

**Strategas Research Partners**

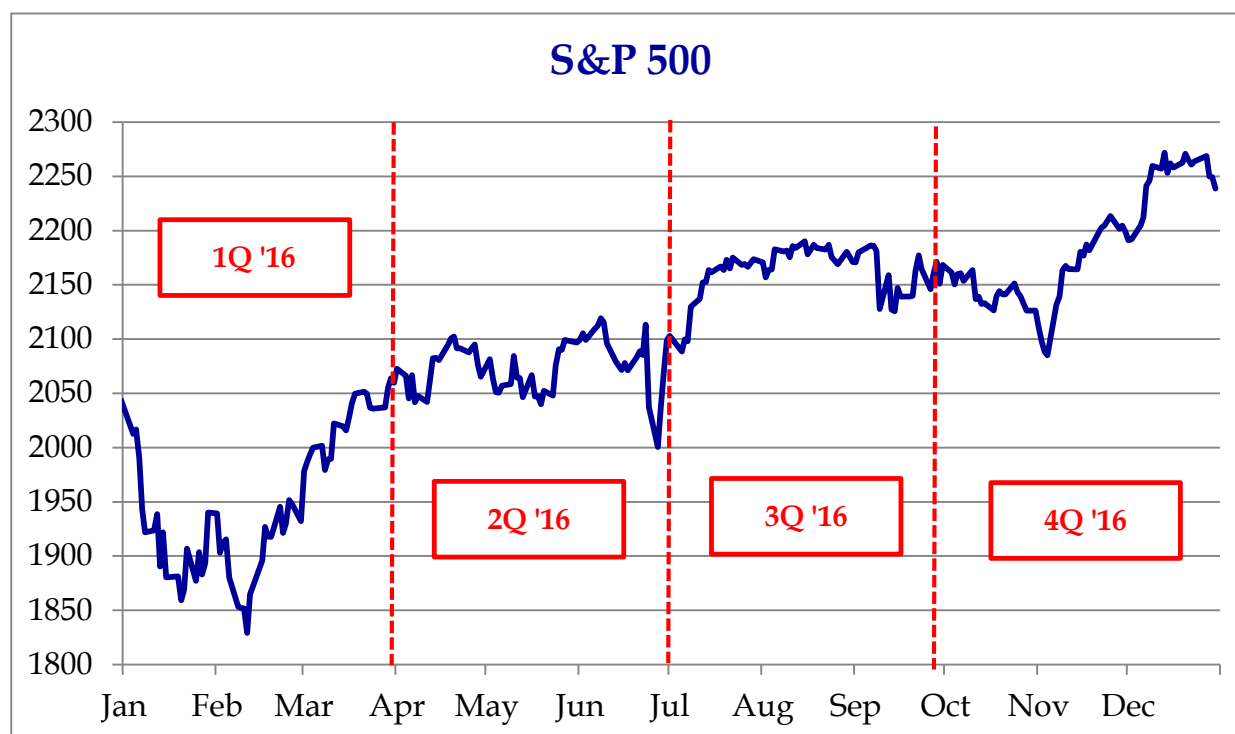
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**YEAR-END REVIEW IN CHARTS**

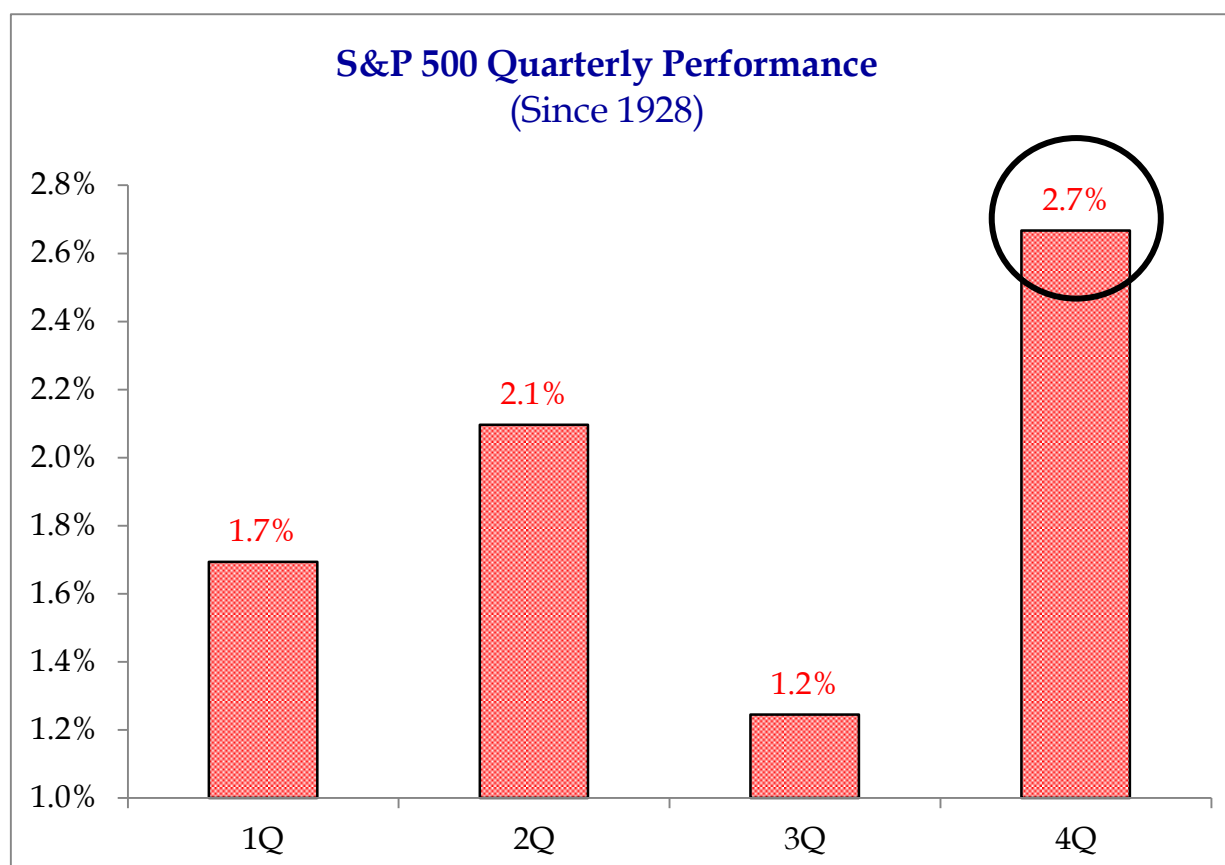
It has become cliché in these year-end letters to describe the year just past as “unprecedented.” And naturally all years are remarkable in their own way. By the standards of historic political and economic change, however, we believe 2016 will be remembered, more than for any other reason, as a year in which a well-established political class – in the U.K., the U.S., and Italy as greatest examples - learned that democracy was its Achilles heel. It was also a year in which our new Lords of Finance witnessed the limits of monetary policy in solving the world’s economic ills. The Fed learned the hard way that the U.S. dollar governed how quickly it could raise rates while the Bank of Japan came to understand that its experiment with negative interest rates was to be seen as a historic policy error. The FOMC had to moderate its expectation for four rate hikes by February while BOJ Governor Kuroda signaled a major policy shift in September, allowing the Yen to weaken and Japanese stocks to strengthen. (It turns out that the shape of the yield curve and the profitability of banks are important factors in determining the efficacy of monetary policy.) Business and consumer confidence in the U.S. and U.K. are rising and if there is a risk for the year-ahead, however, it is that much of the good news is priced in. Meaningful and effective reforms to the tax code in the U.S. may prove to be much more difficult to put into place than is currently expected. And, while regulatory and fiscal policy will ease under the backdrop of still-accommodative monetary policy, trade policy will be watched closely by market participants the world over. A first-derivative change in U.S. corporate profits in the second half was an unheralded hero in the market’s rally in the fourth quarter. Whether higher expectations for economic growth and inflation can rise without a meaningful degradation in earnings multiples remains to be seen. **By our lights, we believe investors are entering a sweet spot in which earnings can grow and multiples can remain elevated. We don’t see this changing until long rates reach 4%.** While our forecasts are always subject to change, our commitment to the service of our clients is not. Thank you for your support over the last 10 ½ years. If you would like to receive any of the charts or the data you see in the following 55 pages to use for your own purposes, please don’t hesitate to let us know.

# QUARTERLY STATISTICS

<u>Leading US Indices (Total Return)</u>	3Q '15	4Q '15	2015	1Q '16	2Q '16	3Q '16	4Q '16 (Sorted)	2016
S&P 600 Small-Cap	-9.3%	3.7%	-2.0%	2.7%	3.5%	7.2%	11.1%	26.6%
Russell 2000	-11.9%	3.6%	-4.4%	-1.5%	3.8%	9.0%	8.8%	21.3%
S&P 400 Mid-Cap	-8.5%	2.6%	-2.2%	3.8%	4.0%	4.1%	7.4%	20.7%
S&P/Citigroup Value	-8.3%	6.1%	-3.1%	2.2%	4.0%	2.9%	7.3%	17.4%
S&P 100 Mega-Cap	-6.1%	8.1%	2.6%	0.8%	2.3%	3.9%	4.0%	11.4%
<b>S&amp;P 500 Total Return</b>	<b>-6.4%</b>	<b>7.0%</b>	<b>1.4%</b>	<b>1.3%</b>	<b>2.5%</b>	<b>3.9%</b>	<b>3.8%</b>	<b>12.0%</b>
Dow Jones Wilshire 5000	-7.9%	5.2%	-2.3%	0.3%	2.3%	4.0%	3.8%	10.7%
Nasdaq	-7.1%	8.7%	7.0%	-2.4%	-0.2%	10.0%	1.7%	8.9%
S&P/Citigroup Growth	-4.8%	7.9%	5.5%	0.5%	1.0%	4.8%	0.5%	6.9%
<u>S&amp;P 500 Sectors (Total Return)</u>	3Q '15	4Q '15	2015	1Q '16	2Q '16	3Q '16	4Q '16 (Sorted)	2016
Financials	-6.7%	6.0%	-1.5%	-5.1%	2.1%	4.6%	21.1%	22.8%
Energy	-17.4%	0.2%	-21.1%	4.0%	11.6%	2.3%	7.3%	27.4%
Industrials	-6.9%	8.0%	-2.5%	5.0%	1.4%	4.1%	7.2%	18.9%
Utilities	-6.8%	7.6%	3.4%	16.6%	7.1%	-5.6%	4.8%	23.5%
Materials	-16.9%	9.7%	-8.4%	3.6%	3.7%	3.7%	4.7%	16.7%
<b>S&amp;P 500 Total Return</b>	<b>-6.4%</b>	<b>7.0%</b>	<b>1.4%</b>	<b>1.3%</b>	<b>2.5%</b>	<b>3.9%</b>	<b>3.8%</b>	<b>12.0%</b>
Discretionary	-2.6%	5.8%	10.1%	1.6%	-0.9%	2.9%	2.3%	6.0%
Technology	-3.7%	9.2%	5.9%	2.6%	-2.8%	12.9%	1.2%	13.8%
Telecom	5.4%	1.1%	-4.8%	15.6%	6.8%	-5.9%	0.1%	16.3%
Staples	-0.2%	7.6%	6.6%	5.6%	4.6%	-2.6%	-2.0%	5.4%
Health Care	-10.7%	9.2%	6.9%	-5.5%	6.3%	0.9%	-4.0%	-2.7%
<u>US Yields</u>	3Q '15	4Q '15	1Q '16	2Q '16	3Q '16	4Q '16	Q/Q Chg (bps)	Y/Y Chg (bps)
Fed Funds Target Rate	0.13	0.38	0.38	0.38	0.38	0.63	25	25
3-Month T-Bill	0.01	0.17	0.21	0.26	0.27	0.48	21	31
2-Year Note	0.66	1.06	0.74	0.60	0.77	1.20	43	14
5-Year Note	1.38	1.77	1.23	1.02	1.15	1.92	77	15
10-Year Bond	2.06	2.28	1.79	1.49	1.61	2.43	83	16
30-Year Bond	2.88	3.02	2.62	2.30	2.33	3.05	72	4
<u>International Indices (Price Chg)</u>	3Q '15	4Q '15	2015	1Q '16	2Q '16	3Q '16	4Q '16 (Sorted)	2016
Nikkei 225 (Japan)	-14.1%	9.5%	9.1%	-12.0%	-7.1%	5.6%	16.2%	0.4%
CAC 40 (France)	-7.0%	4.1%	8.5%	-5.4%	-3.4%	5.0%	9.3%	4.9%
DAX (Germany)	-11.7%	11.2%	6.9%	-7.6%	-5.4%	8.5%	9.2%	3.7%
IBEX 35 (Spain)	-11.2%	-0.2%	-7.2%	-8.6%	-6.4%	7.5%	6.5%	-2.0%
OMX Stockholm 30 (Sweden)	-8.1%	2.1%	-1.2%	-5.6%	-3.1%	8.7%	5.4%	4.9%
S&P/TSX (Canada)	-8.6%	-2.2%	-11.1%	3.7%	4.2%	4.7%	3.8%	17.5%
FTSE 100 (UK)	-7.0%	3.0%	-4.9%	-1.1%	5.3%	6.1%	3.5%	14.4%
All Ordinaries (Australia)	-7.2%	5.7%	-0.8%	-3.6%	3.1%	4.0%	3.5%	7.0%
Bovespa (Brazil)	-15.1%	-3.8%	-13.3%	15.5%	2.9%	13.3%	3.2%	38.9%
Swiss Market Index	-3.0%	3.6%	-1.8%	-11.5%	2.7%	1.5%	1.0%	-6.8%
Kospi (South Korea)	-5.4%	-0.1%	2.4%	1.8%	-1.3%	3.7%	-0.8%	3.3%
Shenzhen SE A Shares (China)	-30.3%	34.5%	63.4%	-17.2%	3.3%	1.1%	-1.3%	-14.7%
Sensex (India)	-5.4%	0.8%	-0.4%	6.8%	0.2%	2.8%	-3.4%	6.2%
Bolsa (Mexico)	-5.9%	-0.1%	-5.0%	-3.0%	6.5%	3.2%	-4.4%	1.9%
Hang Seng (Hong Kong)	-20.6%	5.1%	-7.2%	-5.2%	0.1%	12.0%	-5.6%	0.4%



## TAKING A LOOK AT SEASONALS



## 4Q 2016 S&P 500 INDEX REPLACEMENTS

### S&P 500 Index Additions & Deletions -- 4Q 2016

Date	Company Deleted	Ticker	Company Added	Ticker
12/1/2016	Owens-Illinois	OI	Mid-Am. Apt.	MAA
12/1/2016	Legg Mason	LM	AmSurg	AMSG

## 4Q 2016 BEST & WORST PERFORMERS

### 30 BEST S&P 500 Performers, 4Q 2016

Company	Perf.	Sector
NVDANVIDIA Corp	Tech	56.0%
KEY KeyCorp	Financials	50.9%
GS Goldman Sachs	Financials	48.9%
RF Regions Financial	Financials	46.1%
CFG Citizens Financial	Financials	44.8%
CMA Comerica	Financials	44.4%
LNC Lincoln National	Financials	41.8%
BAC Bank of America	Financials	41.7%
ZION Zions Bancorporation	Financials	39.0%
UAL United Continental	Industrials	38.9%
RIG Transocean	Energy	38.3%
MTB M&T Bank	Financials	35.4%
ALK Alaska Air	Industrials	35.2%
HBANHuntington Bancshares	Financials	34.9%
URI United Rentals	Industrials	34.5%
MS Morgan Stanley	Financials	32.6%
FITB Fifth Third Bancorp	Financials	32.5%
HAR Harman International	Discretionary	32.2%
NTRS Northern Trust	Financials	31.6%
CF CF Industries	Materials	30.7%
PNC PNC Financial	Financials	30.6%
JPM JPMorgan	Financials	30.5%
SYF Synchrony Financial	Financials	30.1%
VLO Valero Energy Corp	Energy	30.1%
RHI Robert Half International	Industrials	29.5%
BHI Baker Hughes	Energy	29.1%
LUV Southwest Airlines	Industrials	28.4%
PRU Prudential Financial	Financials	28.3%
DFS Discover Financial	Financials	28.2%
AAL American Airlines	Industrials	27.9%

### 30 WORST S&P 500 Performers, 4Q 2016

Company	Perf.	Sector
ILMN Illumina	Health Care	-29.5%
MNK Mallinckrodt	Health Care	-28.6%
TRIP TripAdvisor	Discretionary	-26.6%
UA Under Armour	Discretionary	-25.7%
CERN Cerner	Health Care	-23.3%
EW Edwards Lifesciences	Health Care	-22.3%
SWN Southwestern Energy	Energy	-21.8%
COTY Coty	Staples	-21.6%
NLSN Nielsen Holdings	Industrials	-21.1%
ZBH Zimmer Biomet	Health Care	-20.4%
FSLR First Solar	Tech	-18.7%
ATVI Activision Blizzard	Tech	-18.5%
PVH PVH	Discretionary	-18.3%
ENDP Endo International	Health Care	-18.3%
NWSA News	Discretionary	-18.0%
URBN Urban Outfitters	Discretionary	-17.5%
IFF International Flavors	Materials	-17.1%
TSN Tyson Foods	Staples	-17.1%
MDT Medtronic	Health Care	-17.1%
FTR Frontier	Telecom	-16.3%
CNC Centene	Health Care	-15.6%
MCK McKesson	Health Care	-15.6%
VRTX Vertex	Health Care	-15.5%
PBI Pitney Bowes	Industrials	-15.3%
WAT Waters	Health Care	-15.2%
NWL Newell Brands	Discretionary	-14.9%
SPGI S&P Global	Financials	-14.8%
HBI Hanesbrands	Discretionary	-14.2%
RHT Red Hat	Tech	-13.8%
UHS Universal Health	Health Care	-13.6%

# STRATEGAS' ECONOMIC AND MARKET OUTLOOK

	2016				2017				2018			
	1QA	2QA	3QA	4QF	1QF	2QF	3QF	4QF	1QF	2QF	3QF	4QF
Real GDP Q/Q Pct. AR	0.83%	1.41%	3.52%	2.50%	2.00%	1.50%	2.00%	2.00%	2.50%	3.00%	3.00%	2.50%
Core CPI Q/Q Pct. AR	2.70%	2.11%	1.92%	2.20%	2.20%	2.20%	2.20%	2.20%	2.30%	2.40%	2.50%	2.50%
Fed Funds - EOP	0.50%	0.50%	0.50%	0.75%a	0.75%	1.00%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%
10 Year Treasury Yield	1.78%	1.49%	1.60%	2.43%a	2.75%	2.90%	2.95%	3.00%	3.05%	3.10%	3.10%	3.10%
F = Forecast; A = Actual												

2017 Expected Value Table				
Odds	Economy	S&P Earnings	Expected Multiple	Implied S&P 500
20%	Downside Shock	\$111.75	16.0x	1,788
60%	Economic Expansion	\$123.75	19.0x	2,351
20%	Upside Surprise	\$133.00	18.0x	2,394
Expected Value:				2,247

Strategas' Earnings Estimates				
	2016		2017	
	Level	Y/Y	Level	Y/Y
Revenue	\$1,173	0.2%	\$1,240	5.7%
Costs	\$1,057	0.5%	\$1,116	5.6%
Margins	9.9%		10.0%	
EPS	\$118.25	-0.5%	\$123.75	4.7%

Bottom Up Consensus Estimates	
2016	\$118.05
2017	\$132.67

## Recommended Sector Allocation

Overweight	Neutral	Underweight
Financials	Energy	Discretionary
Industrials	Health Care	Staples
Technology	Materials	Telecom
	Real Estate	Utilities

Note: Our earnings estimates are likely to be lifted once we know the details of corporate tax reform.

