ESLICK FINANCIAL GROUP
How wealth works.™

M Holdings Securities, Inc.™

Q4 2016

Quarterly Economic News

October–December 2016

Index	Qtr	1 Yr Return	5 Yr Return	10 Yr Return
Barclays U.S. Aggregate Index	−2.98%	2.65%	2.23%	4.34%
MSCI AC World Ex US Net Total Return	−1.25%	4.50%	5.00%	0.96%
Russell 2000 Total Return	8.83%	21.31%	14.46%	7.07%
S&P 500 Composite Total Return	3.82%	11.96%	14.66%	6.95%

Economic Overview

The U.S. economy continued to add jobs in Q4 2016. The national unemployment rate was 4.9 percent at the beginning of Q4 and dropped to 4.7 percent by the end of December. Total nonfarm payroll employment went up, 161,000 in October, 178,000 in November, and 156,000 in December, for a total increase of 495,000 over the course of the quarter. Over the course of 2016, the national unemployment rate fell from 5.0 percent to 4.7 percent, and total nonfarm payroll employment growth totaled 2.1 million. The total nonfarm payroll increase in 2016 is less than the increases in 2015 and 2014, which were 2.7 million and 3.1 million, respectively.

Q4 2016 ended on a positive note for the U.S. the stock market. The Dow Jones ended 2016 at 19,762.60, reflecting an 8.1 percent increase in Q4 and a 13.5 percent increase over the entire year. The S&P 500, NASDAQ Composite, Russell 2000, and NYSE Composite similarly increased in Q4, as well as over the course of the full year. The S&P 500 increased 3.4 percent in Q4 and 9.8 percent over 2016. The NASDAQ Composite increased slightly (1.6 percent) in Q4, part of a more robust 9.9 percent increase over 2016. The Russell 2000 increased 8.5 percent in Q4, capping off

GDP (Lagging Indicator)

Q3 2016 (Third Estimate)

Increased by a rate of 3.5%. Due to increase in personal consumption expenditures, state and local government spending, and nonresidential Fixed investment.

Existing Home Sales

Through November 2016

Increased 0.7% due to gains in the South and Northeast.

Unemployment Rate

Through December 2016

Decreased to 4.7% (seasonally adjusted).

Consumer Price Index

December 2016

Increased 0.3% (seasonally adjusted) due to increase in gas and shelter costs.

Quarterly Economic News

October–December 2016

a positive 2016 which showed a total increase of 19.7 percent. The NYSE Composite increased 3.1 percent in Q4 and 10.3 percent over the course of 2016.

The effective federal funds rate (EFFR) climbed in 2016. The EFFR ended 2016 at 0.55 percent after starting the fourth quarter at 0.4 percent, and starting the year at 0.2 percent. This represents a 175 percent increase over the course of the year, though only a 37.5 percent increase in Q4.

The average 30-year fixed rate mortgage also increased in 2016. At the start of the year, the average 30-year fixed rate mortgage was 3.97 percent. By the start of the fourth quarter it had fallen to 3.42 percent. However, it would end the quarter (and the year) at 4.32 percent, reflecting a 26.3 percent increase in Q4, though just an 8.8 percent increase over the course of the year.

Trump and the Markets

After the Presidential election results were clear in November, investors immediately began speculating how the Donald Trump Presidency would be good, or bad, for the stock market and economy in the years to come. After what appeared to be initial panic selling in international markets and domestic futures markets the night of the Presidential Election, global stocks have staged a remarkable run since the election with the S&P 500 bouncing over 7% post-election to the end of 2016. Investors seem to be accepting the Trump Presidency thus far after many had predicted panic in the markets should Trump be elected prior to election night. Other opinions on the matter have centered more on the fact that the election is over giving some certainty to the markets again, allowing investors to make clearer decisions. No matter the opinion, from a historical perspective, stocks have trended higher from inauguration day to the end of the president's first 100 days in office, the Dow Jones Market Data Group figures show. This alone could continue to give confidence to the markets in the near term. It is yet to be seen if 2017 will align with past history.

The past aside, portfolio positioning ahead of, or even during, the Trump Presidency could prove to be difficult. Trump has shown he is not afraid to speak out against certain industries or sectors at any moment. In the weeks leading up to, and after the election, certain sectors have sold off due to remarks made by Trump. In December, Trump shook up the defense sector after blasting Lockheed Martin, via Twitter, over the cost of the F-35. Lockheed shares, along with other defense stocks, reacted negatively to the news. While some sectors have experienced greater price volatility due to uncertainty, other sectors have roared higher such as financials and materials stocks. Some have speculated that financial and materials stocks could benefit as Trump looks to reduce government regulation within the financial sector, and increase infrastructure spending domestically.

Overall, while many market strategists have mixed opinions on market returns in 2017, many agree that volatility could pick up at times as the market digests Trump policies and other political rhetoric. At this point according to FactSet, most analysts are expecting positive earnings and revenue growth to continue in 2017 for domestic stocks, we will have to wait to see if this projection proves to be accurate.

