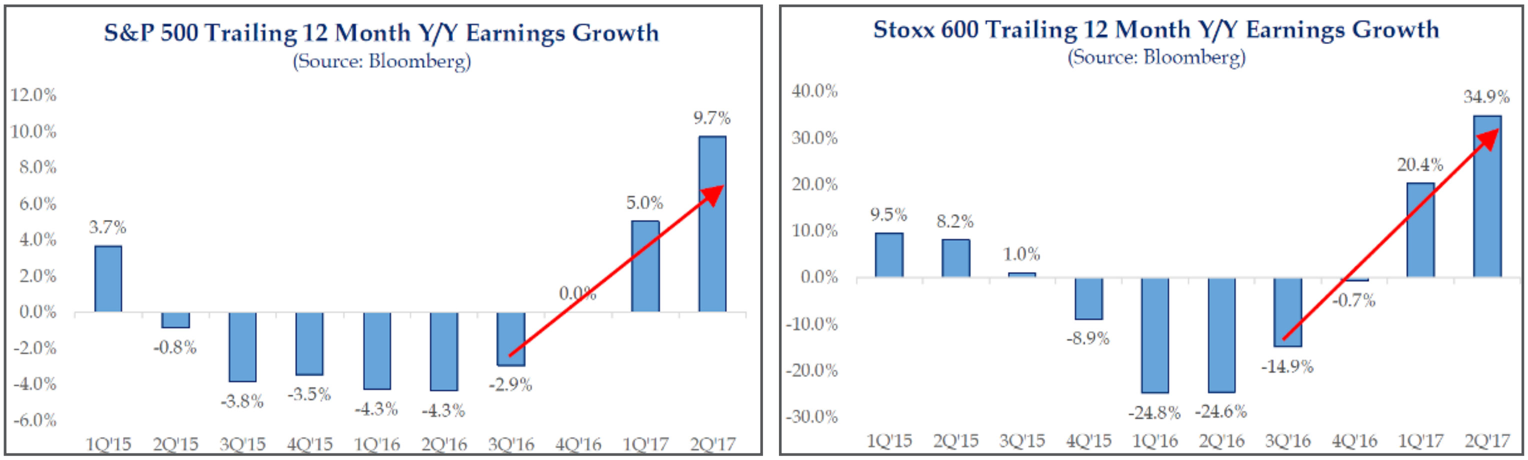
"Global equity and credit markets had strong performance in the first half of 2017 with global stock markets reaching record highs in July. This is the first time in five years, we had an upswing in synchronized global growth."

Figure 1 - Bloomberg U.S. Financial Conditions Index

Earnings: The Earnings Recession Is Over

Global earnings exhibited a synchronized upswing in the first and second quarters this year. In the US, we have had two consecutive quarters of double-digit earnings growth. In the second quarter, earnings grew 10% and revenues jumped 5%. The 18-month profits recession ended in the second half of 2016, and, importantly, earnings have broken out to the upside (Figure 2). As stocks follow earnings over the long-term, continued corporate earnings growth will be necessary for global equity markets to continue to move higher.

Figure 2 - Earnings Growth (Source: Strategas Research)