## STRATEGAS' 2017 CONFERENCE SCHEDULE

January 10, 2017

Strategas' Policy Conference

Location: The Hay Adams Hotel

Topics to include: Tax, Defense, Populism, Health Care, Infrastructure, Trade, & Financial Regulation

March 2, 2017

Strategas' Macro Conference

Location: The New York Athletic Club

Confirmed Keynote Speaker: Nigel Farage

October 2017

Strategas' Investment Forum at Tucker's Point

Location: Tucker's Point, Bermuda

*Please call your salesperson for further information.*

# STRATEGAS' RECOMMENDED ASSET ALLOCATION ONE TO THREE YEAR HORIZON

## Strategas' Asset Allocation Matrix

	Bullish		Neutral		Bearish
<b>Equities</b>	U.S. SMID-Cap	U.S. Large-Cap; Japan	United Kingdom	Europe; Emerging Markets	
<b>Bonds</b>			Non-Safe Haven Sovereigns; IG Corps; High Yield; EM Debt	Safe Haven Sovereigns*; Munis;	
<b>Tangible &amp; Illiquid</b>		Real Estate; Industrial Metals	Energy; Agricultural Commodities; Precious Metals		
<b>Cash</b>		U.S. \$	Aussie \$; Canadian \$; British £	Japanese ¥	Renminbi ¥; Euro €

\*Safe Haven Sovereigns = U.S. Treasuries, German Bunds, U.K. Gilts, Canadian Government Bonds

*Within our broad Equity allocation mix we decided to swap our positions in U.S. SMID caps and U.S. large caps, increase our exposure to overweight Japan, and decrease our exposure to Emerging Markets. Small caps are likely to benefit more than large caps from lower corporate taxes and easing regulations. Japanese equities are cheap and are now in a position to benefit from a weaker Yen. The Eurozone, in our view, will be subject to a rolling "neverendum" while E.M. is likely to be buffeted by a strengthening dollar. Precious metals are likely to lose their luster versus industrial metals until inflation is significantly higher. In a balanced portfolio we would trim exposures to cash in favor of equities.*

### Strategas Recommended Balanced Portfolio Allocation

	SRP	B'mark	Ratio
<b>Equities</b>	65%	60%	1.00
<b>Fixed Income</b>	15%	25%	0.60
<b>Tangible</b>	15%	10%	1.50
<b>Cash</b>	5%	5%	2.00

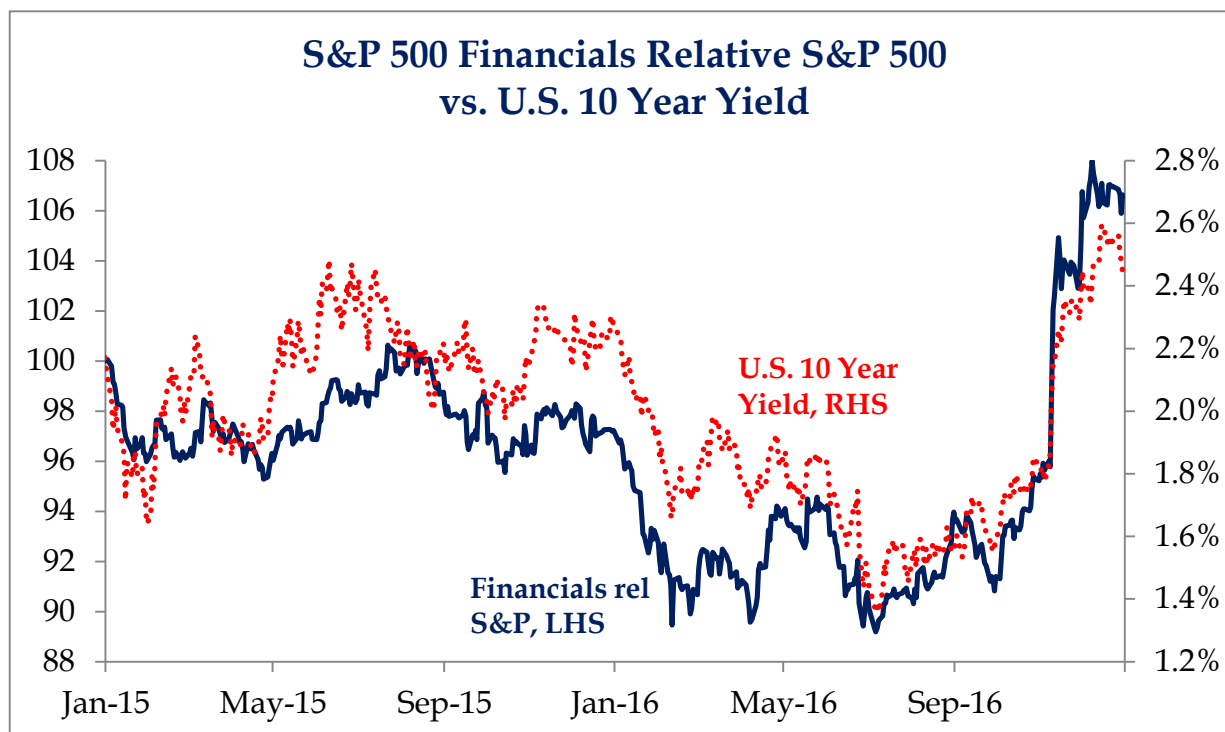
### Strategas Recommended Size Allocation

	SRP	B'mark	Ratio
<b>Large-Cap</b>	65%	70%	0.93
<b>Mid-Cap</b>	15%	15%	1.00
<b>Small-Cap</b>	20%	15%	1.33

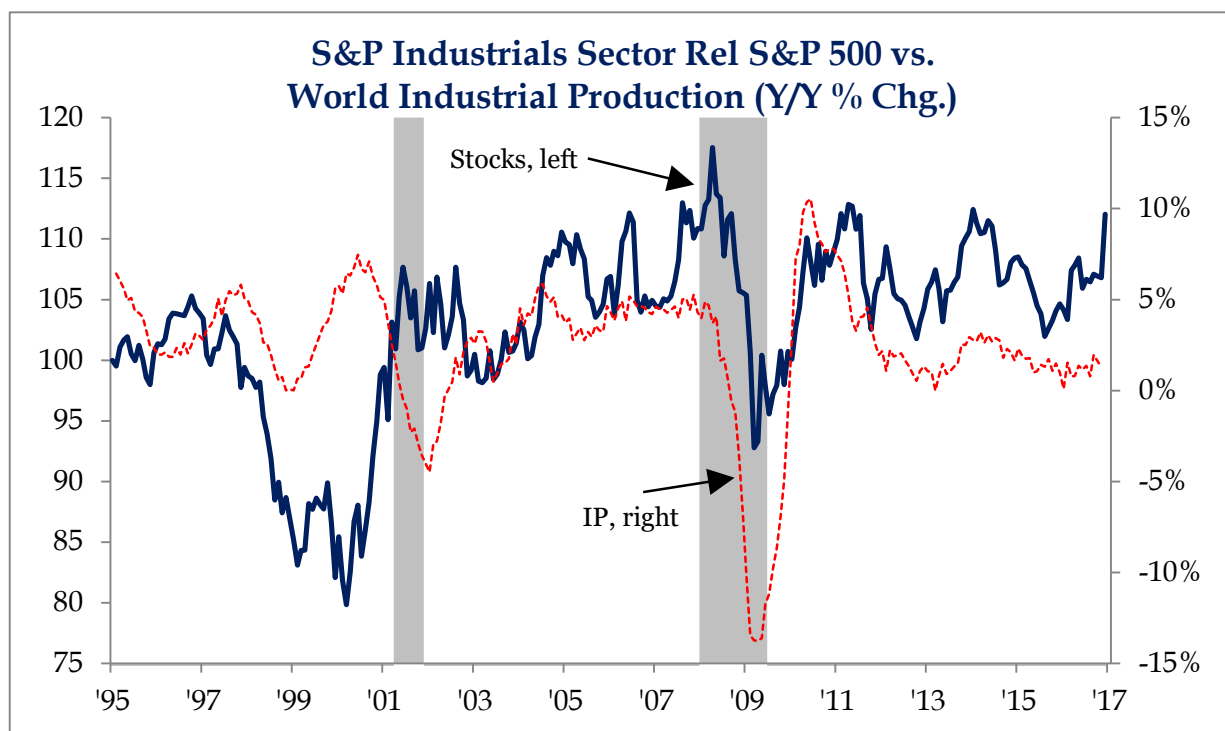
### Strategas Recommended Style Allocation

	SRP	B'mark	Ratio
<b>Growth</b>	40%	50%	0.80
<b>Value</b>	60%	50%	1.20

## **RIISING RATES SHOULD PROVIDE A BOOST TO THE FINANCIAL SECTOR**



## **INDUSTRIALS SHOULD ALSO BENEFIT FROM A PICK-UP IN GROWTH**



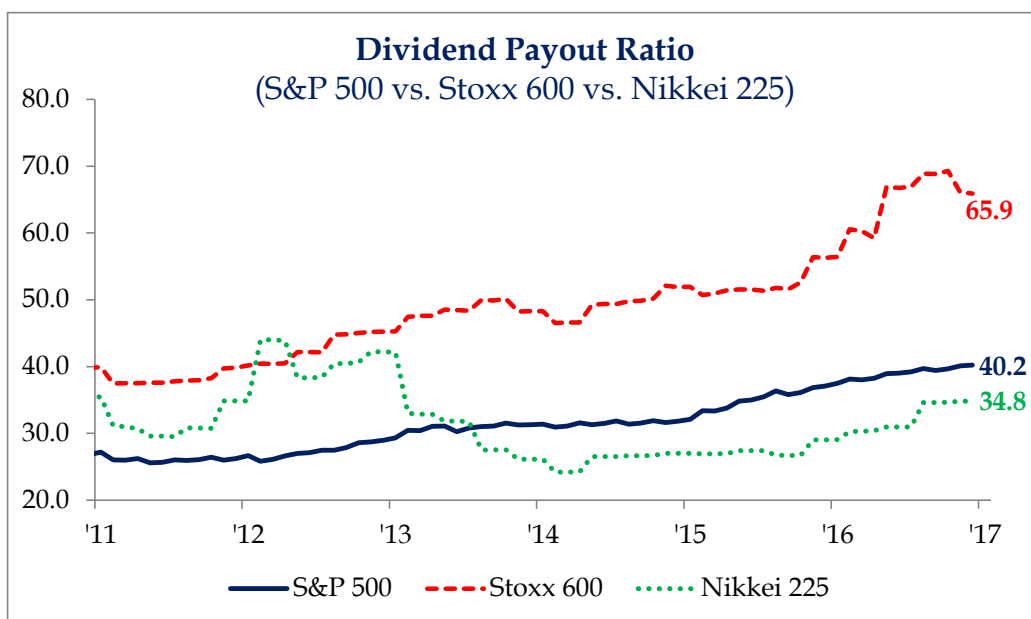
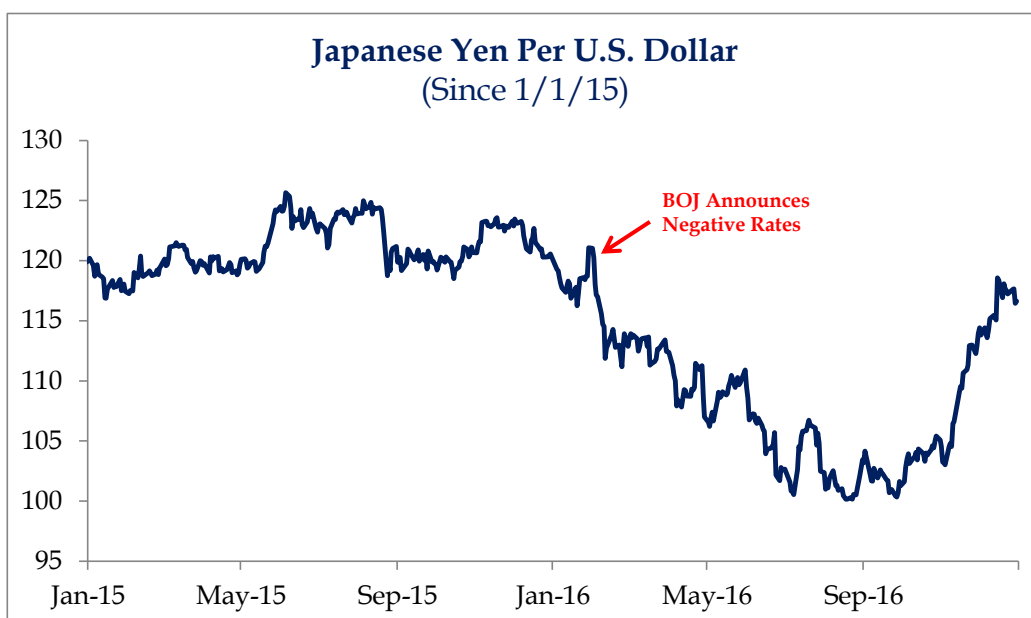
# JAPANESE EQUITIES MAY HAVE A NEW LEASE ON LIFE WITH THE NEW TRUMP ADMINISTRATION & WEAKER YEN

## The Bull Case for Japan

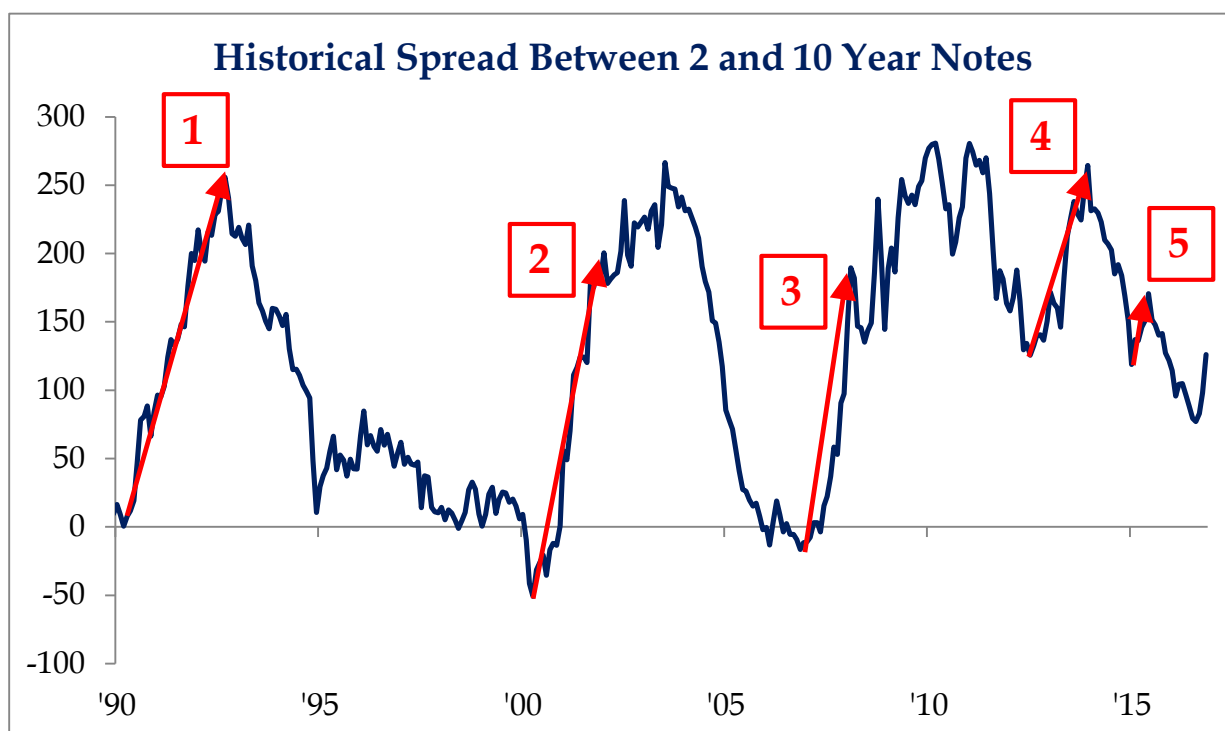
- 1) Monetary Easing/Weak Currency
- 2) Structural Corporate Reform
- 3) Reasonable Valuations
- 4) Decent Profit Growth
- 5) Enormous potential to enhance shareholder value

vs.