Quarterly Economic News

October–December 2016

Double Irish Tax Breaks

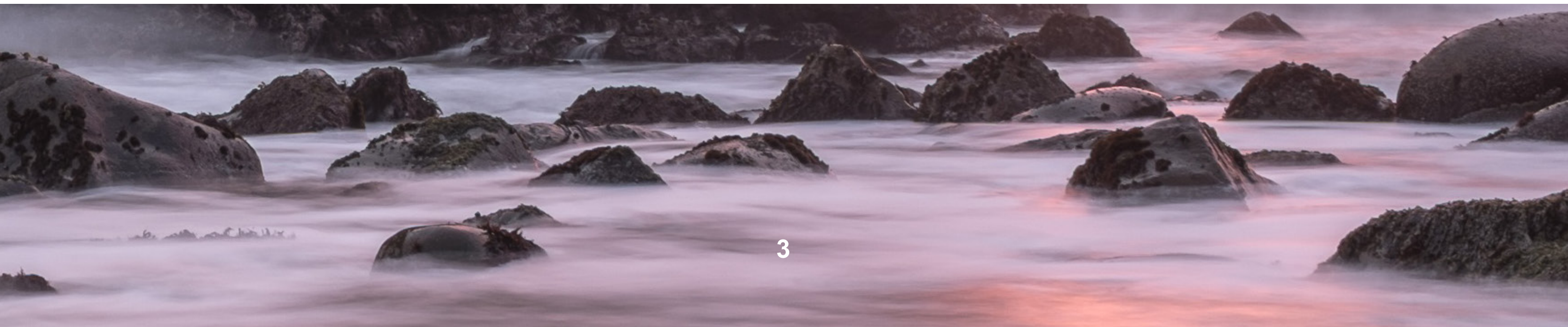
In October 2014, Ireland announced plans to amend a portion of its tax code, sometimes dubbed the "Double Irish." The Double Irish allowed companies to shift their profits from high tax countries to havens. With a stated corporate tax rate of just 12.5%, already low by EU standards, and nearly a third of the 35% on offer in the U.S. Notable pharmaceutical and technology companies such as Merck and Apple were routing royalty profits through the Double Irish. In 2014, Apple's effective tax rate was as low as .0005%. In its place, the Irish tax authorities introduced "the knowledge box" allowing companies a massive break on royalty payments for intellectual property routed through Ireland.

In August 2016, the European Competition Commissioner Margrethe Vestager hit Apple with a 13 billion Euro bill in unpaid back taxes, largely related to "the knowledge box." Tax specialists in the EU estimate the total liability could rise to 19 billion Euros when compound interest on payments is fully realized. Both Apple and Ireland explicitly stated they would push back against the ruling, and in December 2016, Ireland lodged a formal complaint with the European Commission.

The stakes are clear in a Eurozone that has been rocked by Brexit, numerous economic slumps, and bailout payments over the past year. Ireland has one of the fastest growing economies in Europe, driven by exporting multinationals attracted by the tax structures and subsequently providing a significant source of jobs. More than 600 multinational corporations are currently based in Ireland, and thousands more across the globe will feel the ramifications of this battle surrounding tax avoidance. AirBnB is the latest multinational coming under scrutiny for running profits through Ireland and paying a relatively small amount of tax in other EU countries on business that would normally generate significantly higher receipts. Some countries feel Ireland is wrongfully hoarding the benefits of international investment. Regardless of the outcome, global consequences will be difficult to ignore.

"In the long run, it's not just how much money you make that will determine your future prosperity. It's how much of that money you put to work by saving it and investing it."

—Peter Lynch



Quarterly Economic News

October–December 2016

The Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The MSCI All Country World Exclude U.S. Net Total Return is a commonly used measure of common stock total return performance of 22 of 23 Developed Markets countries excluding the U.S. The Russell 2000 Total Return Index is a commonly used measure of small capitalization stocks. The S&P 500 Total Return is a commonly used measure of common stock performance of 500 leading companies in leading industries of the U.S. economy. All referenced indices are unmanaged and not available for direct investment. Past performance is not a guarantee of future results. The information and opinions expressed herein are for general and educational purposes only. Nothing contained in this newsletter is intended to constitute legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. Information obtained from third party sources are believed to be reliable but not guaranteed. M Holdings Securities, Inc. makes no representation regarding the accuracy or completeness of information provided herein. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice.

Contact Information

To learn more, please contact:

Eslick Financial Group, Inc.
999 Home Plaza, Suite 201
Waterloo, IA 50701

T: 319.833.5555
F: 319.833.5559

www.eslickfinancial.com

For Educational Purposes Only

CONFIDENTIALITY NOTICE: This document is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized use, disclosure, or distribution is prohibited.

© Copyright 2017 M Financial Group. All rights reserved. 0094-2017

Securities and Investment Advisory Services offered through M Holdings Securities, Inc. A Registered Broker/Dealer and Investment Adviser. Member FINRA/SIPC. Eslick Financial Group, Inc. is independently owned and operated.