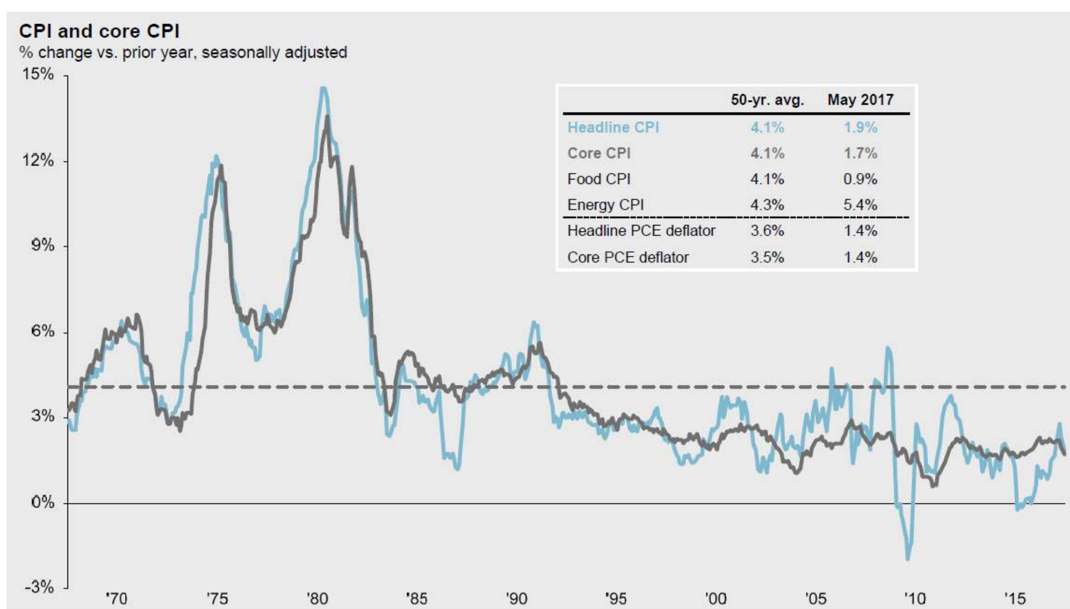


Inflation and Interest Rates: Stable and Low

In the US, strong employment growth has not led to wage pressures. Oil prices have remained range-bound between \$40 to \$50 per barrel. The combination of these factors along with moderate global growth has kept inflation in check (Figure 3) and interest rates low despite the Fed raising interest rates two times this year.

Figure 3 - U.S. Inflation

"The combination of stable oil prices, strong employment growth, and moderate global growth has kept inflation in check and interest rates low despite the Fed raising interest rates two times this year."



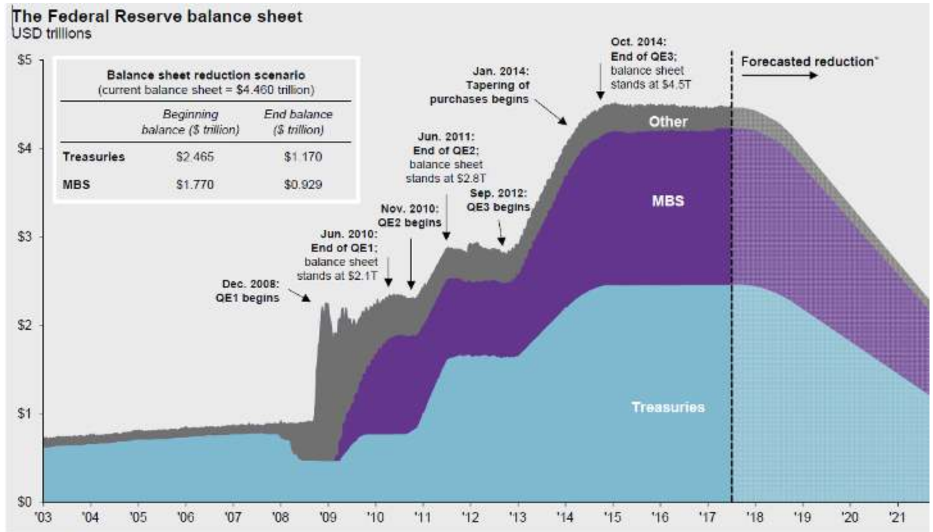
Source: BLS, FactSet, J.P. Morgan Asset Management.

Monetary Policy: Inflection Point

Global central bankers are preparing to reduce the extraordinary level of monetary support with the Federal Reserve in the U.S. leading the way. The Fed has increased short-term interest rates four times since 2015 and outlined a plan to begin to reduce its balance sheet this fall (Figure 4). The European Central Bank (ECB) will likely announce a plan to taper its holdings in the fall that would start in 2018.

One of our biggest concerns is a policy error by the Fed of too aggressive tightening that places the economy at risk. We think the Fed will soften its stance and will slow rate hikes if economic data falters.

Figure 4 - Federal Reserve Balance Sheet



Source: Federal Reserve, FactSet, J.P. Morgan Asset Management.