## The Bear Case - POLICY



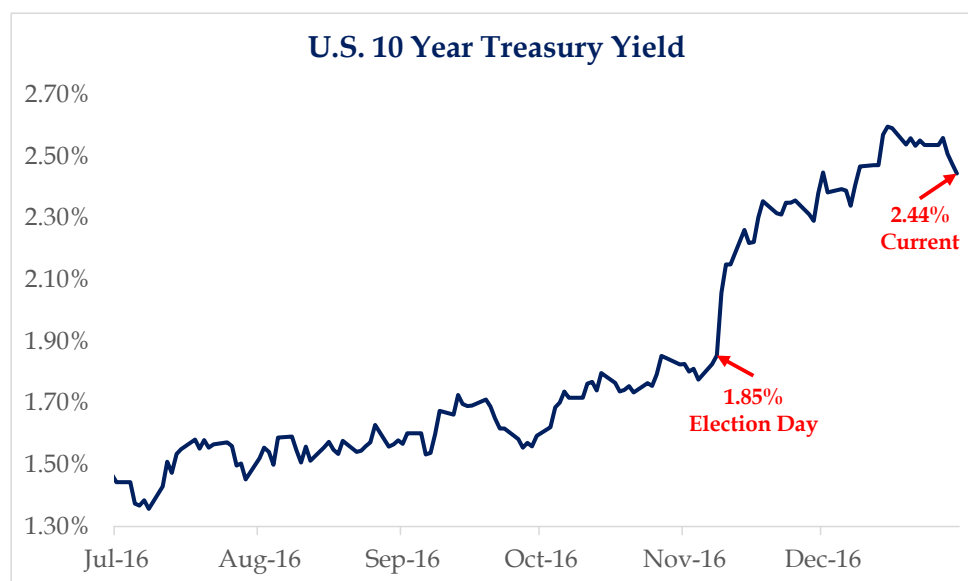
# SMALL CAPS & CYCLICALS OUTPERFORM DURING PERIODS OF YIELD CURVE STEEPENING



## Index Performance When The Yield Curve Steepens (Annualized)

Index	3/30/1990 9/30/1992	4/30/2000 1/31/2002	11/30/2006 2/29/2008	7/31/2012 12/31/2013	1/31/2015 6/30/2015	Average (Sorted)
Crude Oil WTI	2.8%	-14.7%	46.6%	8.2%	65.2%	21.6%
Health Care	18.9%	5.9%	0.7%	32.3%	20.9%	15.8%
Staples	26.2%	16.3%	8.5%	17.2%	0.8%	13.8%
Materials	8.8%	3.3%	16.3%	25.0%	6.0%	11.9%
S&P 400	NA	3.8%	-0.8%	30.5%	13.4%	11.7%
Discretionary	13.4%	-8.1%	-12.8%	37.8%	26.2%	11.3%
S&P GSCI	-2.4%	-10.9%	35.8%	-0.4%	34.3%	11.3%
Financials	14.5%	7.6%	-20.8%	35.2%	17.7%	10.8%
Russell 2000	6.8%	-1.3%	-9.2%	33.7%	20.9%	10.2%
Energy	7.8%	0.1%	20.8%	19.4%	0.3%	9.7%
MSCI Emerging Markets	17.2%	-15.0%	28.9%	6.5%	6.0%	8.7%
Industrials	7.3%	-3.5%	4.3%	33.4%	1.4%	8.6%
<b>S&amp;P 500</b>	<b>12.2%</b>	<b>-12.3%</b>	<b>-2.1%</b>	<b>25.7%</b>	<b>10.8%</b>	<b>6.9%</b>
Barclays U.S. Agg	13.2%	10.8%	6.6%	-1.1%	-5.1%	4.9%
MSCI EAFE	-2.7%	-19.8%	4.9%	26.4%	13.3%	4.4%
Copper	-6.0%	-4.2%	16.2%	-0.4%	12.0%	3.5%
Gold	-2.8%	1.7%	37.8%	-18.8%	-19.0%	-0.2%
Technology	1.4%	-38.3%	-2.9%	19.6%	11.9%	-1.7%
USD Index	-5.5%	5.3%	-9.0%	-2.2%	1.7%	-1.9%
Utilities	13.5%	-6.4%	5.5%	4.7%	-27.9%	-2.1%
Telecom	5.0%	-30.1%	-3.0%	4.4%	10.7%	-2.6%

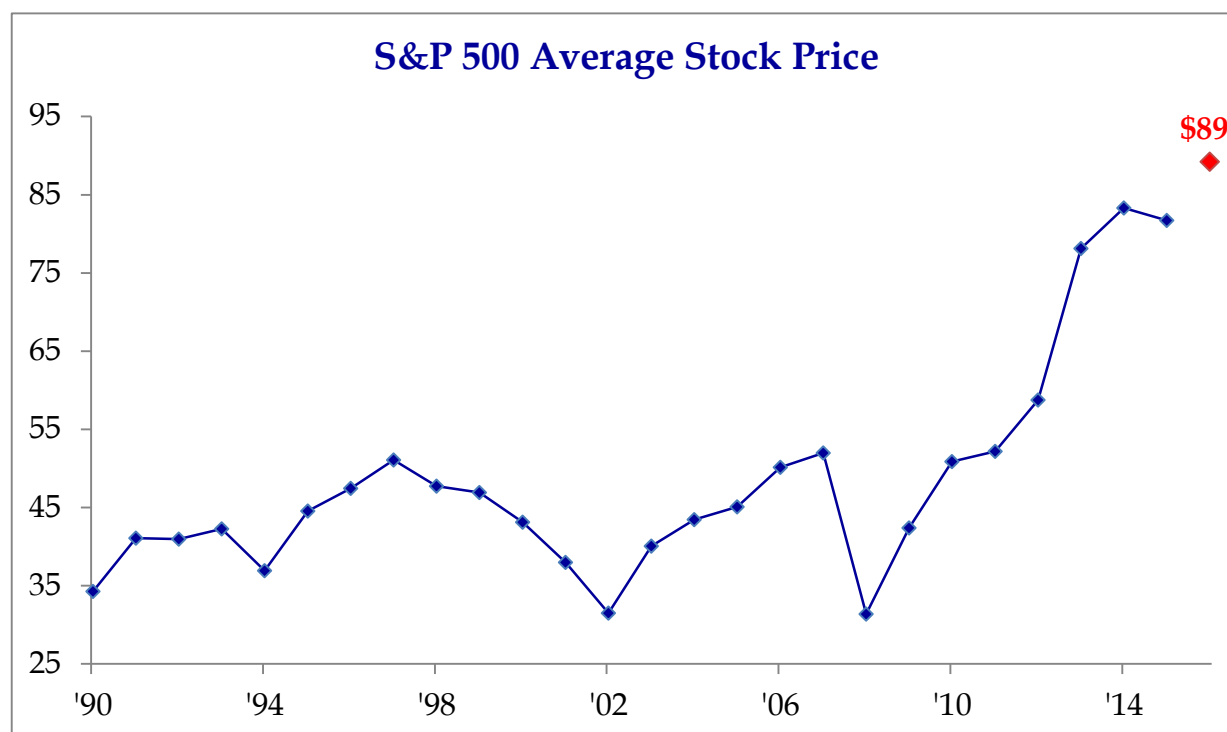
# TRUMP TANTRUM LEADS TO OUTFLOWS FOR BOND MUTUAL FUNDS



## Net Flows into Mutual Funds + ETFs (\$BN)

Year	Domestic Equity		International Equity		Bond Funds		Money Mkt
	MF	ETF	MF	ETF	MF	ETF	
2009	(27.6)	30.9	29.6	39.6	371.2	46.0	(539.1)
2010	(81.1)	46.7	56.7	41.5	232.3	29.7	(525.1)
2011	(133.3)	47.3	4.1	24.3	117.7	46.0	(124.1)
2012	(159.1)	80.9	6.4	51.9	306.2	52.3	(0.2)
2013	18.1	104.1	141.4	62.8	(71.2)	12.2	15.0
2014	(60.2)	141.5	85.4	46.6	43.5	51.0	6.2
2015	(170.8)	65.4	93.9	109.7	(25.5)	54.9	21.5
2016 YTD	(207.3)	137.0	(17.8)	8.7	116.8	77.4	(38.0)
Jan.	(15.5)	(9.7)	10.5	(3.5)	(5.2)	12.9	(20.2)
Feb.	(2.0)	(1.1)	10.8	(6.5)	1.1	10.7	37.4
Mar.	(9.7)	19.6	(0.1)	4.2	21.4	7.9	(16.1)
Apr.	(19.2)	6.1	(4.5)	(0.1)	19.0	3.1	(37.5)
May	(17.7)	6.8	(0.4)	(5.6)	12.9	3.7	(6.6)
Jun.	(14.7)	3.5	(4.2)	4.9	8.7	8.0	(18.4)
Jul.	(31.0)	33.8	(6.2)	3.8	24.5	9.2	14.1
Aug.	(24.8)	14.3	(7.6)	5.2	23.1	7.8	17.6
Sep.	(15.3)	10.1	(7.1)	(0.2)	17.6	7.1	(54.4)
Oct.	(31.5)	8.3	(6.6)	5.6	10.2	3.7	(8.2)
Nov.	(25.9)	45.5	(2.4)	0.8	(16.5)	3.2	54.4
<b>TOTAL</b>	<b>(821.2)</b>	<b>653.7</b>	<b>399.7</b>	<b>385.1</b>	<b>1091.1</b>	<b>369.5</b>	<b>(1183.8)</b>

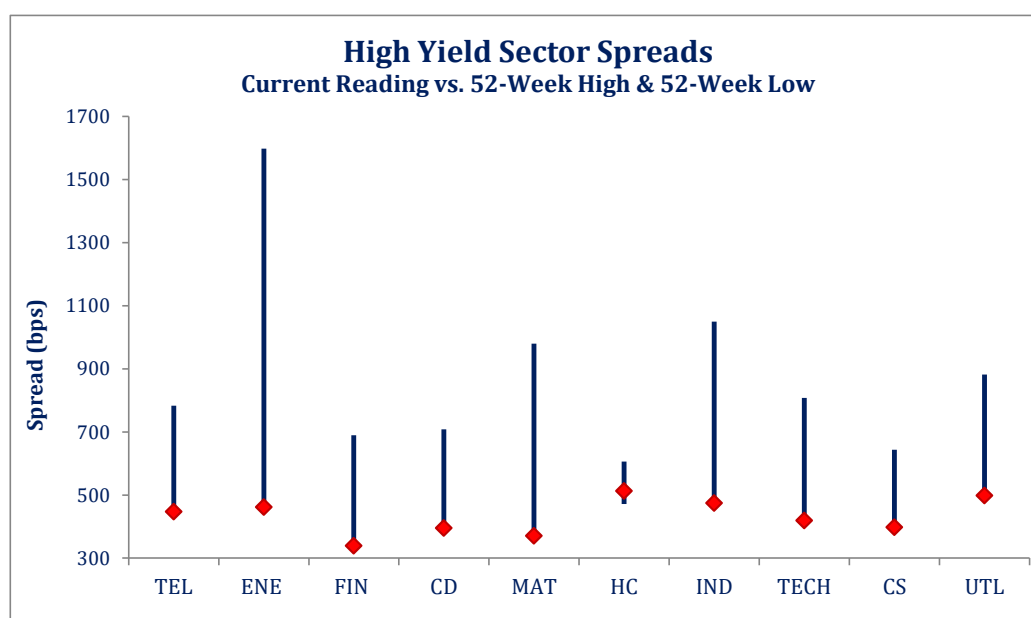
## AVERAGE STOCK PRICE REACHES A NEW HIGH IN 2016



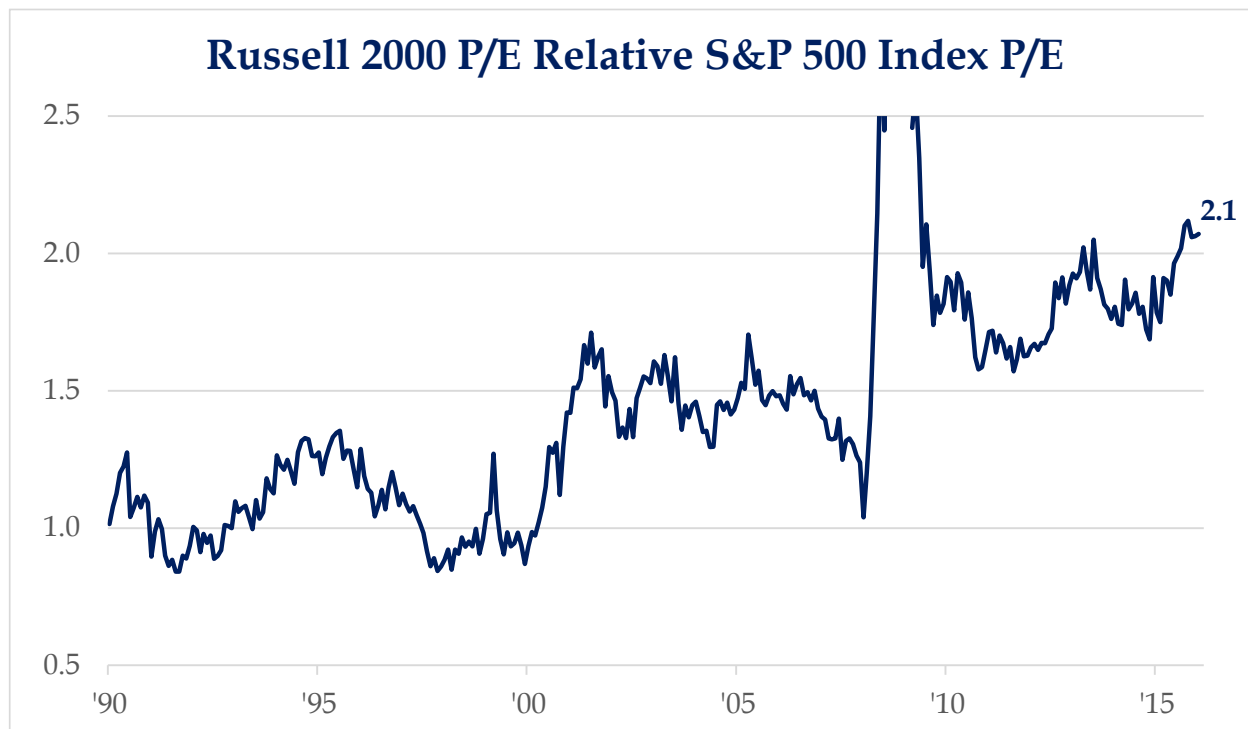
### S&P 500 Ten Highest Priced Stocks

PCLN	Priceline Group	\$1,466.06	MTD	Mettler-Toledo Intl	\$418.56
GOOGL	Alphabet	\$792.45	BLK	BlackRock	\$380.54
AZO	AutoZone	\$789.79	CMG	Chipotle Mexican Grill	\$377.32
AMZN	Amazon.com	\$749.87	REGN	Regeneron Pharmaceuticals	\$367.09
ISRG	Intuitive Surgical	\$634.17	EQIX	Equinix	\$357.41

## AND SECTOR HIGH YIELD SPREADS REMAIN SUPPRESSED



## POST-FINANCIAL CRISIS SMALL-CAPS NEAR MOST EXPENSIVE LEVEL RELATIVE TO LARGE CAPS

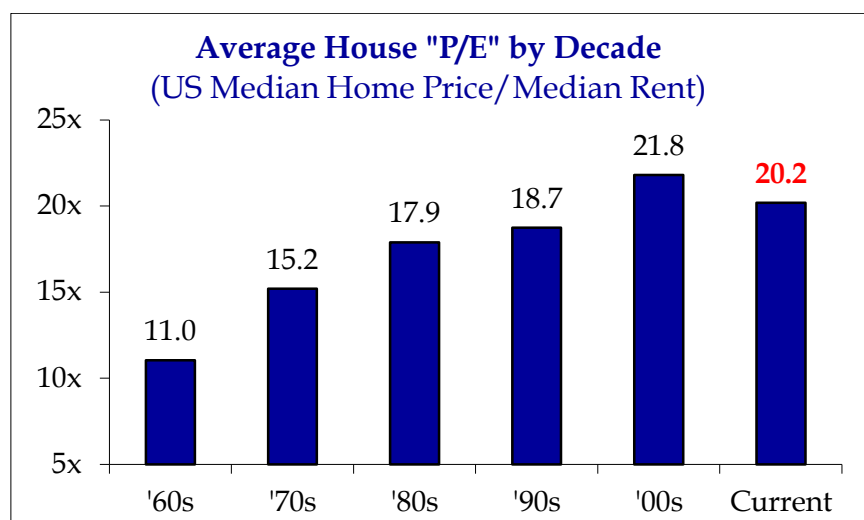
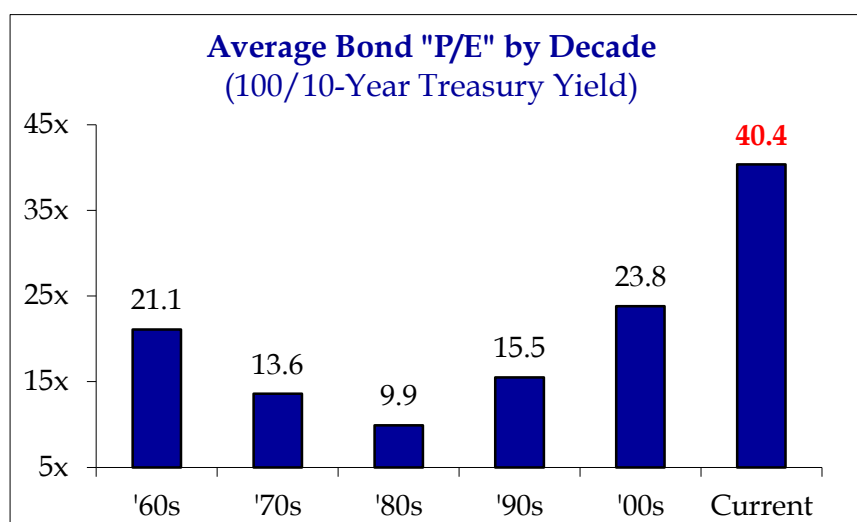
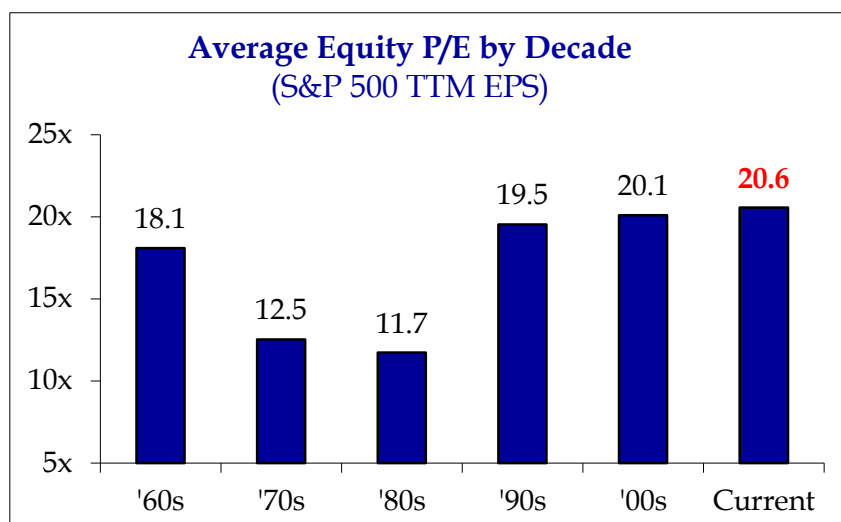


