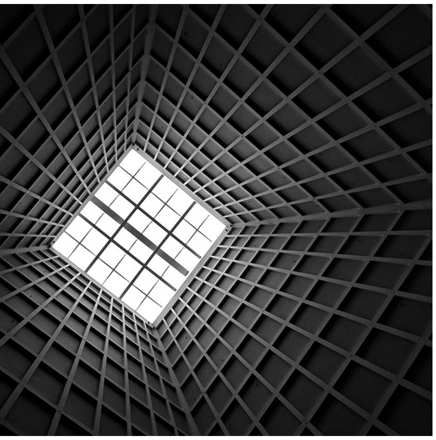
GUIDANCE

POINT OF VIEW

GREAT LAKES ADVISORS
A WINTRUST WEALTH MANAGEMENT COMPANY

JULY 2017



The U.S. Equity market, represented by the S&P 500, gained 3.1% in the quarter ending June 30, adding to its first quarter gain, and now stands up 9.3% for the first half of 2017.

For most of the second quarter, we had a continuation of Q1 themes in the U.S. equity market. Once again, shares of companies with larger market capitalization outperformed, paced by the Russell Top 200 Index's 3.20% gain. Moving down the size spectrum, we see returns of 3.06% for the Russell 1000 Index, 2.70% for the MidCap 800 Index, and 2.46% for the small-cap Russell 2000 Index.

We also saw a continuation of growth stocks outperforming value stocks across the capitalization spectrum. While their advantage was not quite as large as we noted during Q1, it was meaningful nevertheless. The top-performing style index was the Russell Top 200 Growth Index, which advanced a solid 4.83%, topping its Value counterpart by 3.50%. The poorest performer among style indices was the Russell 2500 Value Index, which ground out a scant 0.32% advance, trailing the 2500 Growth Index by 3.81% in the process. Year-to-date, both the S&P 500 and Russell 2000 growth indices are outpacing their value counterparts by ten percentage points (13.3% and 10.0% vs. 4.9% and 0.5%, respectively).

For most of the second quarter, we had a continuation of Q1 themes in the U.S. equity market.

Sector performance within the S&P 500 Index in Q2 was also quite consistent with that of the first quarter. Health Care was the top-performing sector for the quarter, adding a solid 7.10%. Financials rebounded from a relatively modest Q1 to record a strong 4.25% gain. Telecom and Energy offerings continued to struggle, declining 7.05% and 6.36%, respectively.

In the U.S. Fixed Income arena, the Corporate bond market led the way in total return. Comments made by key FOMC members replying to concerns that raising rates while the inflation rate remained low seemed to derail the Treasury market as rates on the 10-year and long 30-year bond jumped in the final days of the quarter. Nonetheless, long bond returns were positive, with the yield curve flattening much like in 2016 when the curve flattened 50 basis points in the first half of the year. Corporate performance, as noted above, was strong, with lower quality BBB credits outperforming high-grade issues by about 150 basis points. Total return for the 3 month period as measured by the Bloomberg Barclays Aggregate Index was 1.45%, with a -0.10% return in June.

Finally, oil prices declined by 9% during the quarter while the U.S. dollar weakened almost 7% against the Euro. The yield on 10-year U.S. Treasury Notes was 2.27%; 80 basis points higher year-over-year but 12 basis points lower than March 31, 2017.

We believe we are in a rising rate environment, which historically is not good for bonds.

As we get through another quarter of positive returns for the bond market in general, June is a reminder that we believe we are in a rising rate environment, which historically is not good for bonds. Recent comments from central bankers and reflationary signs from Europe resulted in a quick, painful 15 basis point jump in the 10-year yield. Economic data due in the next few weeks may point to a stronger economy, which is not favorable for continued positive returns. The power of coupon income in total return will be evident for the remainder of the year.

Outlook

Overall, the Trump Administration has found it difficult to implement its legislative agenda, leading some to question the likelihood of an acceleration of U.S. economic growth over the current modest pace of expansion. Despite much anticipation, clear signs of boosted economic activity have yet to appear.

In the economic and investment climate brought about by the Fed's monetary policies of the last eight years, investors have had to work increasingly harder for investment returns. As yields on "safer" investments (high quality bonds) have all but disappeared, investors have agreed to pay

The reality appears to be that profit growth will remain elusive.

higher and higher prices in their quest for equity returns. It makes sense, of course, to pay a higher price for a solid business paying a stable dividend when interest rates are low, but we believe that most of those opportunities have likely vanished by now. Many investors have paid very high prices for shares of companies promising very high growth in the future. These companies might be able to show well-above average revenue growth, but are likely to have difficulty (or find it impossible) to translate that revenue growth into sustained profitability and free cash flow. So, the reality appears to be that profit growth will remain elusive.

The Federal Reserve has done more than many thought plausible to prop up our economy. That propping up has worked, and worked well. Now, however, policy has reversed, whereby the Federal Reserve is trying to find ways to unwind its massive balance sheet without disruption. Europe is in a similar position. This shift in the direction and goal of monetary policy raises the level of risk in the markets. We think the risk is particularly heightened for growth stocks compared to value stocks.

Our style of investing continues to place value on high returns on invested capital, goal congruence with management, prudent capital structures, and abundant free cash flow. We believe this approach will continue to be attractive for our clients' portfolios in the future.