> *"History shows it's not a good strategy to invest on the basis of politics, even though politics can influence markets in the short-term. Over the long-term, markets follow underlying economic trends and fundamentals, not headlines."*

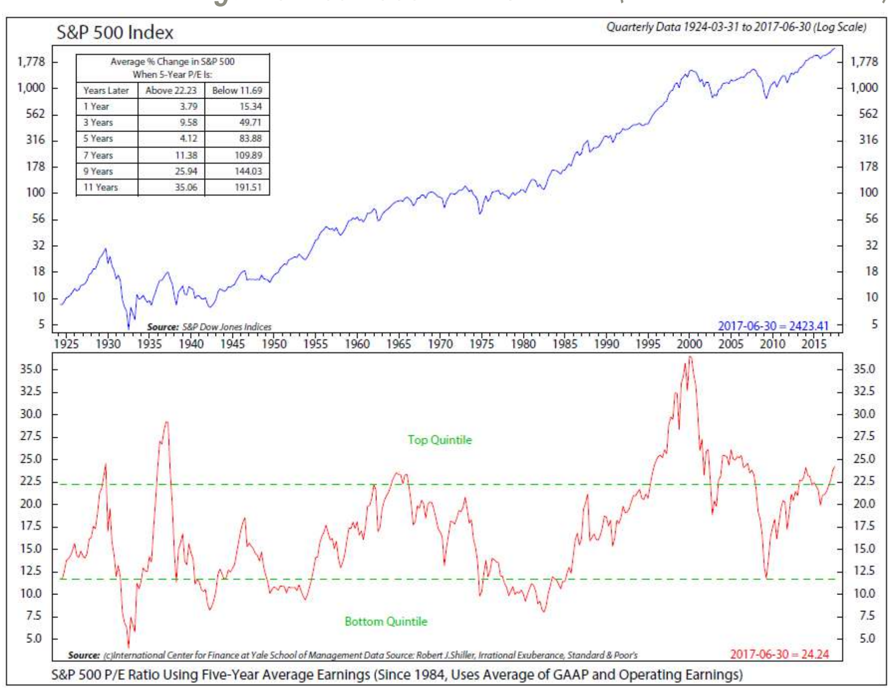
Politics: Fundamentals Are More Important than Politics

Political risk has subsided in Europe while it remains in the U.K. and U.S. The elections in the Netherlands and France mitigated the populism trend in Europe and lifted investor confidence in European markets. Brexit negotiations in the UK pose risks to the UK. In the US, expectations are low for passage of pro-growth legislation, which could lead to a positive surprise if Washington delivers legislation in the second half of the year. History shows it's not a good strategy to invest on the basis of politics even though politics can influence markets in the short-term. Over the long-term, markets follow underlying economic trends and fundamentals, not headlines.

Valuations: Richer Than Historical Averages

The positive macroeconomic backdrop has been reflected in richer asset prices. Equities prices hit record highs following the trend of higher earnings. U.S. equity valuations are stretched as valuations are above long-term averages on an absolute basis (Figure 5). Foreign equity markets, including Europe, and emerging markets have lower absolute valuations compared to the U.S. and represent pockets of value. Adjusted for the low level of interest rates, stock valuations are slightly rich relative to history. As interest rates slowly rise, price-

Figure 5 - S&P 500 Index Valuation (Source: Ned Davis Research)