## 2016 A YEAR OF UPSETS

### 2016: A YEAR OF LONGSHOTS

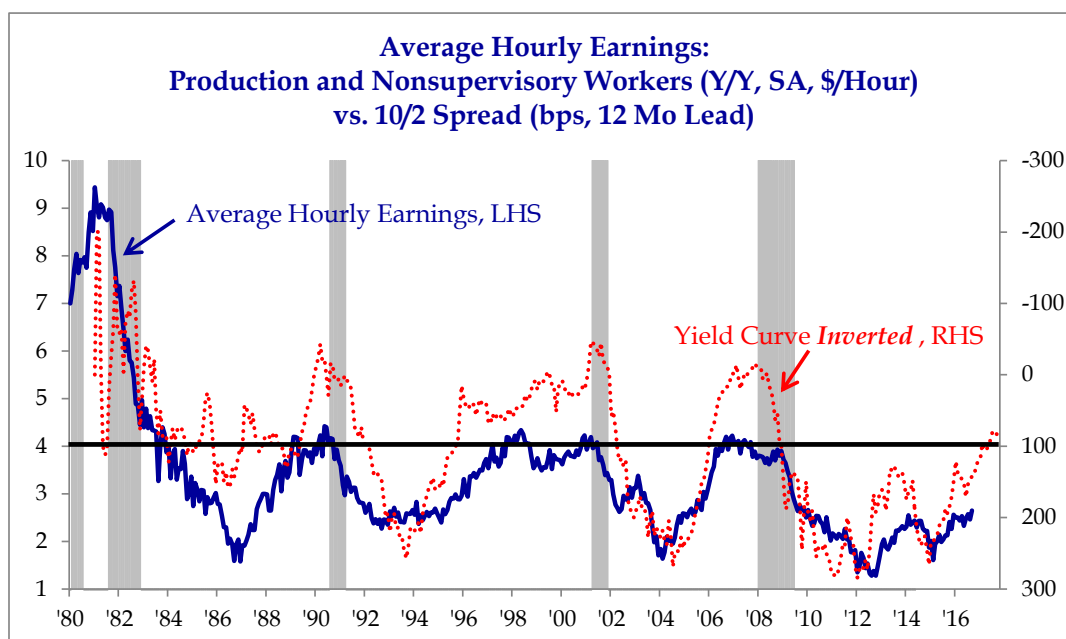
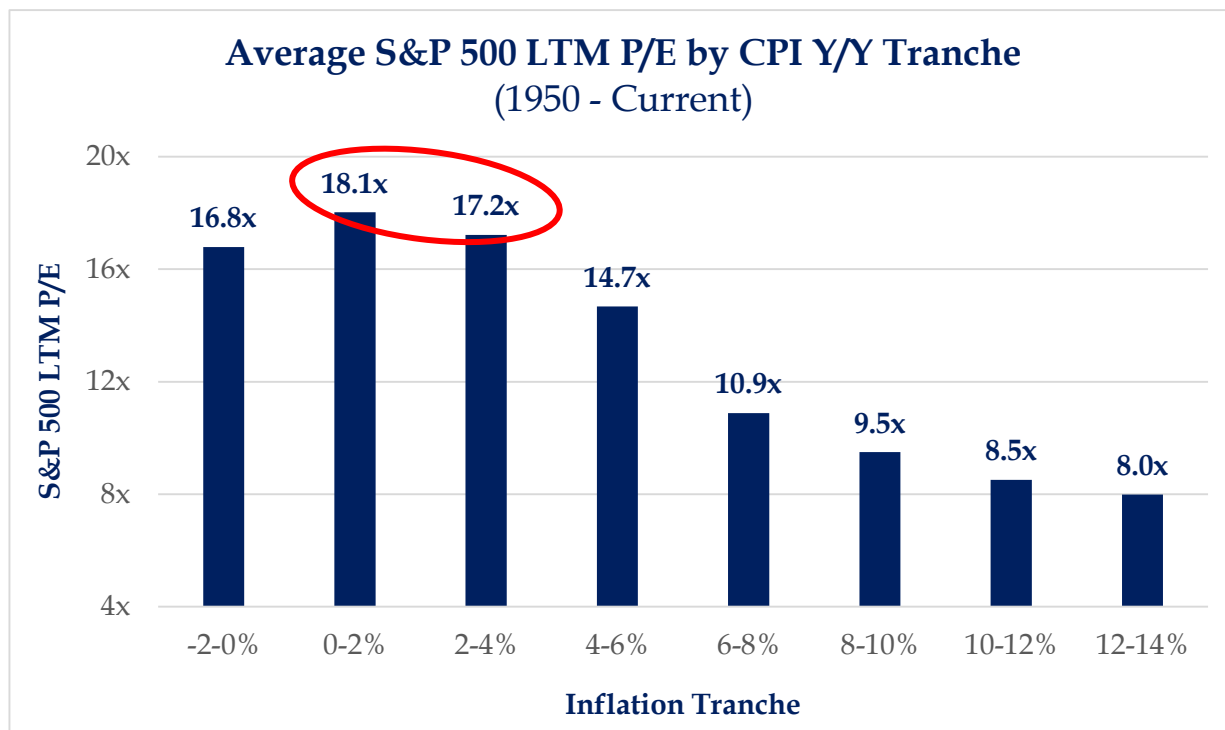
<u>Contest</u>	<u>Odds</u>	<u>Date</u>	<u>Bookmaker</u>
Leicester wins Premiership	5,000 to 1	August 2015	Ladbrokes
"Leave" Wins Brexit Vote	4.4 to 1	May 2016	Oddschecker
Chicago Cubs Win World Series	4 to 1	March 2016	Las Vegas Sportsbook
Donald Trump Wins Presidency	53 to 1	June 2015	PaddyPower

## STOCKS & HOUSING STILL ATTRACTIVE RELATIVE TO BONDS



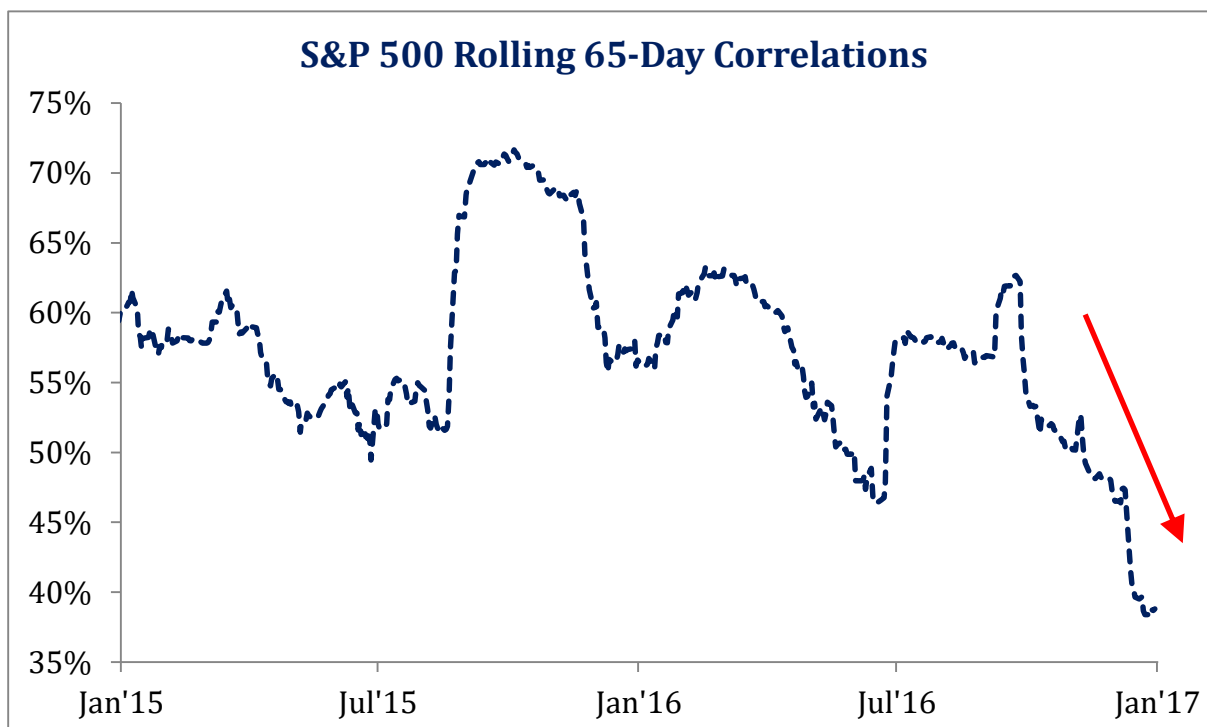
## MULTIPLES MAY BEGIN TO CONTRACT AS INFLATION PICKS-UP BUT NOT YET WORRISOME

In the context of the inflation outlook in the U.S. and the developed world, there appears to be little risk for earnings multiples in the short term. Historically, zero to 2% inflation has remained the sweet spot for valuations. Even slightly higher readings, say 2-4%, don't appear to lead to meaningful multiple erosion. It's only when investors see signs of deflation ( $< 0\%$ ) or greater than 4% inflation that multiples appear mostly greatly at risk.



*Barring a policy error or an exogenous event, inflation is the mechanism through which business expansions end. Growth in Average Hourly Earnings of 4% often precedes recession. Today, we stand at 2.7%. With the decline in energy prices and the strength of the dollar, the chances for a long cycle have grown.*

## GOOD NEWS FOR ACTIVE MANAGERS: CORRELATIONS NEARING LOWEST LEVEL IN TWO YEARS

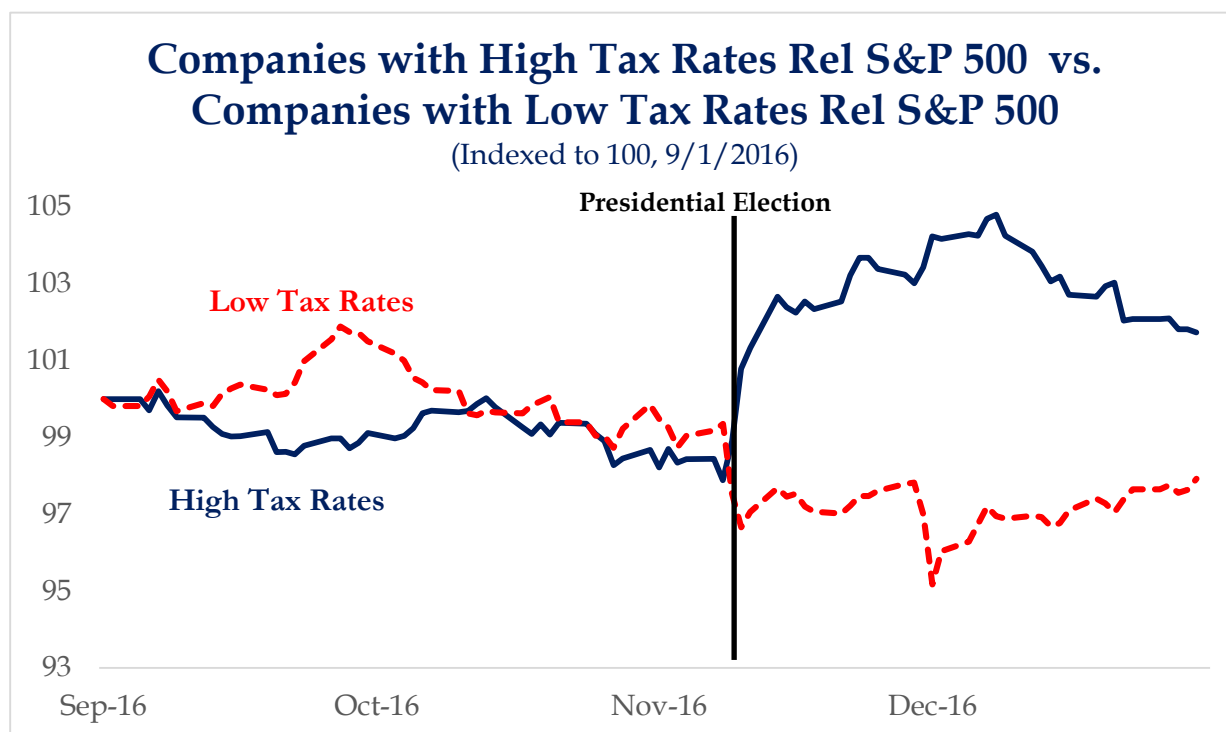


**IT REMAINS TO BE SEEN WHETHER  
DISPERSION WILL PICK UP**



## EFFECTIVE TAX RATES BECOMING THE SECOND ITERATION OF THE “TRUMP TRADE”

The prospects of increased government spending and by extension a steeper yield curve at least in the short-term appears to have driven the first leg of the rally in the aftermath of the election – engineering and construction stocks, banks, and road and rail have all been outperformers. We could imagine the second leg of the rally will focus less on direct spending by the federal government and more on the prospects for tax reform and simplification. Of course, such reforms will take time and the devil will be in details as they say. **Still, we would have a bias toward overweighting companies that have relatively high effective tax rates and underweighting those that already have relatively low ones.** However, we are more skeptical of retail companies/refiners (importers) benefitting given they could be negatively impacted by offsets to pay for the tax rate reductions. Of the low tax rate companies we still favor our Washington team’s repatriation basket. Stay tuned.



# COMPANIES WITH HIGH & LOW EFFECTIVE TAX RATES

## Companies With High Tax Rates

Ticker	Company
ARNC	Arconic Inc
ABC	AmerisourceBergen Corp
BSX	Boston Scientific Corp
REGN	Regeneron Pharmaceuticals Inc
FB	Facebook Inc
OI	Owens-Illinois Inc
CNC	Centene Corp
HUM	Humana Inc
UNH	UnitedHealth Group Inc
CAG	Conagra Brands Inc
RAI	Reynolds American Inc
COP	ConocoPhillips
LOW	Lowe's Cos Inc
WEC	WEC Energy Group Inc
LH	Laboratory Corp of America Holdings
CVS	CVS Health Corp
AWK	American Water Works Co Inc
UA	Under Armour Inc
WFM	Whole Foods Market Inc
JWN	Nordstrom Inc
TROW	T Rowe Price Group Inc
PEG	Public Service Enterprise Group Inc
AN	AutoNation Inc
KMX	CarMax Inc
AEE	Ameren Corp

## Companies With Low Tax Rates

Ticker	Company
O	Realty Income Corp
HCP	HCP Inc
COO	Cooper Cos Inc/The
AVGO	Broadcom Ltd
CCL	Carnival Corp
AVB	AvalonBay Communities Inc
GGP	General Growth Properties Inc
TMO	Thermo Fisher Scientific Inc
HCN	Welltower Inc
ETN	Eaton Corp PLC
RCL	Royal Caribbean Cruises Ltd
FSLR	First Solar Inc
WDC	Western Digital Corp
MU	Micron Technology Inc
WYNN	Wynn Resorts Ltd
AJG	Arthur J Gallagher & Co
MCHP	Microchip Technology Inc
EA	Electronic Arts Inc
EXR	Extra Space Storage Inc
UAL	United Continental Holdings Inc
COTY	Coty Inc
AIV	Apartment Investment
KIM	Kimco Realty Corp
LVT	Level 3 Communications Inc
AMGN	Amgen Inc

For a more extensive list please contact your sales person.

## TOP & BOTTOM 10 PERFORMING INDUSTRIES POST-ELECTION

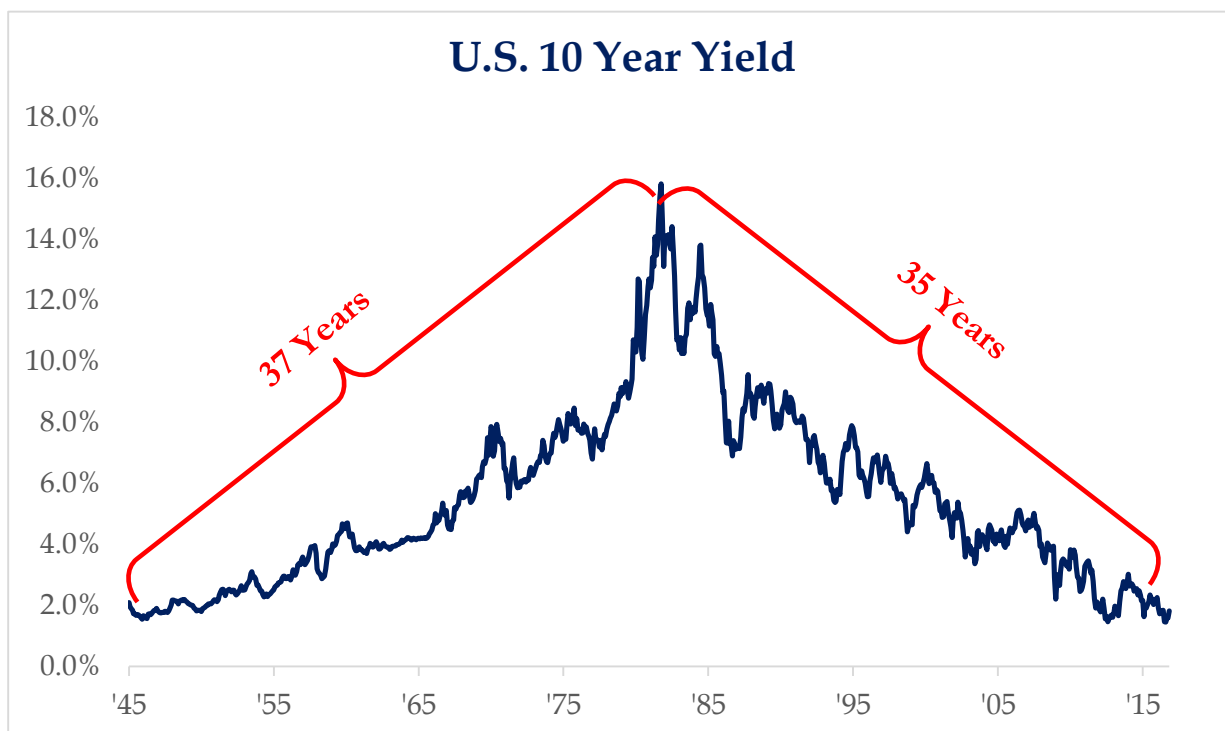
### S&P 500 Top 10 Industry Performers Since Election

Industry	Performance (sorted)
Banks	23.2%
Trading Cos & Distributors	18.7%
Consumer Finance	18.7%
Construction & Engineering	17.2%
Real Estate Management	16.5%
Airlines	15.9%
Capital Markets	13.8%
Diversified Telecom	12.9%
Road & Rail	12.3%
Diversified Fin Services	10.6%

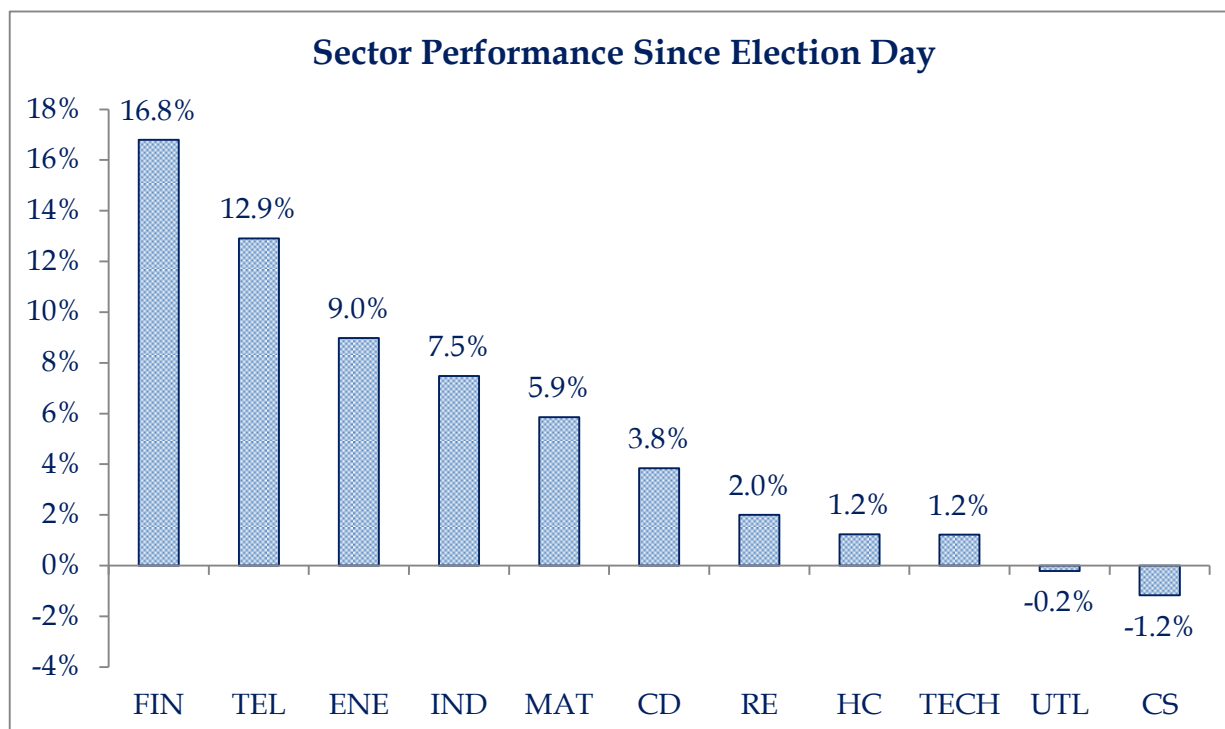
### S&P 500 Bottom 10 Industry Performers Since Election

Industry	Performance (sorted)
Building Products	-3.4%
Textiles & Apparel	-3.7%
Household Products	-3.9%
Internet Software & Services	-4.0%
Internet & Direct Marketing Retail	-5.2%
Life Sciences Tools & Services	-5.3%
HC Equipment & Supplies	-5.5%
Leisure Products	-8.5%
Personal Products	-8.6%
HC Technology	-10.0%

## BOND YIELDS HAVE TRENDED IN ONE DIRECTION OR THE OTHER FOR DECADES AT A TIME



## FINANCIALS, CYCLICALS THE BEST PERFORMERS POST-ELECTION



## WHAT CONSTITUTES “LOW VOL” IN A PERIOD OF ETF GROWTH?

The growth in assets under management for relatively modern financial products like private equity and ETFs can be traced, at least in part, back to the tension resulting from the desire to avoid losses after the Global Financial Crisis and the absence of yield from traditional sources like sovereign debt. This has led, in our view, to perverse outcome – the assets seen as possessing the lowest risk may, in fact, may be the most over-valued. A quick glance at the holdings of “low vol” ETFs suggests that the risks inherent in the strategy may not be as evenly distributed as might be hoped. Our current overweight in the Consumer Staples sector gives us pause.

