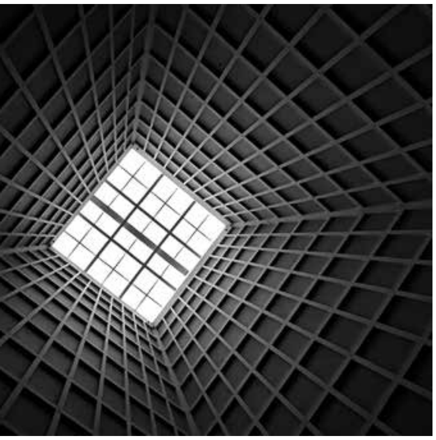
GUIDANCE

POINT OF VIEW

GREAT LAKES ADVISORS

A WINTRUST WEALTH MANAGEMENT COMPANY

APRIL 2017



The U.S. equity market indices rose in the first quarter of 2017 as the S&P 500 gained over 6%, primarily driven by strong performance in the healthcare and technology sectors, each of which rose more than 9%. The small cap Russell 2000 Index advanced 2.5%, and most major U.S. equity indices continue to trade at or very near all-time record levels.

International equities also fared well; the EAFE index gained almost 8%, emerging markets advanced more than 12%, and China's market advanced by 11%. Russian equities (-2.5%) were the only meaningful equity market to decline in the quarter.

Crude oil closed the quarter 9% lower at about $50.50/barrel, and natural gas lost almost 19% as temperatures were mild across much of the U.S. and the world. Metals prices continued to strengthen with gold gaining 8% and silver up more than 14%. Most agricultural prices were flat, though sugar prices did decline by 15%. The U.S. dollar was down slightly (-2%), while the Euro and British Pound both gained a bit more than 1% and the Yen appreciated by almost 5%.

The 10-year Treasury note closed the quarter little changed, with its yield declining 9 basis points to finish at 2.39%. As expected, the Federal Reserve raised the Federal Funds rate by 25 basis points in March, and clearly suggested that more rate hikes before year-end are in the offing.

Economic conditions have not changed substantially in the first three months of 2017. Employment growth continues apace, with almost 200,000 new jobs created, on average, in each of the first three months of the year, as the unemployment rate dropped to 4.5%. Growth in average hourly earnings, however, remains sluggish; though pushing toward the 3% level. We continue to believe that any acceleration in U.S. economic growth will be driven by the expansion in both job creation and wage growth in excess of 3%.

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Source: Federal Reserve Bank of St. Louis.

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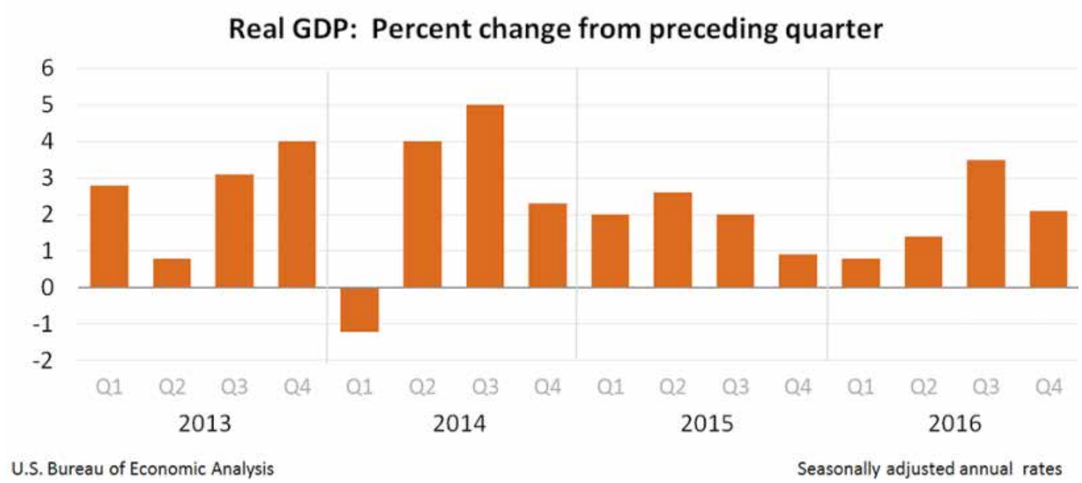
There may be some concern with the March jobs report, which suggests that only 89,000 new jobs were created in the month, which was far fewer than expected. However, we note that poor weather may have affected hiring in the month; for example, construction hiring was particularly anemic in March, reflecting the impact of bad weather. On the other hand, the retrenchment in the retail sector continued, as store-based retailers eliminated almost 30,000 positions for the second month in a row. Many businesses across the economy also continue to use temporary workers at an increasing rate in lieu of permanent hiring, an indication of the tenuousness with which employers still approach hiring decisions.

Overall, the U.S. economy remains the most resilient in the world, but continues to move slowly along at a somewhat meager growth rate of approximately 2% annually.



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At this point, inflation appears to be held in check, and the ten-year Treasury rate may remain close to 2% for some time. All of this data would suggest that equities are close to fairly valued, and that any increase in long-term interest rates might put downward pressure on equity prices unless economic growth accelerates at the same time.

In the meantime, both political and exogenous risks must be considered, though they cannot be easily predicted. President Trump will celebrate his 100th day in office on April 28. That is the same day that the current bill funding the U.S. government is set to expire and Congress is set for a two-week recess just ahead of that deadline. The specter of a government shutdown looms large for Republicans, who are understandably leery of having the impacts of a shutdown pinned upon them again. Nonetheless, there is little prospect that Congress will be able to agree on a budget by that time, and the only realistic expectation is for a series of continuing resolutions that do nothing to bolster investor or consumer confidence.

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Much of the economic promise held out after the election of President Trump last November has been incorporated into U.S. equity prices, in our opinion. As a result, we are concerned that any substantial disruption to the implementation of his plans may have an adverse impact. The failure to "repeal" ACA and replace it with an alternative plan created some uncertainty relating to the Administration's ability to execute on its strategies. With tax relief, stimulus spending, and trade reforms all coming down the pike, any substantial deviation from expectations may upset equity markets, and more importantly have a negative impact on corporate earnings expectations, none of which would be positive for investors. Other potential hotspots include the upcoming French presidential elections, the implementation of Brexit, and concerns in Syria and North Korea, all of which could lead to greater uncertainty and market volatility.

We continue to absorb economic developments, changes in interest rates, and world events and gauge the impact they may have on the long-term growth prospects of the companies that we follow. We are quite comfortable with the manner in which our portfolios are currently constructed and are carefully assessing new opportunities as they arise.