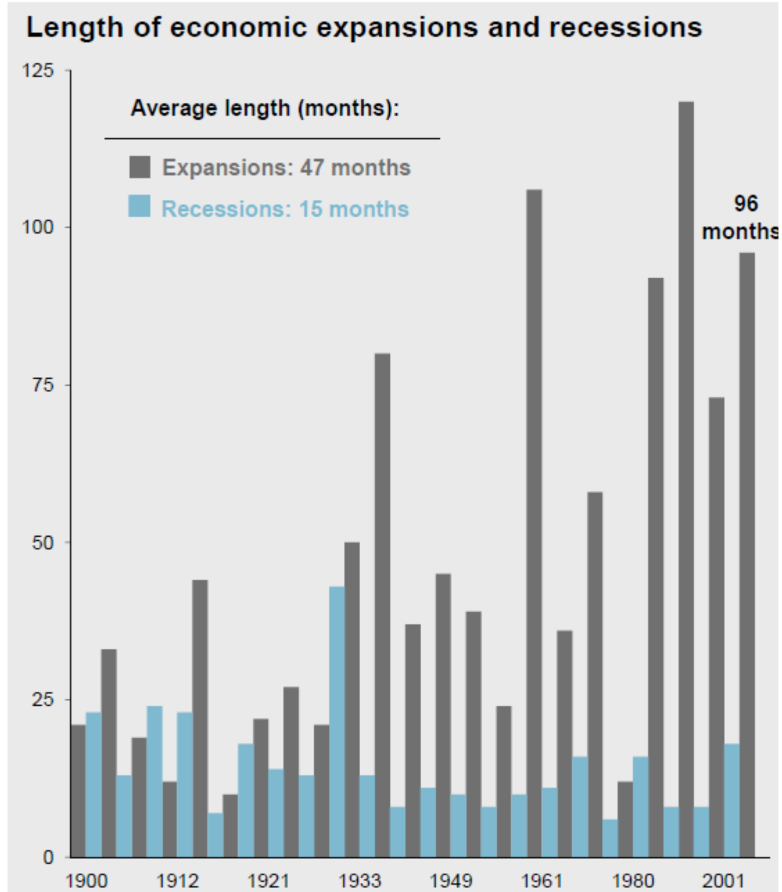


earnings ratios are likely to be stable or moderate which underscores the importance of earnings growth going forward.

Valuation is an inconsistent investing tool. The business cycle and the trend in earnings are more consistent predictors of future returns.

> *"There are few signs of excesses that historically precede an economic downturn. The current cycle of low, improving broad-based economic growth with low inflation and moderate asset returns could continue for a while absent a policy error by the Fed or an exogenous shock, like a spike in oil prices."*

Figure 6 - Economic Expansions (Source: JP Morgan Asset Management)



US Business Cycle: The Third Longest on Record

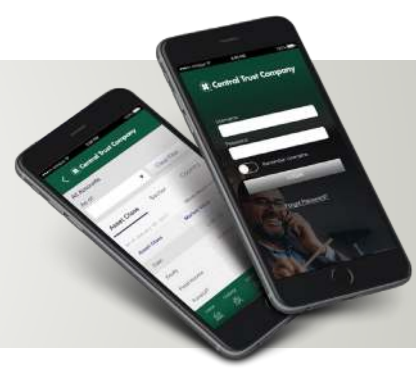
The current U.S. expansion is now in its eighth year, at 96 months old, making it the third longest expansion since 1900 (Figure 6). Looking at the data, there are no signs of a recession on the horizon. There are few signs of excesses that historically precede an economic downturn. Wage growth has lagged, bank loan growth has been modest, business investment remains low, and inflation has softened. Overall, the economy is not overheating, which typically leads to aggressive tightening by the Fed that slows the economy. Moving forward, the current cycle of low, improving broad-based economic growth with low inflation and moderate asset returns could continue for a while absent a policy error by the Fed or an exogenous shock, like a spike in oil prices.

Conclusion

As always, there are risks to worry about that could cause market disruptions. Therefore, to navigate and weather the investment landscape, we will continue to focus on economic trends, valuations, diversification and portfolio construction. A dynamic strategy and approach to asset allocation will allow us to stay the course as we navigate the ups and downs of the investment landscape.

COMING THIS FALL

Keep up with your account information on the go and when it's convenient for you with the new Central Trust Company mobile app available on Apple and Android mobile phones.



ASSET CLASS VIEWS AND PORTFOLIO POSITIONING

The following are our current views on major asset classes and asset allocation. The implications to your portfolio may vary depending on your particular individual situation. Please consult with your Central Trust Company financial advisor. We build globally diversified portfolios by utilizing five major asset classes: equities, fixed income, real assets, alternatives and cash.