### iShares Edge MSCI Min Vol Global ETF

1	Automatic Data Processing, Inc.	ADP
2	Johnson & Johnson	JNJ
3	General Mills, Inc.	GIS
4	Southern Company	SO
5	Procter & Gamble Company	PG
6	AT&T Inc.	T
7	McDonald's Corporation	MCD
8	Consolidated Edison, Inc.	ED
9	Verizon Communications Inc.	VZ
10	AutoZone, Inc.	AZO

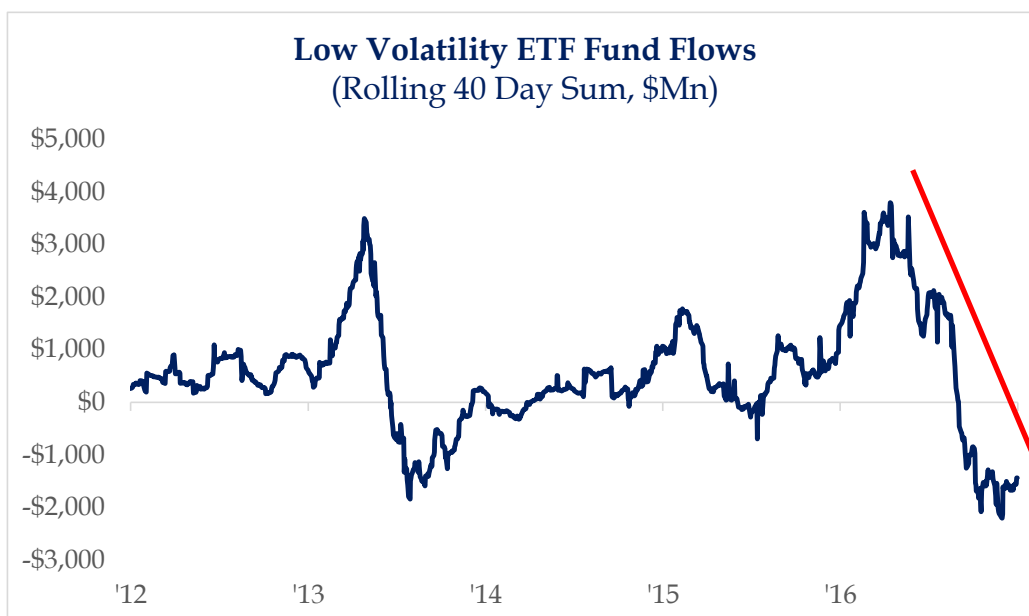
### iShares Edge MSCI Min Vol USA ETF

1	Johnson & Johnson	JNJ
2	Automatic Data Processing, Inc.	ADP
3	Paychex, Inc.	PAYX
4	Procter & Gamble Company	PG
5	PepsiCo, Inc.	PEP
6	AT&T Inc.	T
7	General Mills, Inc.	GIS
8	Verizon Communications Inc.	VZ
9	Berkshire Hathaway Inc. Class B	BRK.B
10	Becton, Dickinson and Company	BDX

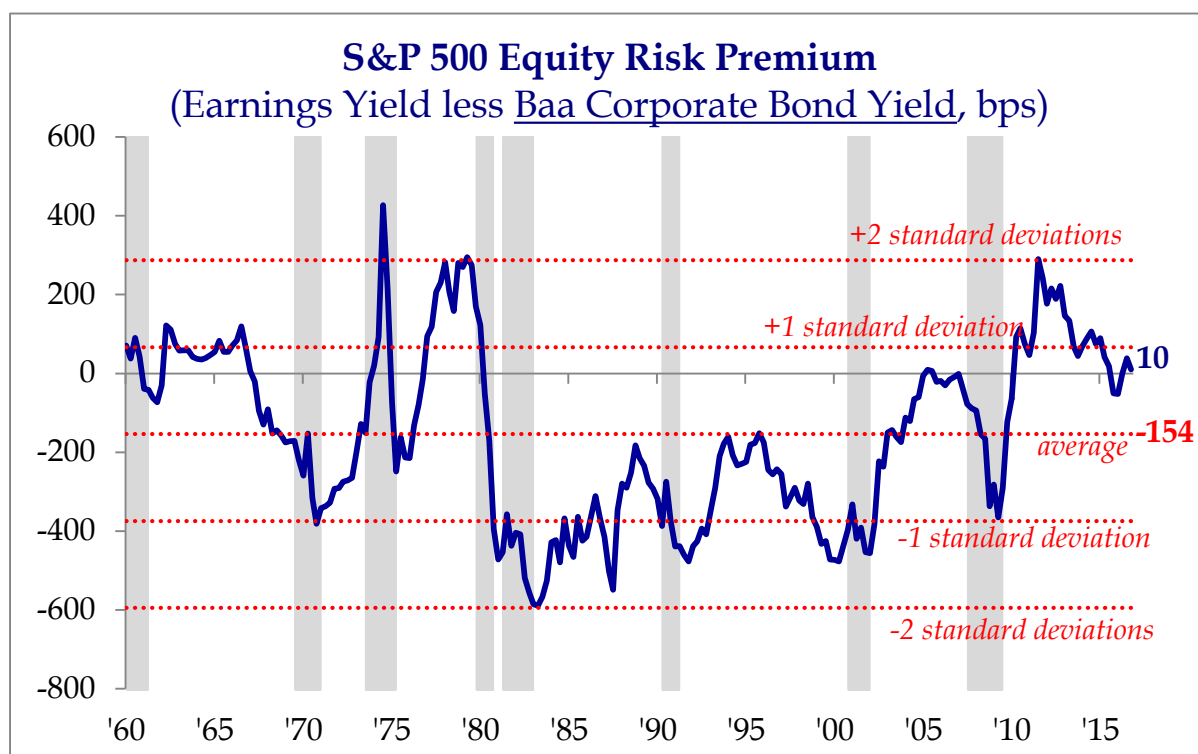
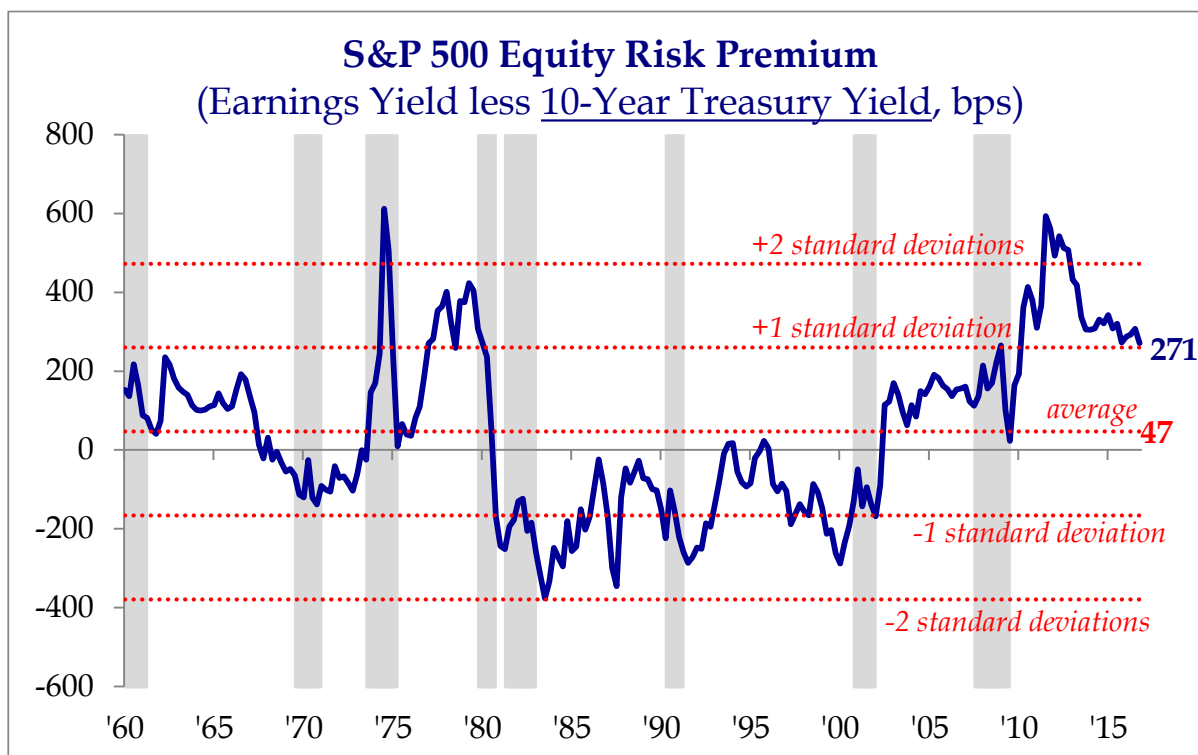
### Powershares S&P 500 Low Volatility Portfolio

1	Waste Management, Inc.	WM	6	Coca-Cola Company	KO
2	Republic Services, Inc.	RSG	7	Procter & Gamble Company	PG
3	United Parcel Service, Inc. Class B	UPS	8	Johnson & Johnson	JNJ
4	Lockheed Martin Corporation	LMT	9	Berkshire Hathaway Inc. Class B	BRK.B
5	PepsiCo, Inc.	PEP	10	Northrop Grumman Corporation	NOC

### Low Volatility ETF Fund Flows (Rolling 40 Day Sum, \$Mn)



# EQUITIES STILL MORE ATTRACTIVELY PRICED RELATIVE TO BONDS DESPITE BACK UP IN YIELDS



## THOSE WISHING TO PLAY THE FIRST DERIVATIVE CHANGE IN EARNINGS AS A TRADE MAY WANT TO SEEK CYCLICALS

The good news for equity investors is that some of the cyclical forces that have dragged down earnings over the past several quarters – the dollar and the price of oil – are poised to moderate on a year-over-year basis in the coming quarters. Trailing 4Q earnings for the S&P 500 are likely to increase from \$116 today to \$128 (a +10.5% increase) a year from today. As one might suspect, cyclical sectors like Consumer Discretionary, Technology, and Industrials outperform by the widest margin in the year following earnings recession troughs. Strategas is overweight the Technology and Industrials sectors.

### Average Sector Performance Following Earnings Recession Troughs

Sector Index	+1 Month	+3 Months	+6 Months	+12 Months (Sorted)
Discretionary	2.7%	9.6%	15.9%	19.8%
Technology	1.6%	7.8%	8.9%	16.8%
Industrials	1.2%	5.9%	7.9%	14.9%
<b>S&amp;P 500</b>	<b>2.7%</b>	<b>6.3%</b>	<b>9.2%</b>	<b>11.9%</b>
Financials	2.1%	6.1%	12.0%	11.7%
Materials	1.8%	5.9%	7.0%	11.2%
Telecom	-1.2%	5.0%	2.1%	10.2%
Energy	2.3%	4.7%	5.6%	8.0%
Staples	3.2%	8.6%	8.0%	7.8%
Health Care	0.6%	5.5%	3.5%	3.1%
Utilities	-2.4%	4.3%	-1.9%	0.0%

S&P Operating EPS Peaks		S&P Operating EPS Troughs		% Decline	Associated with a Bear Market?
Date	TTM EPS	Date	TTM EPS		
12/31/1950	2.79	6/30/1952	2.30	-17.6%	
3/31/1956	3.62	9/30/1958	2.83	-21.9%	X
12/31/1966	5.45	9/30/1967	5.21	-4.5%	X
9/30/1969	5.78	12/31/1970	5.04	-12.9%	X
9/30/1974	8.95	9/30/1975	7.51	-16.0%	X
3/31/1980	15.02	3/31/1981	14.32	-4.6%	
12/31/1981	15.08	3/31/1983	12.20	-19.1%	X
12/31/1984	16.62	6/30/1985	16.04	-3.5%	
6/30/1986	16.66	12/31/1986	15.55	-6.7%	X
6/30/1989	25.53	12/31/1991	19.30	-24.4%	X
6/30/1998	44.67	9/30/1998	44.09	-1.3%	
9/30/2000	56.79	12/31/2001	38.85	-31.6%	X
6/30/2007	91.47	9/30/2009	39.61	-56.7%	X
6/30/2012	98.69	12/31/2012	96.82	-1.9%	
9/30/2014	114.51	6/30/2016	98.17	-14.3%	?

## BASKET CASE: STRATEGAS' PROPRIETARY STOCK BASKETS PRESIDENT-ELECT BOOSTING STOCK PRICES

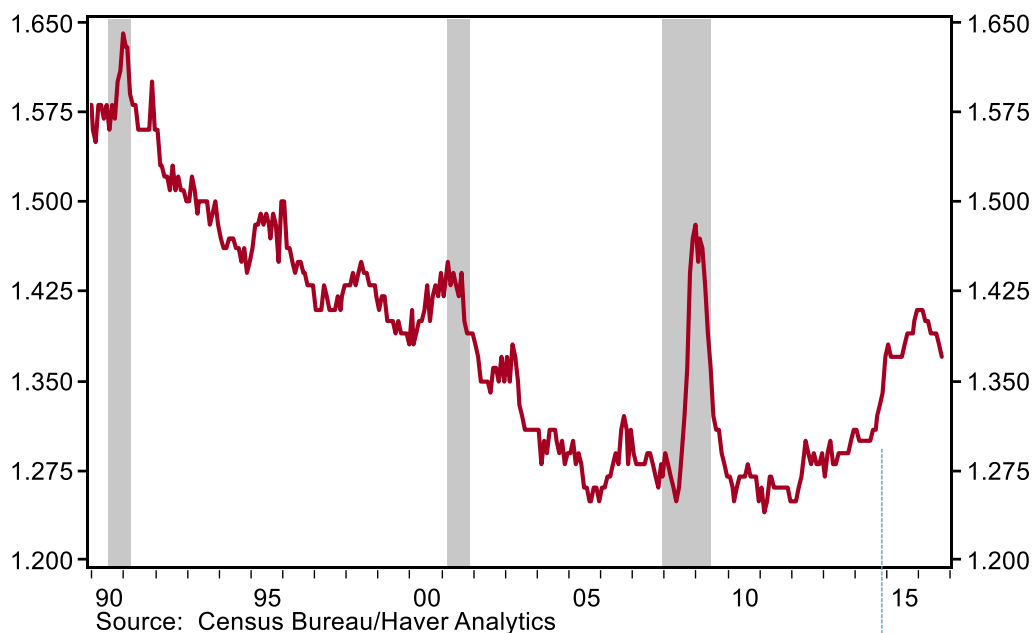
Strategas' Proprietary Stock Baskets are created as both diagnostic tools and as ways to play what we believe will prove to be major investment themes. The performance of our baskets year-to-date can lead investors to the following conclusions: 1) the market already appears to be pricing in the possibility of greater infrastructure spending and corporate tax reform when Trump takes office in January; 2) Dividend growth strategies can still work despite rising rates; 3) Companies with high foreign sales are doing well despite the stronger dollar; and 4) Energy related baskets appear to be getting a boost from likely relaxed energy policy out of Washington under a Trump presidency. The Crude Export Index and LNG Export Index are two of the top performing indexes this year after being the worst performers in 2015.

Strategas' Proprietary Stock Baskets Performance <u>2015</u>		Strategas' Proprietary Stock Baskets Performance <u>2016</u>	
	Perf.		Perf.
Pro Net Neutrality Index	24.4%	Crude Export Index	65.4%
Infrastructure Index	13.3%	Infrastructure Index	35.7%
Blessed Index	3.5%	LNG Export Index	29.5%
Anti Net Neutrality Index	3.4%	Keystone XL Pipeline Index	27.9%
"Thrifty Fifty" Index	3.2%	<i>S&amp;P 600 Equal-Wtd</i>	<i>27.8%</i>
Democratic Sweep Index	3.2%	Small/Mid Cap Austerity	27.3%
Large Cap Austerity	3.0%	Bonus Depreciation Index	24.2%
Fiscal Policy Index	2.8%	Large Cap Austerity	24.1%
<i>S&amp;P 500 Total Return</i>	<i>1.4%</i>	High Foreign Sales	22.9%
High European Sales	0.0%	Reflation Index	22.7%
EBITDA Tax Reform Index (Low)	0.0%	Large Cap Dividend Growth	22.4%
Large Cap Dividend Growth	-1.4%	Buyout Index	22.0%
Small/Mid Cap Austerity	-2.5%	<i>S&amp;P 400 Equal-Wtd</i>	<i>21.9%</i>
RATE Coalition Index	-2.6%	Blessed Index	17.7%
No Foreign Sales	-2.9%	EBITDA Tax Reform Index (High)	16.7%
<i>S&amp;P 100 Equal-Wtd</i>	<i>-2.9%</i>	Republican Sweep Index	16.7%
<i>S&amp;P 500 Equal-Wtd</i>	<i>-4.1%</i>	Repatriation Index	16.5%
EBITDA Tax Reform Index (High)	-4.2%	Long-Leading Bellwether Index	16.3%
Bonus Depreciation Index	-5.4%	Fiscal Policy Index	15.6%
TPP Trade Index	-6.0%	TPP Trade Index	13.1%
High Foreign Sales	-6.5%	<i>S&amp;P 500 Equal-Wtd</i>	<i>12.5%</i>
<i>S&amp;P 400 Equal-Wtd</i>	<i>-6.8%</i>	<i>S&amp;P 500 Total Return</i>	<i>12.0%</i>
<i>S&amp;P 600 Equal-Wtd</i>	<i>-7.5%</i>	No Foreign Sales	11.1%
Long-Leading Bellwether Index	-7.8%	<i>S&amp;P 100 Equal-Wtd</i>	<i>10.0%</i>
Republican Sweep Index	-10.6%	"Thrifty Fifty" Index	9.1%
Buyout Index	-13.7%	Democratic Sweep Index	8.9%
Reflation Index	-14.9%	RATE Coalition Index	8.8%
Keystone XL Pipeline Index	-19.0%	Anti Net Neutrality Index	8.1%
Repatriation Index	-23.7%	EBITDA Tax Reform Index (Low)	8.0%
LNG Export Index	-36.2%	Pro Net Neutrality Index	7.9%
Crude Export Index	-38.3%	High European Sales	4.2%

# THE INVENTORY-TO-SALES RATIO HAS BEEN AN ISSUE, INFLATION-ADJUSTED IS A BIT BETTER (PRICE IS AN ISSUE)

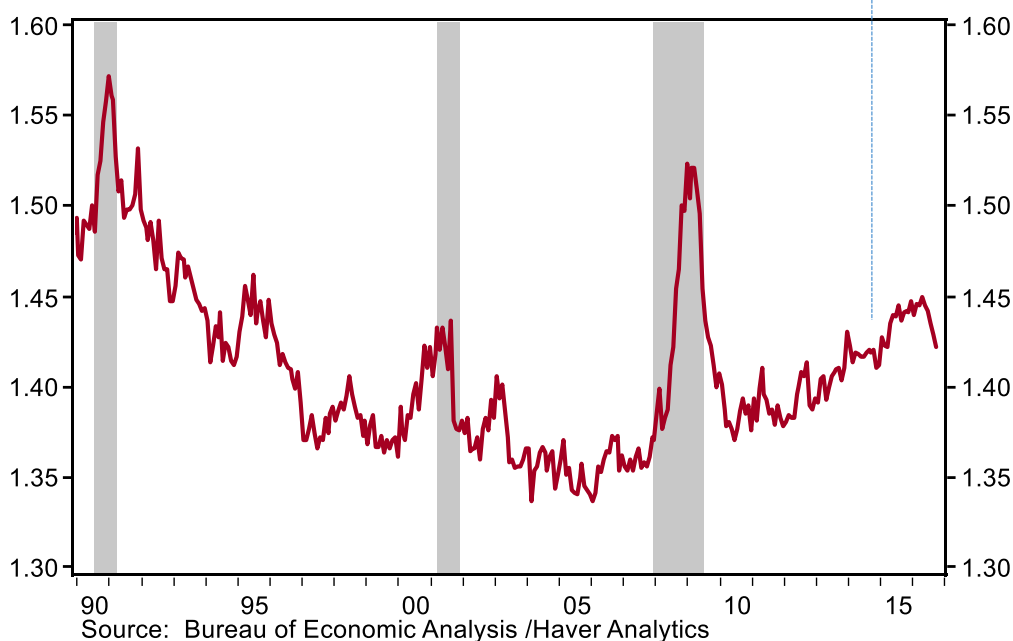
Inventory/Sales Ratio: Total Business

SA

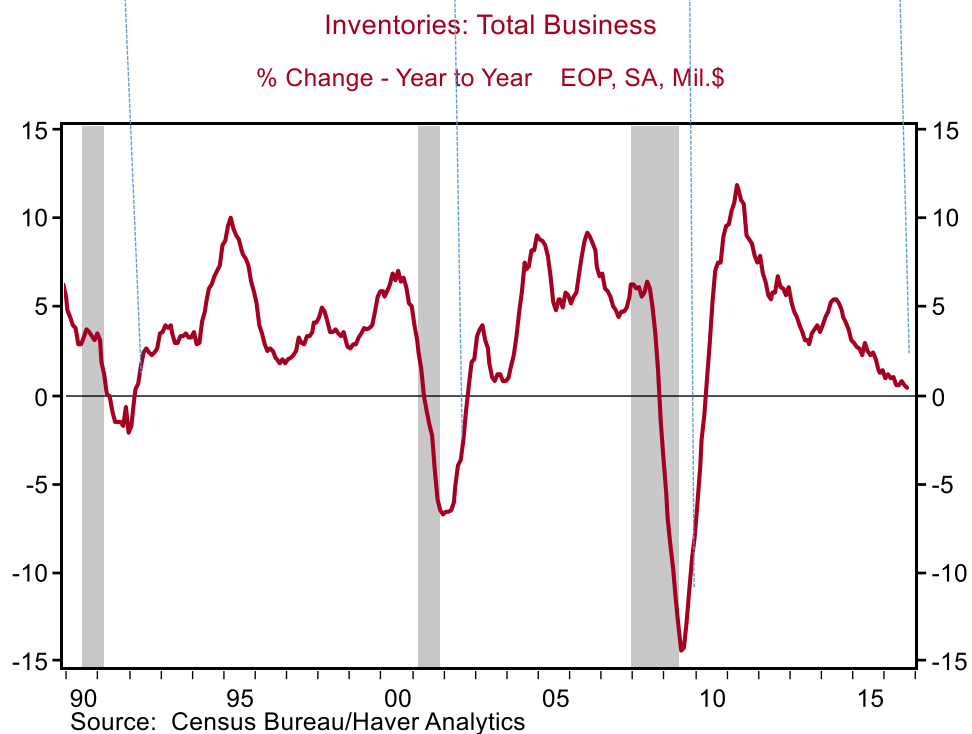
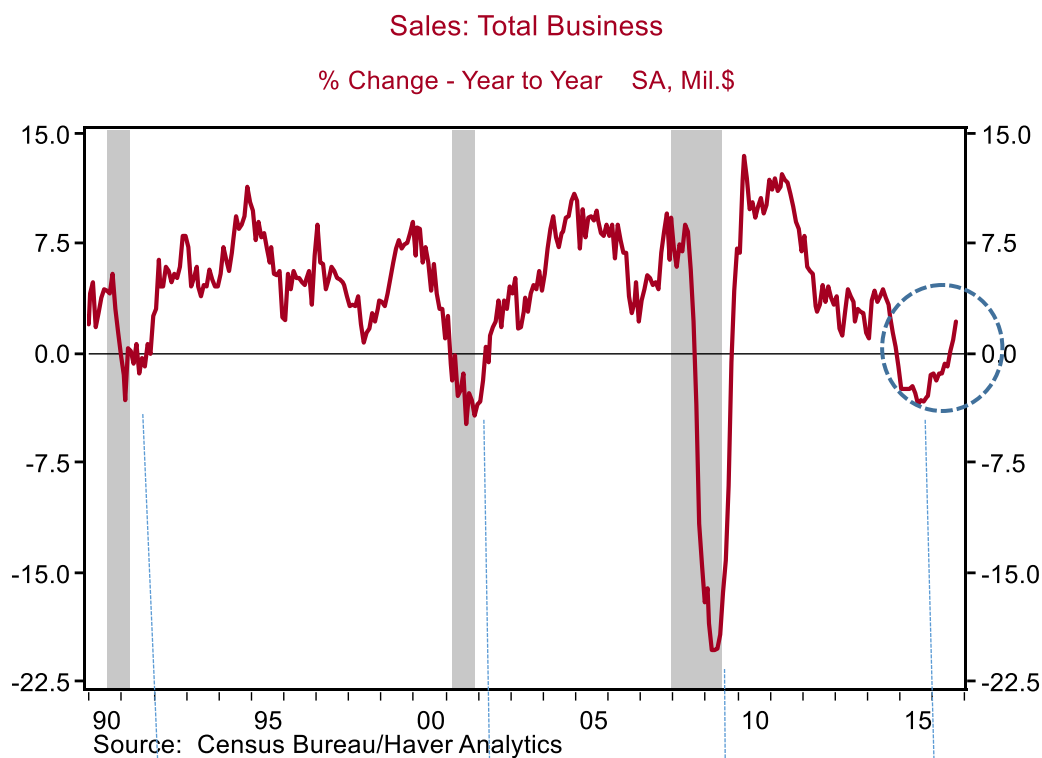


Real Manufacturing &amp; Trade: Inventories/Sales Ratio All Industries

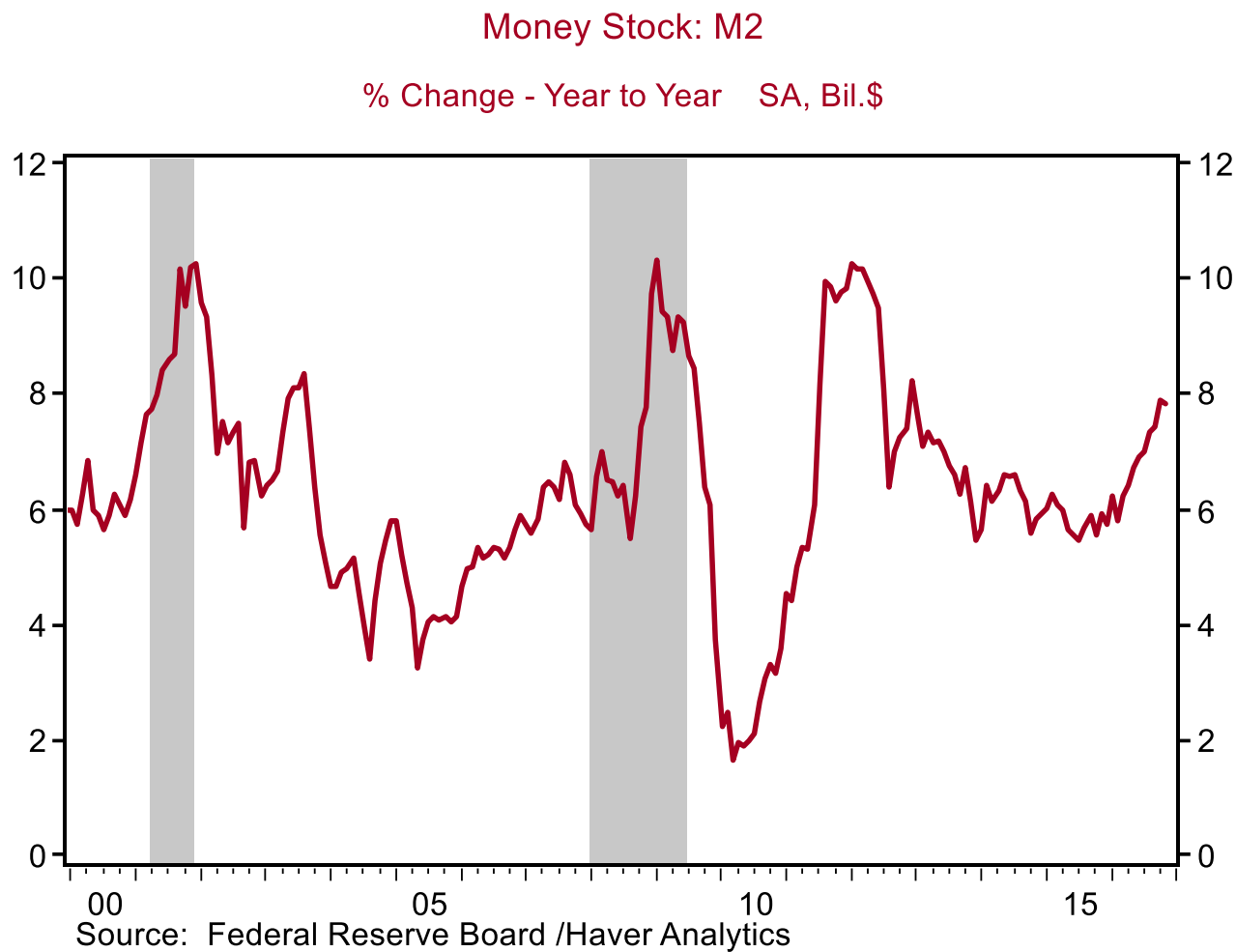
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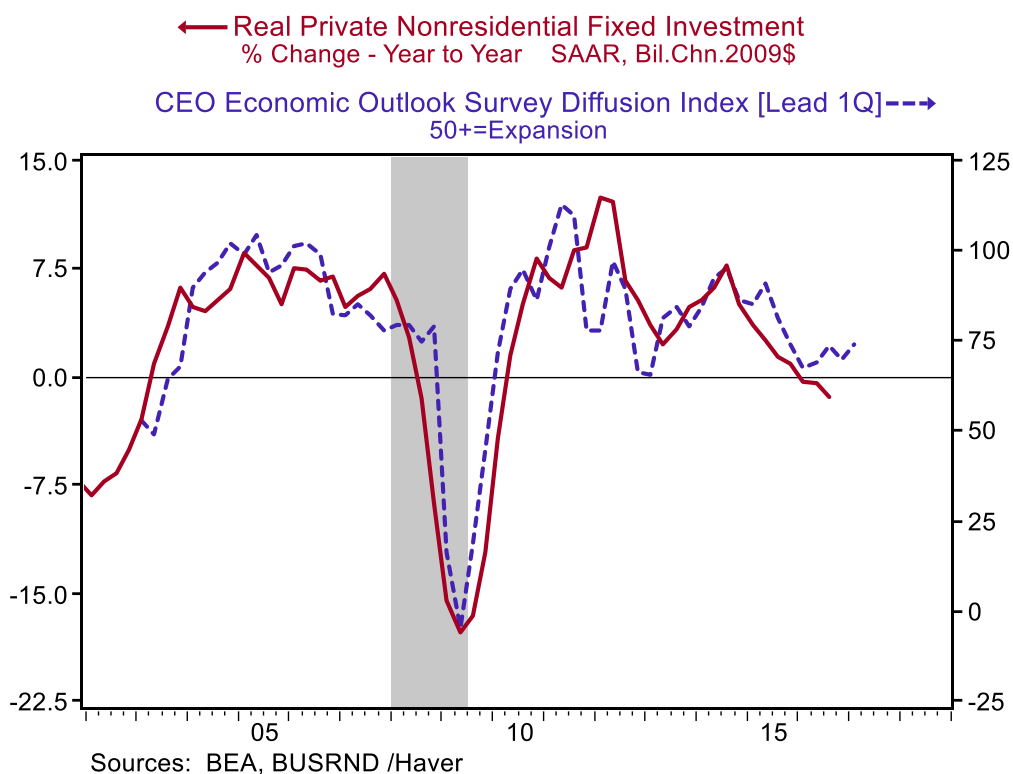
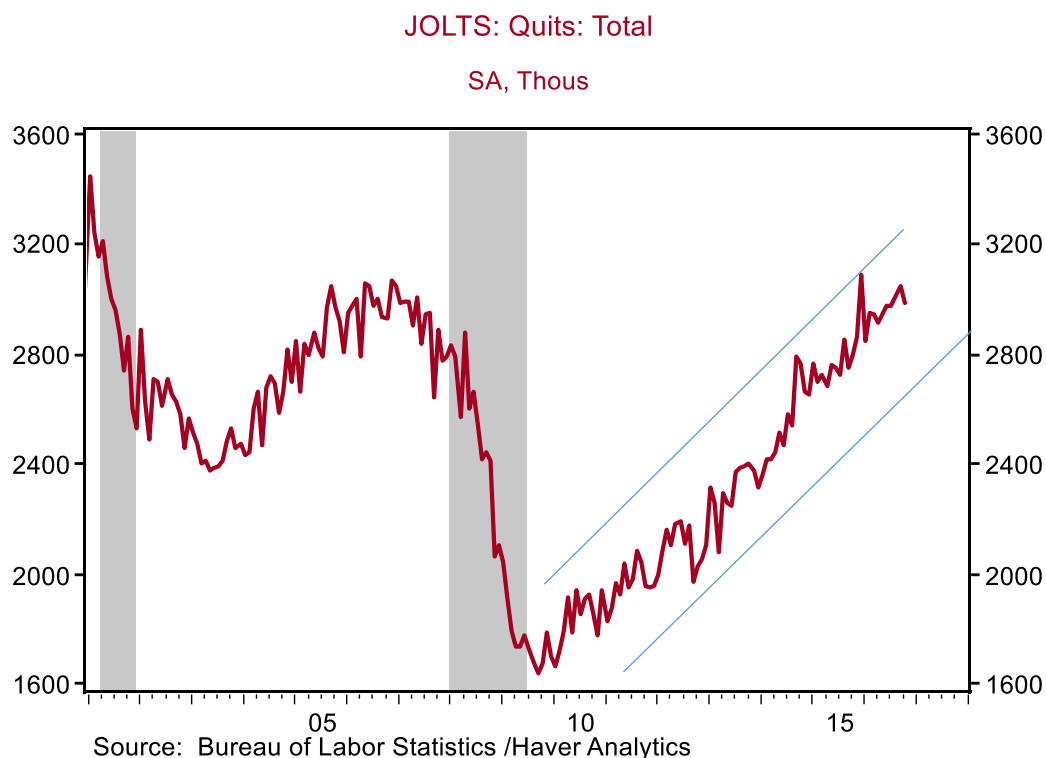
## U.S. SALES LEAD INVENTORIES, AND SALES ARE STARTING TO BOTTOM Y/Y



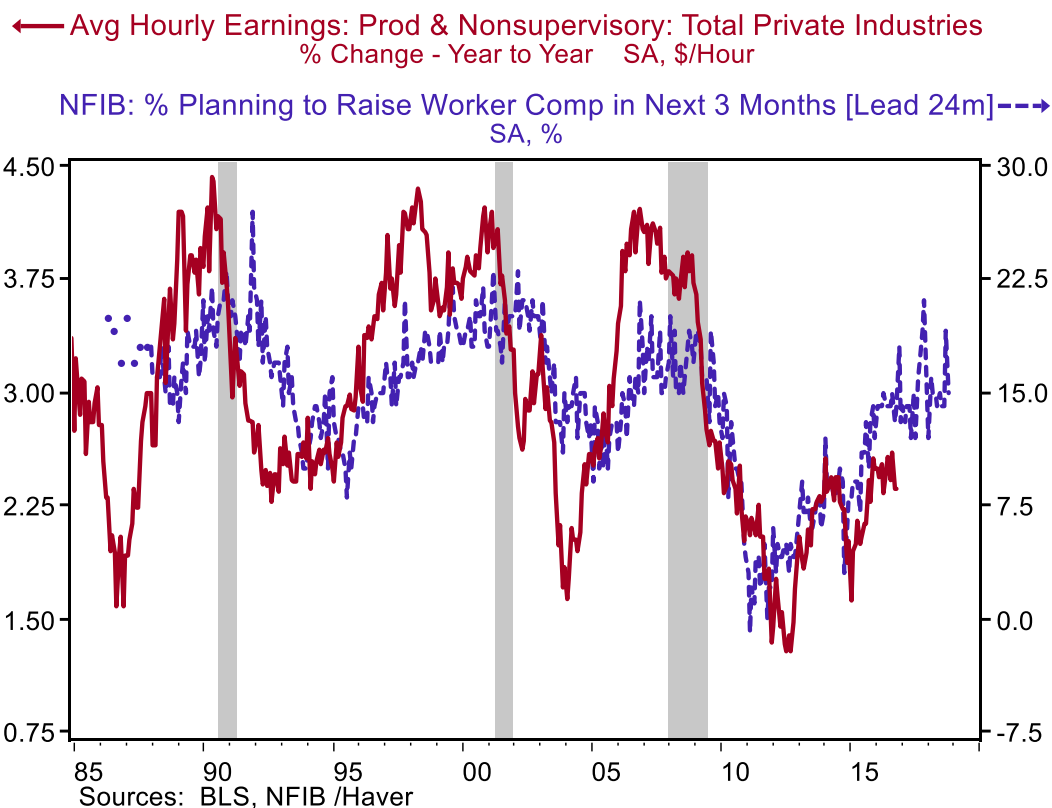
# U.S. MONEY GROWTH HAS ACCELERATED, NOW MAY BE TOPPING (FED TIGHTENING MATTERS)