Asset Allocation

At mid-year, the global economy continues to experience synchronized global growth that is broadening. The macro backdrop is favorable in terms of moderate global growth, growing corporate earnings, low inflation, slowly rising interest rates, some reduction of (not all) populist political risk, and anticipation of fiscal reform. Against this backdrop, global stock markets have reached record highs in 2017. However, risks remain, as asset prices are, in general, fully valued at a time that global central banks are beginning to explore the reduction of the high levels of monetary accommodation that have supported growth.

As the global expansion continues to broaden, with rising earnings and no recession in sight, we continue to prefer equities over bonds in the intermediate term. However, at this point in the cycle, we have begun to moderate our equity allocation. The combination of a maturing economic cycle, rising volatility and a shift away from monetary accommodation underscores the importance of a dynamic approach to asset allocation.

We remain moderately overweight equities relative to fixed income on continuing modest global growth and earnings. Our asset allocation is overweight equities, underweight fixed income, market weight real assets/commodities and alternatives.

We continue to favor high quality investments with a focus on large cap secular growth companies and dividend growers in the equity area, quality fixed income and real asset/alternative diversifiers within a diversified global portfolio.

Overall, our asset allocation shifts over the last 18 to 24 months have been additive to returns, while continuing the construction of diversified, high quality portfolios.

Forward Looking Investment Returns

Due to the combination of slower than historical growth, high levels of debt, low productivity, and generally full valuations, we think investors should expect more modest investment returns across almost all the major asset classes over the intermediate term.

Equities

We are constructive on equities relative to other risk assets. After the strong advance this year, we expect more moderate returns in the second half, supported by rising earnings and continued economic growth. In the U.S., potential changes in tax reform, infrastructure spending and reduced regulation may provide additional support to domestic companies. The dollar weakness is beneficial for large U.S. export-oriented companies like technology and industrial companies. We have increased allocations to developed international markets benefiting from the broadening global expansion. We also have a positive view on emerging markets that have less expensive valuations and are benefiting from stability in China and rising global growth.

We are somewhat cautious in the near term on equity markets entering the seasonally weak period of the year. Historically, markets experience a 10% correction about once a year on average. As markets have not had a correction since early 2016, we would not be surprised by a pullback after the recent strong advance, which would be healthy and normal in a bull market. We have increased our allocation to the hedged equity sub-class within the stock allocation to lessen tail risks and be a bit more defensive.

Fixed Income

We construct diversified, high quality bond portfolios with short-to-intermediate durations and maturities. We continue to be cautious on longer-dated fixed income securities due to interest rate exposure. With the Fed indicating future rate hikes and QE flows slowing down, interest rates will likely have an upward bias. On a global basis, U.S. yield levels are significantly higher than in the Eurozone and Japan making the U.S. market attractive to foreign investors. Eurozone bonds are at risk given their low yields as the ECB nears reducing QE.

U.S. Treasury and investment grade bonds are attractive defensive assets for economic slowdown scenarios. Investment grade bonds provide stable income and act as a hedge against growth sectors of a diversified portfolio during an economic downturn. Traditional core fixed income is important as the current U.S. expansion is in its eighth year. We have an allocation to TIPS (Treasury Inflation Protected Securities) that provide a hedge against inflation risk.

For diversification, we utilize the Credit sector of fixed income that has less interest rate sensitivity We are cautious on Credit as credit spreads are currently tight, and they historically start to widen in the late stages of an economic cycle. Floating rate bonds have yields that increase when interest rates rise offering protection in a rising rate environment. High-yield bond spreads are tight and remain near full value. International developed market fixed income is avoided due to the low levels of interest rates relative to the U.S.

Real Assets

Real assets provide inflation protection and are an important portfolio diversifier. We have an allocation to gold as a portfolio diversifier that acts as insurance during periods of financial uncertainty.

Alternatives

The alternative strategies we utilize in building portfolios are designed to lower portfolio volatility and improve portfolio efficiency due to low correlations with other asset classes. Alternatives act as a hedge in volatile markets and provide better performance in a rising interest rate environment than bonds.