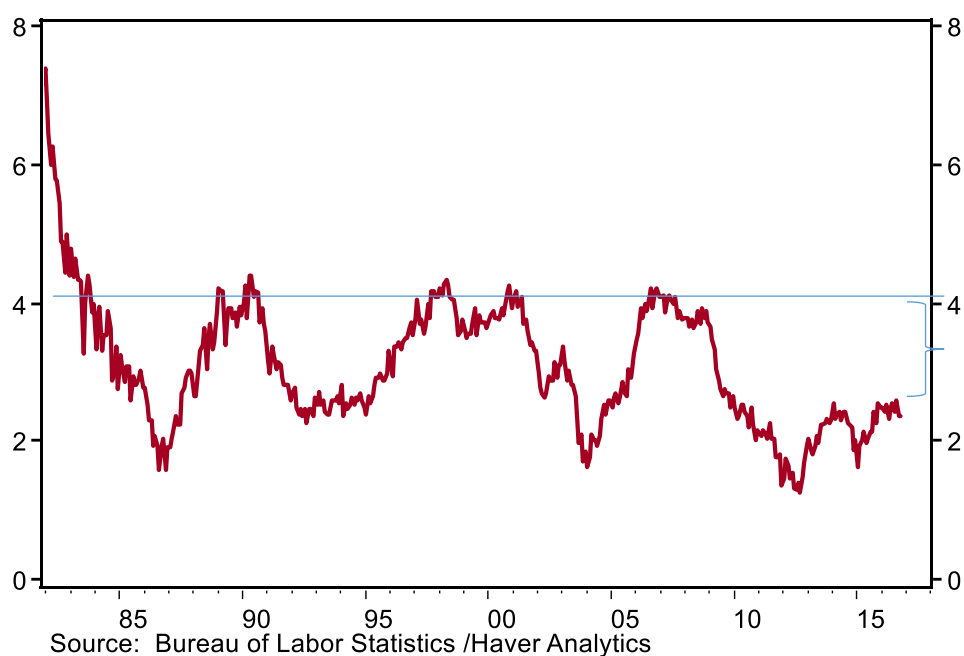
# U.S. WORKERS CONFIDENT ENOUGH TO QUIT, BUSINESSES NOT YET CONFIDENT ENOUGH TO BOOST CAPEX MUCH



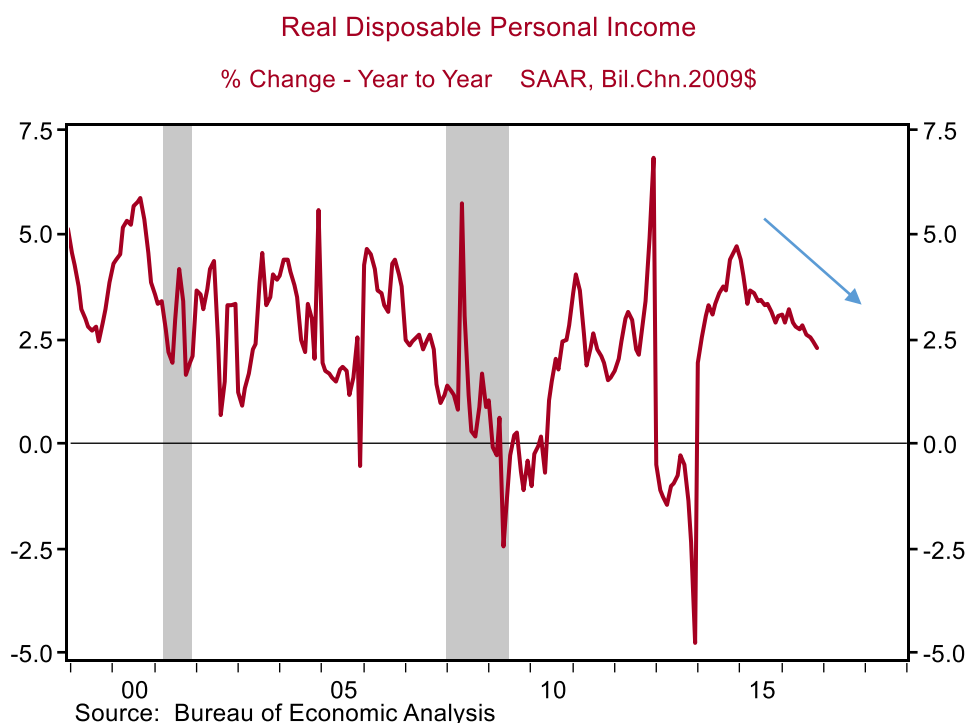
# U.S. FULL EMPLOYMENT MEANS BUSINESSES HAVE TO DEAL WITH RISING WAGES, BUT THERE'S STILL ROOM



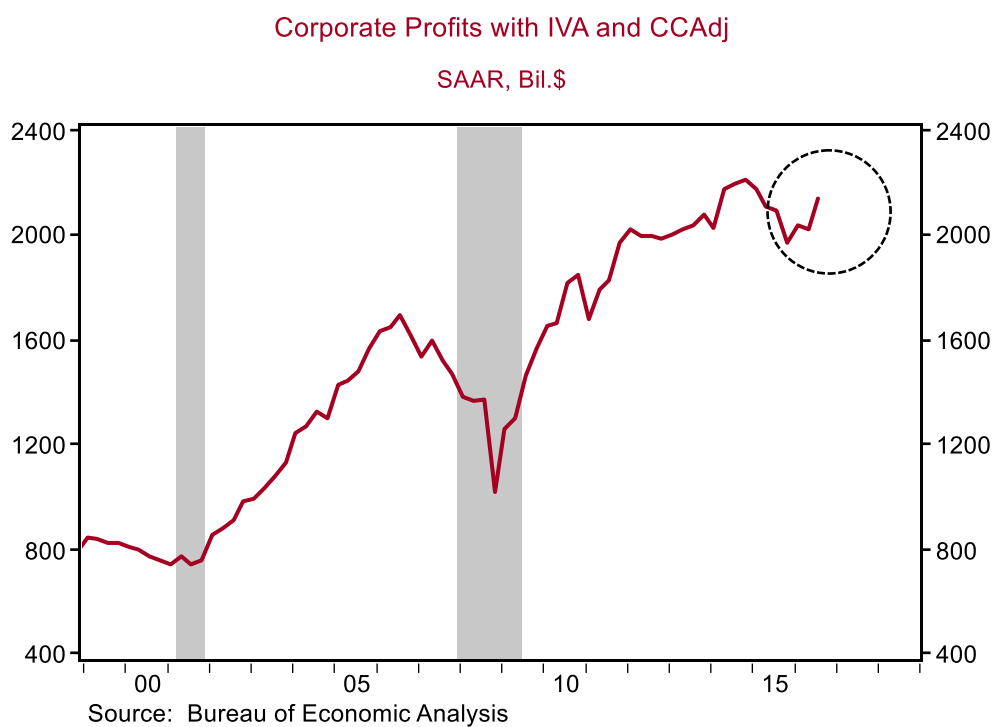
Avg Hourly Earnings: Prod & Nonsupervisory: Total Private Industries  
% Change - Year to Year SA, \$/Hour



## U.S. CONSUMER INCOME REMAINS A SUPPORT, THOUGH IN A SLOWING TREND ...

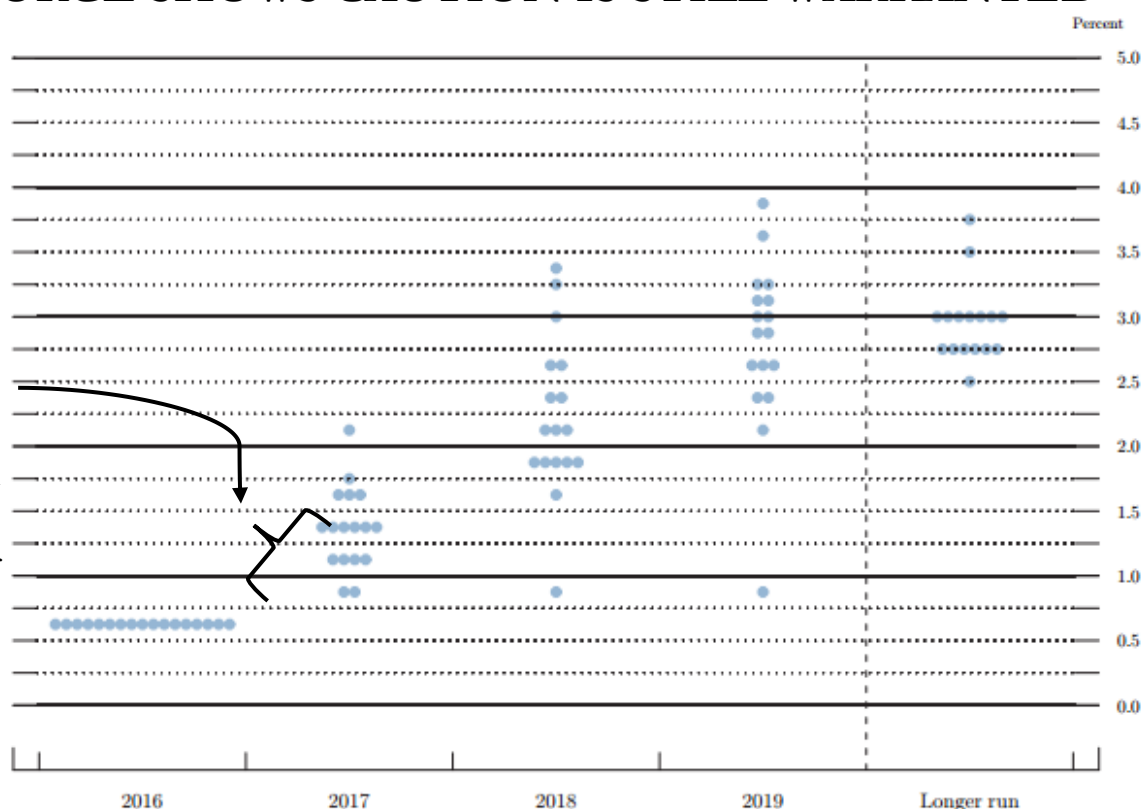


## MORE EVIDENCE THE PROFITS RECESSION IS OVER



# FED ASPIRES TO 3 HIKES IN 2017, BUT US\$ SURGE SHOWS CAUTION IS STILL WARRANTED

It will take three 25 bp moves for the Fed Funds Rate to move from 0.50%-0.75% currently to 1.25%-1.50% by the end of 2017.



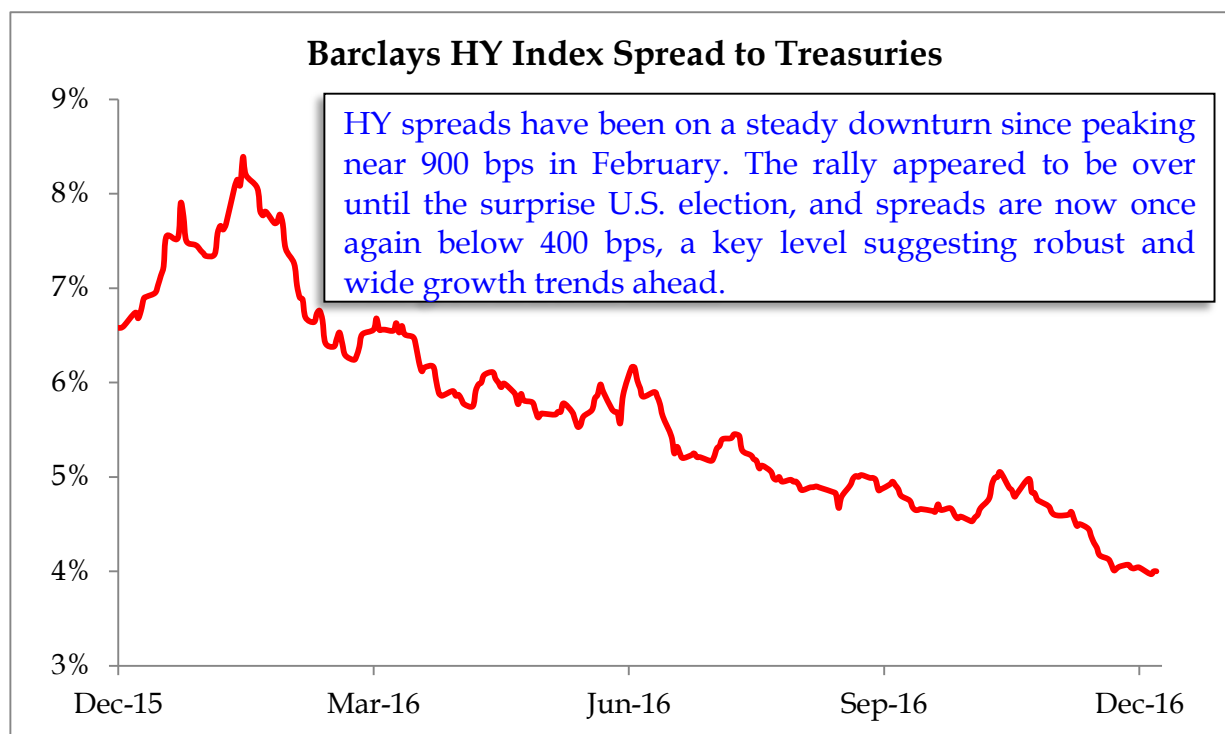
## STRATEGAS ECONOMIC FORECASTS

	2016					2017				2018			
	4Q	1Q	2Q	3Q	4QF	1QF	2QF	3QF	4QF	1QF	2QF	3QF	4QF
Real GDP Q/Q % AR	0.9%	0.8%	1.4%	3.5%	2.5%	2.0%	1.5%	2.0%	2.0%	2.5%	3.0%	3.0%	2.5%
Core CPI Q/Q % AR	2.2%	2.7%	2.1%	1.9%	2.2%	2.2%	2.2%	2.2%	2.2%	2.3%	2.4%	2.5%	2.5%
Fed Funds EOP	0.5%	0.5%	0.5%	0.5%	0.8%a	0.8%	1.0%	1.0%	1.3%	1.5%	1.8%	2.0%	2.3%

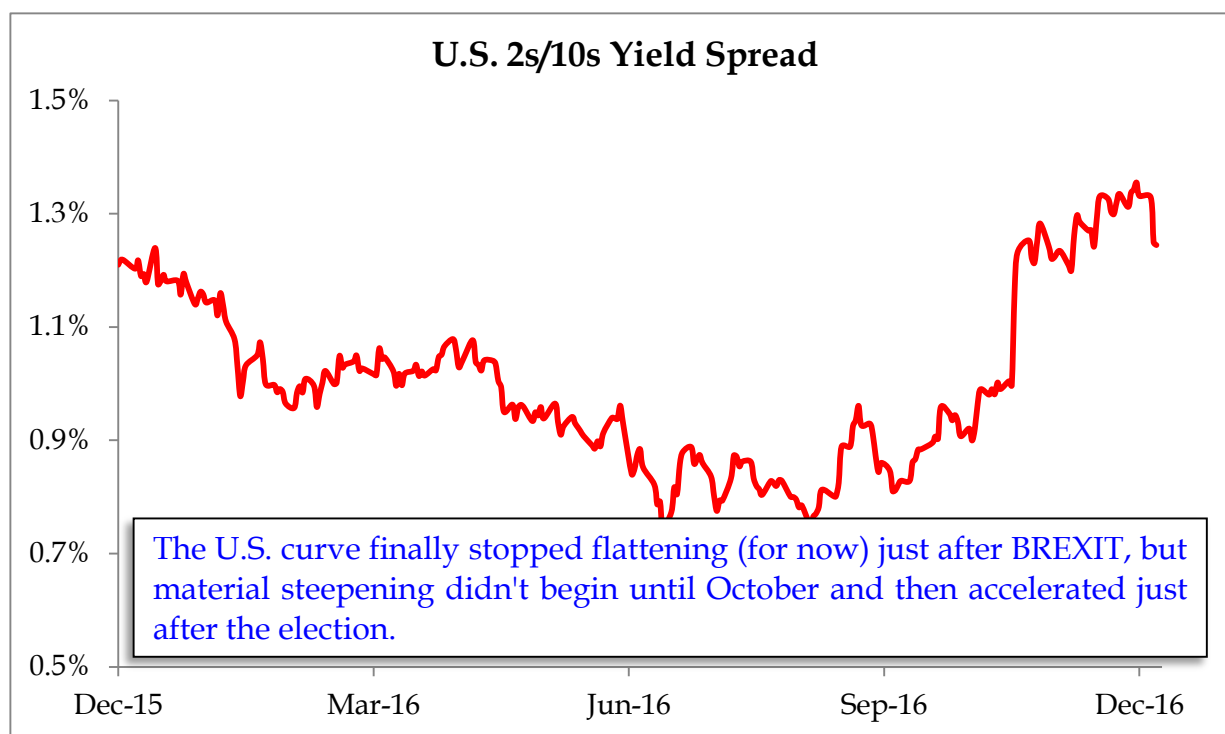
F = Forecast; EOP = End of Period, a = actual

Note: Fed forecast lists top of expected range 2015:4Q forward.