Cash

Portfolios typically have a small amount of cash due to interest income and dividends being generated. At times, higher allocations of cash are beneficial to decrease portfolio volatility and provide a source of funds for purchase of attractive opportunities.

MARKET RECAP FOR 2017: YEAR-TO-DATE

Global stocks reached all-time highs in July, driven by broadening global growth, rising corporate earnings, low inflation and continued low interest rates. Stocks comfortably outperformed bonds year-to-date. The U.S. Dollar has weakened by 8% this year providing a tailwind for international assets held by U.S. investors due to the currency effect. All the major asset classes have registered gains year-to-date.

Equities

Equity markets across the globe have hit record highs in 2017, on a global recovery in profitability. Year-to-date (7/31/17), the S&P 500 has gained 11.6% and the MSCI All Country World Index has advanced 14.4%. International developed equity markets have increased 16.2%, while emerging markets have led equity markets with a gain of 25.5% aided by a weak dollar.

As of July 31, 2017		Trailing Performance (annualized for periods > 1 year)						
Asset Class	**Index**	**MTD**	**QTD**	**YTD**	**1Y**	**3Y**	**5Y**	**10Y**
EQUITIES								
Benchmark	MSCI All Country World IMI	2.7%	2.7%	14.4%	17.1%	6.4%	11.1%	4.4%
Large Cap	S&P 500	2.1%	2.1%	11.6%	16.0%	10.9%	14.8%	7.7%
Styles	Russell 1000	2.0%	2.0%	11.4%	15.9%	10.6%	14.8%	7.8%
	R1000 Growth	2.7%	2.7%	17.0%	18.1%	12.7%	15.6%	9.4%
	R1000 Value	1.3%	1.3%	6.0%	13.7%	8.4%	14.0%	6.2%
Sectors	Real Estate	1.2%	1.2%	7.7%	-2.6%	6.7%	6.6%	3.1%
Long-Short	S&P 500 / LIBOR plus 3	1.2%	1.2%	7.0%	10.1%	7.2%	9.1%	5.8%
Small/Mid Cap	Russell 2500	1.0%	1.0%	7.1%	15.1%	9.1%	14.4%	8.2%
Mid Cap	Russell Mid Cap	1.5%	1.5%	9.6%	13.0%	9.3%	15.0%	8.2%
Small Cap	Russell Small Cap	0.7%	0.7%	5.8%	18.4%	9.9%	14.2%	7.7%
International	MSCI World Ex US (net)	3.0%	3.0%	16.2%	17.3%	2.3%	8.5%	1.4%
Emerging Markets	MSCI Emerging Markets (net)	6.0%	6.0%	25.5%	24.8%	2.4%	4.8%	2.0%

In 2017, markets have experienced a change in leadership in market cap sizes and styles. Large Cap growth stocks have led the market higher. Growth has outperformed Value on a style basis, and Large Cap has outperformed Small Cap stocks on a size basis.

Fixed Income

Entering 2017, the consensus view was that yields would move higher as growth and inflation picked up. The surprise has been that yields have fallen 14 bps (0.14%) thru July on the U.S. 10-year Treasury bond, driving the Barclays Aggregate Index 2.7% higher this year. TIPs (Treasury Inflation Protected Securities) have gained 1.4%

As of July 31, 2017		Trailing Performance (annualized for periods > 1 year)						
Asset Class	**Index**	**MTD**	**QTD**	**YTD**	**1Y**	**3Y**	**5Y**	**10Y**
FIXED INCOME								
Benchmark	Citi World Broad Investment Grade	1.7%	1.7%	6.1%	-1.0%	0.5%	1.0%	3.7%
U.S. Aggregate	Barclays US Aggregate	0.4%	0.4%	2.7%	-0.5%	2.7%	2.0%	4.4%
Money Market	BofA Merrill Lynch 0-3 Month T-Bill	0.1%	0.1%	0.4%	0.5%	0.2%	0.2%	0.5%
U.S. Government	Bloomberg Bond Index US Govt (ST)	0.2%	0.2%	0.7%	0.1%	0.8%	0.6%	1.9%
	Bloomberg Bond Index US Govt (IT)	0.4%	0.4%	2.4%	-2.0%	2.6%	1.3%	4.7%
	Bloomberg Bond Index US Govt (LT)	-0.6%	-0.6%	4.9%	-9.5%	5.1%	1.9%	7.0%
U.S. TIPS	Citi U.S. Inflation Linked Securities	0.5%	0.5%	1.4%	-1.2%	0.8%	0.0%	4.2%
Tax Exempt	BOFA Merrill Lynch US Municipal	0.7%	0.7%	4.2%	0.3%	3.7%	3.2%	4.7%
U.S. Corporate	Barclays iShares Intermediate Corp	0.7%	0.7%	3.2%	1.0%	2.7%	2.5%	4.6%
U.S. Corp High Yield	Barclays US Corporate High Yield	1.1%	1.1%	6.1%	10.9%	5.3%	6.7%	8.2%
U.S. Floating Rate	S&P/LSTA Leveraged Loan	0.7%	0.7%	2.6%	6.7%	3.6%	4.5%	4.9%
International	Citi Non USD WGBI	2.7%	2.7%	8.8%	-3.0%	-0.9%	-0.5%	3.2%
Emerging Markets	JPM Emerging Markets	0.7%	0.7%	6.9%	4.6%	4.8%	4.5%	7.5%

year-to-date as inflation cooled in second quarter. The credit sector continues to outpace investment grade bonds as economic growth strengthens and spreads remain tight. High yield has gained 6.1%, floating rate debt rose 2.6%, and emerging market debt gained 6.9% year-to-date.

Real Assets

Gold has advanced 9.5% in 2017. Gold benefits from financial uncertainty and is used as a portfolio diversifier. Commodities moved higher since the lows in early 2016 on prospects of higher global growth, but have given back gains in 2017 as oil has pulled back 7%. Real assets benefit from the reflation trend of higher growth and inflation.

As of July 31, 2017		Trailing Performance (annualized for periods > 1 year)						
Asset Class	**Index**	**MTD**	**QTD**	**YTD**	**1Y**	**3Y**	**5Y**	**10Y**
REAL ASSETS								
Benchmark	Gold	2.0%	2.0%	9.5%	-7.2%	-1.0%	-5.2%	5.8%
Inflation	Consumer Price Index (CPI)	0.0%	0.0%	0.7%	1.6%	0.9%	1.3%	1.6%
Commodities	Bloomberg Commodities	2.3%	2.3%	-3.1%	0.8%	-12.7%	-10.0%	-6.5%
Silver	LBMA Silver Price	1.8%	1.8%	3.2%	-16.4%	-6.8%	-9.9%	2.6%

Alternatives

Alternatives provide additional stability to portfolios by enhancing diversification and reducing volatility due to low correlations with other asset classes. Low volatility alternatives are an attractive alternative to traditional fixed income in a rising interest rate environment.

As of July 31, 2017		Trailing Performance (annualized for periods > 1 year)						
Asset Class	**Index**	**MTD**	**QTD**	**YTD**	**1Y**	**3Y**	**5Y**	**10Y**
ALTERNATIVES								
Benchmark	LIBOR + 3	0.4%	0.4%	2.4%	4.1%	3.6%	3.5%	3.9%
Conservative	Hedge Fund Research HFRI FOF C	0.0%	0.0%	2.4%	5.1%	1.5%	3.5%	0.8%
Multi-Strategy	Hedge Fund Research HFRI RV Mu	0.0%	0.0%	3.6%	7.0%	3.1%	5.0%	3.8%
Global Macro	Credit Suisse Global Macro Ind	0.0%	0.0%	-0.5%	3.6%	1.4%	2.4%	4.7%
Managed Futures	Credit Suisse Managed Futures	0.0%	0.0%	-4.2%	-12.7%	1.6%	-0.9%	2.0%

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Please consult with your Central Trust Company advisor for more guidance on how Central Trust can tailor solutions for your particular needs based on these evolving economic and market conditions.