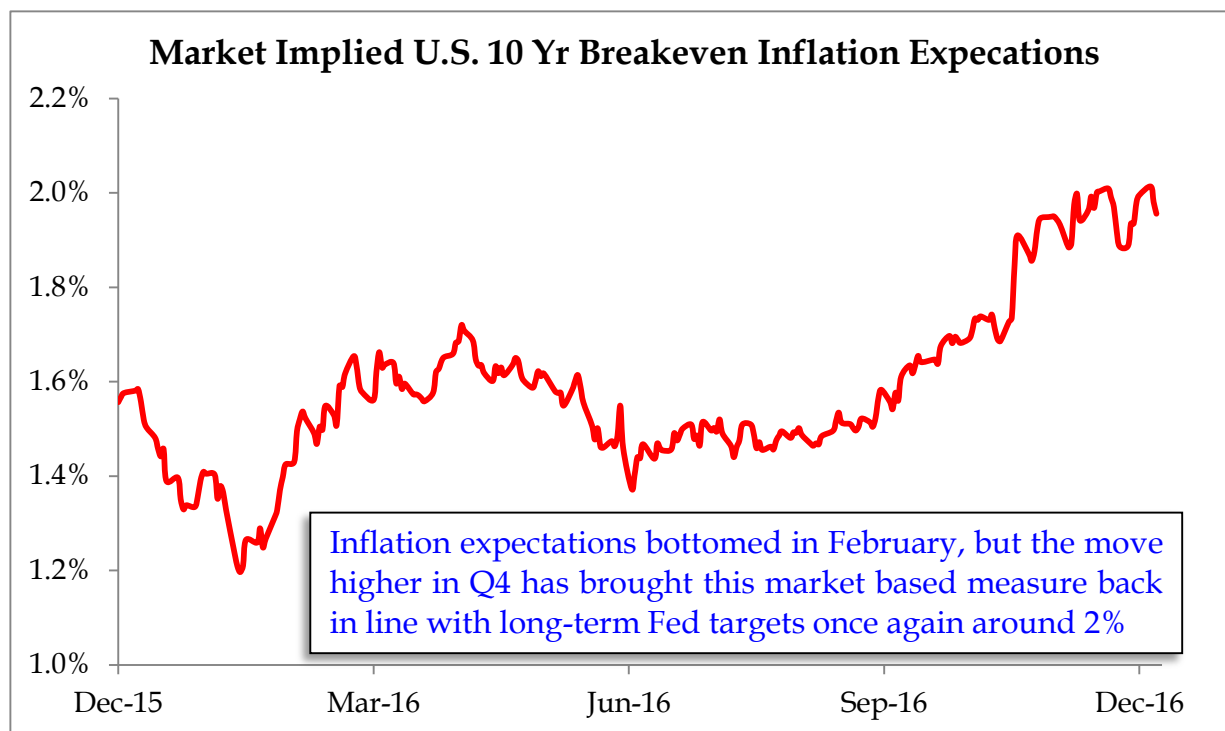
## HIGH YIELD SPREADS CONTINUE TO NARROW



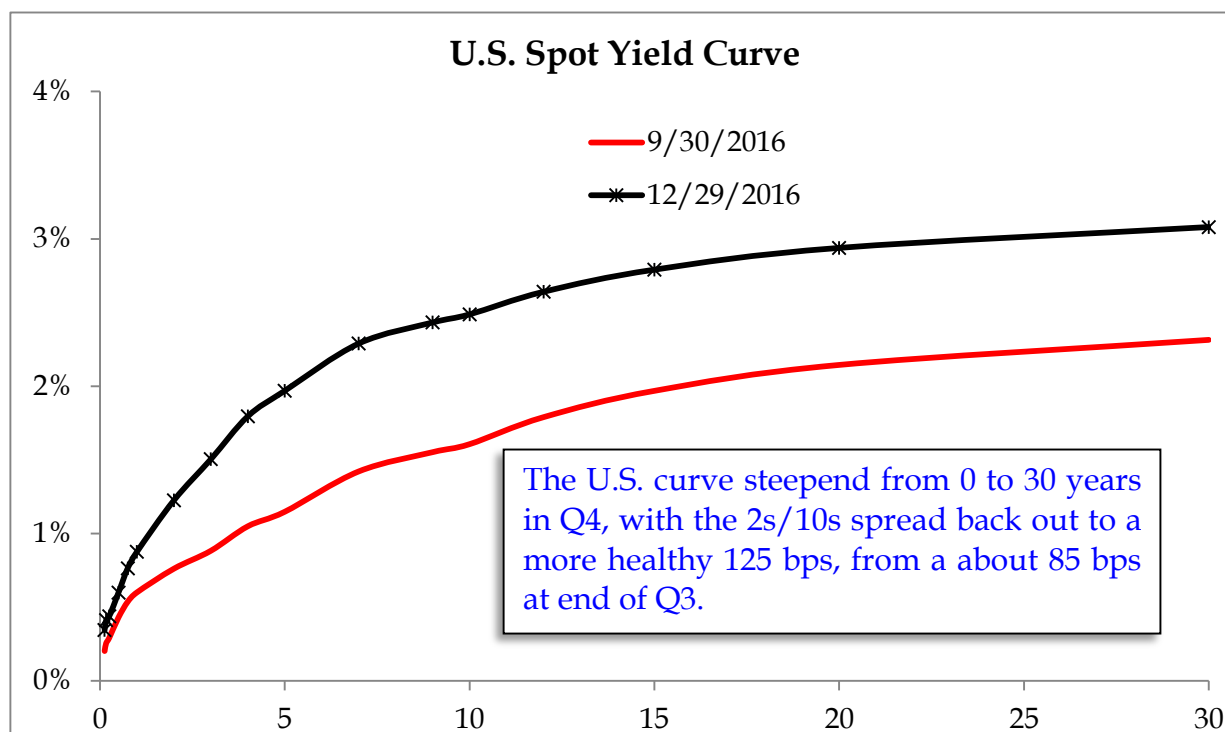
## AFTER WIDENING OUT SPREADS HAVE COME IN SOME



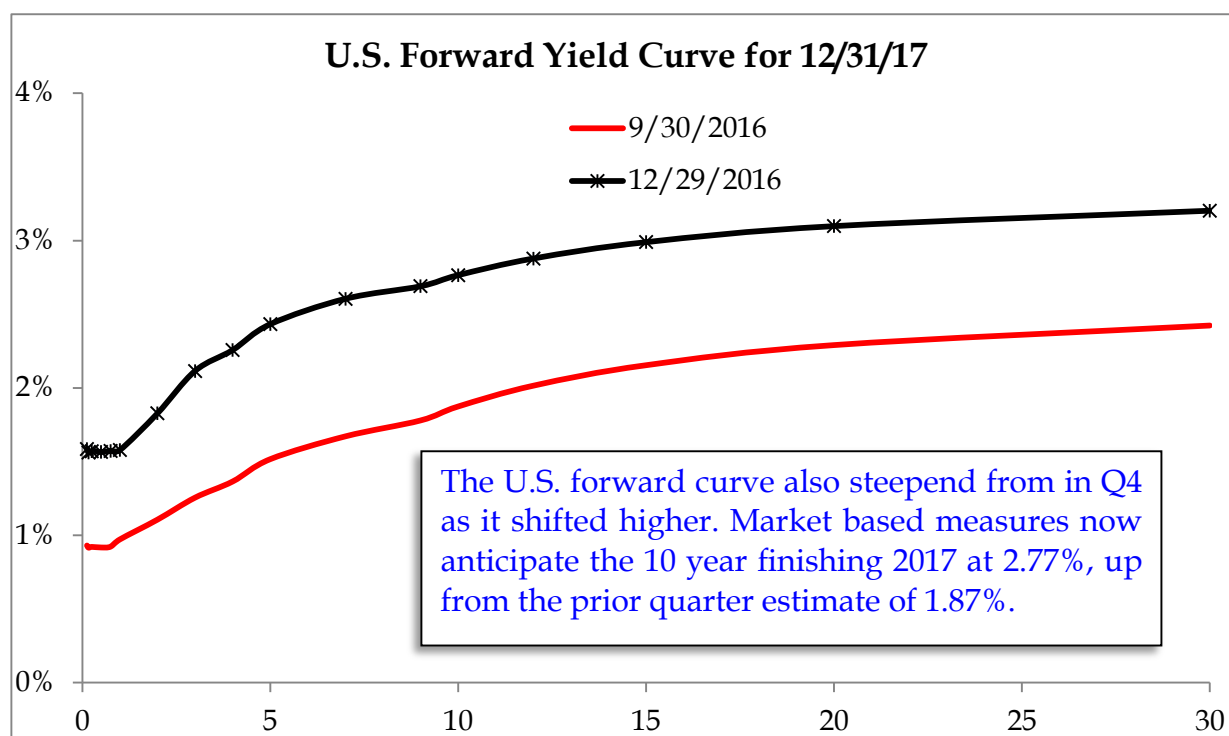
## INFLATION EXPECTATIONS CONTINUE TO CREEP HIGHER



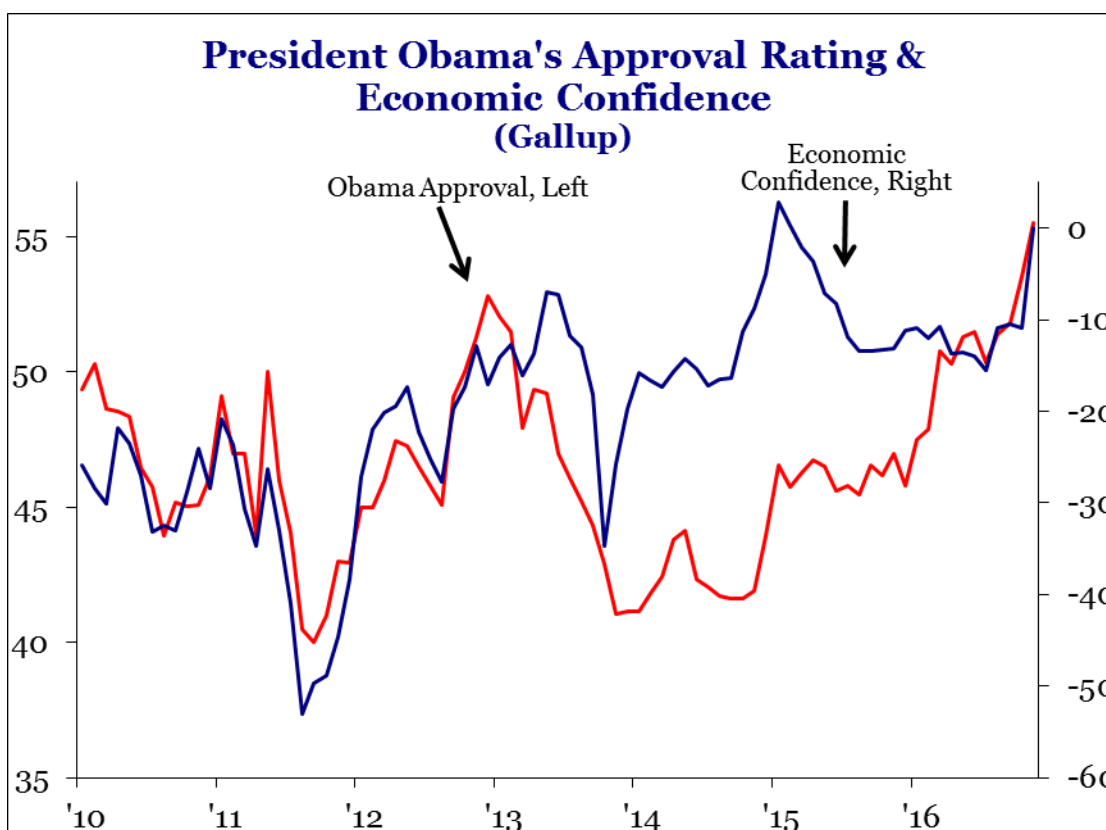
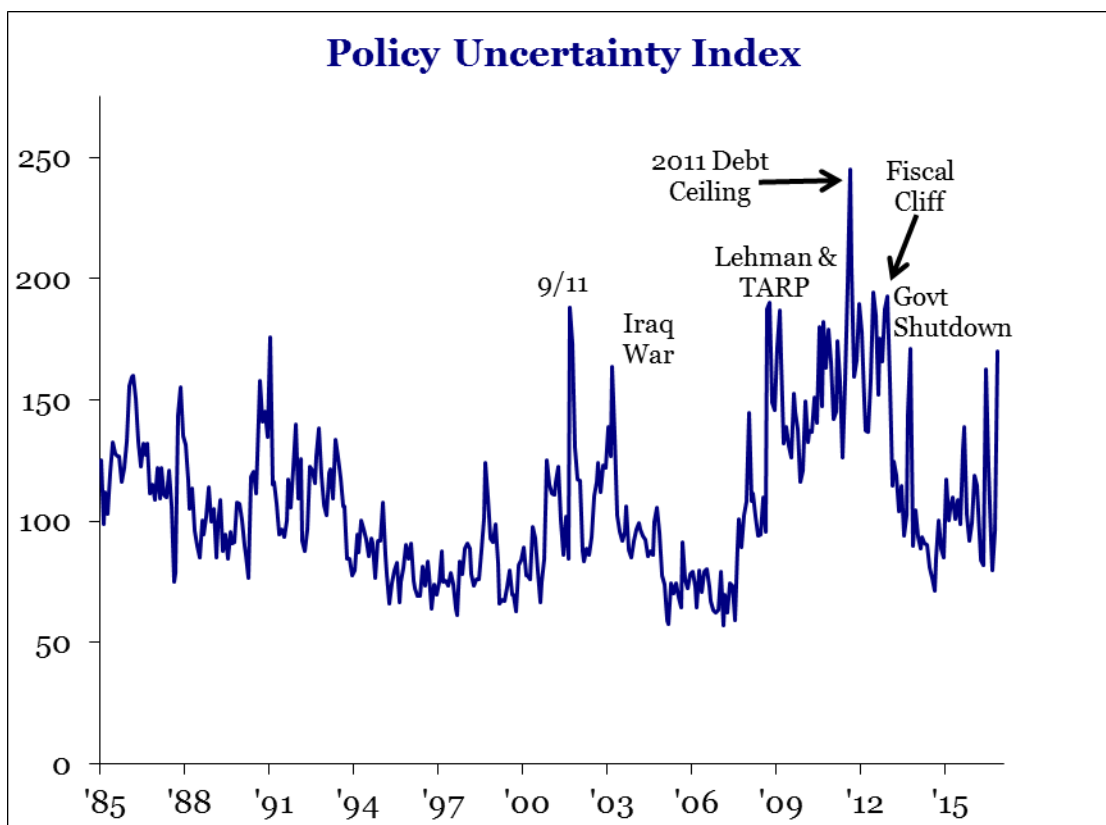
## SPOT YIELD CURVE STEEPENED



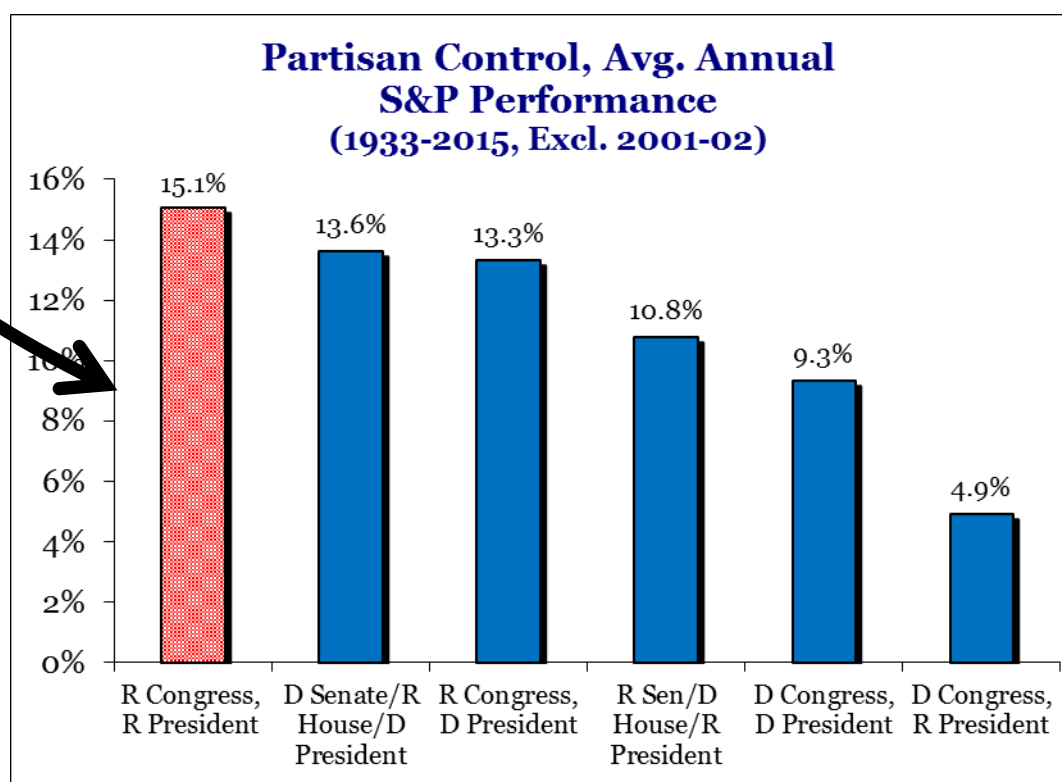
## AND SO DID THE FORWARD YIELD CURVE



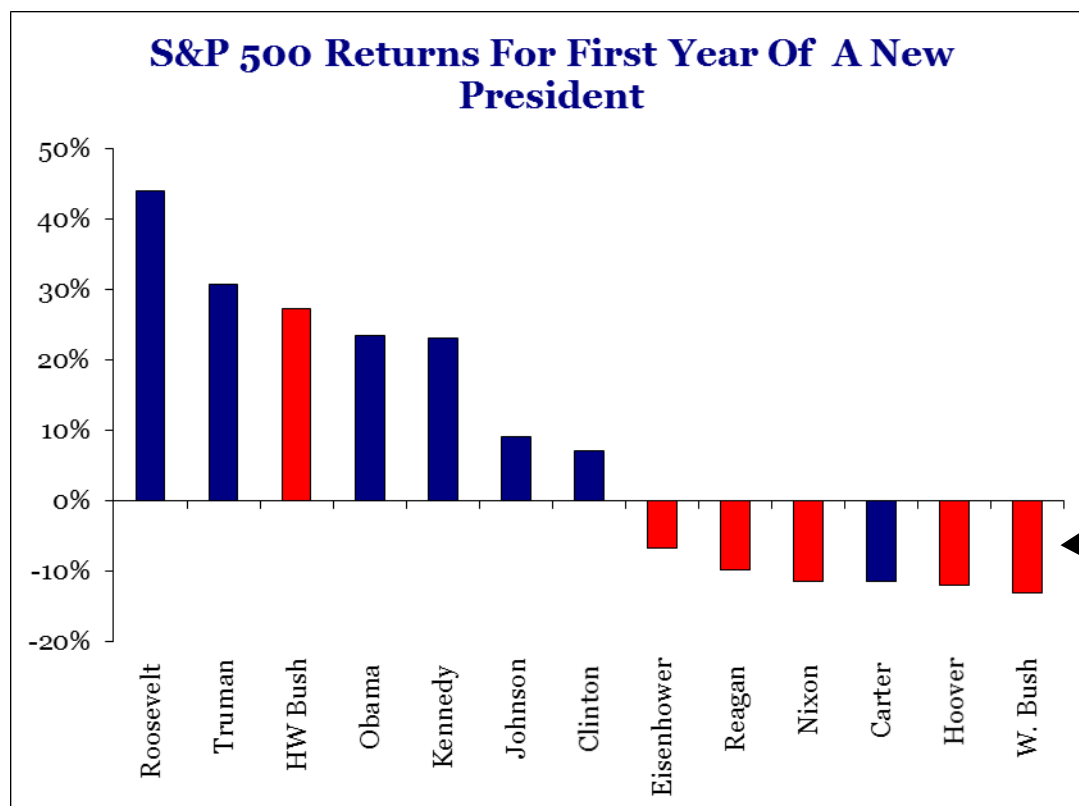
## POLICY UNCERTAINTY HAS BEEN ELEVATED BUT ECONOMIC CONFIDENCE IS SURGING



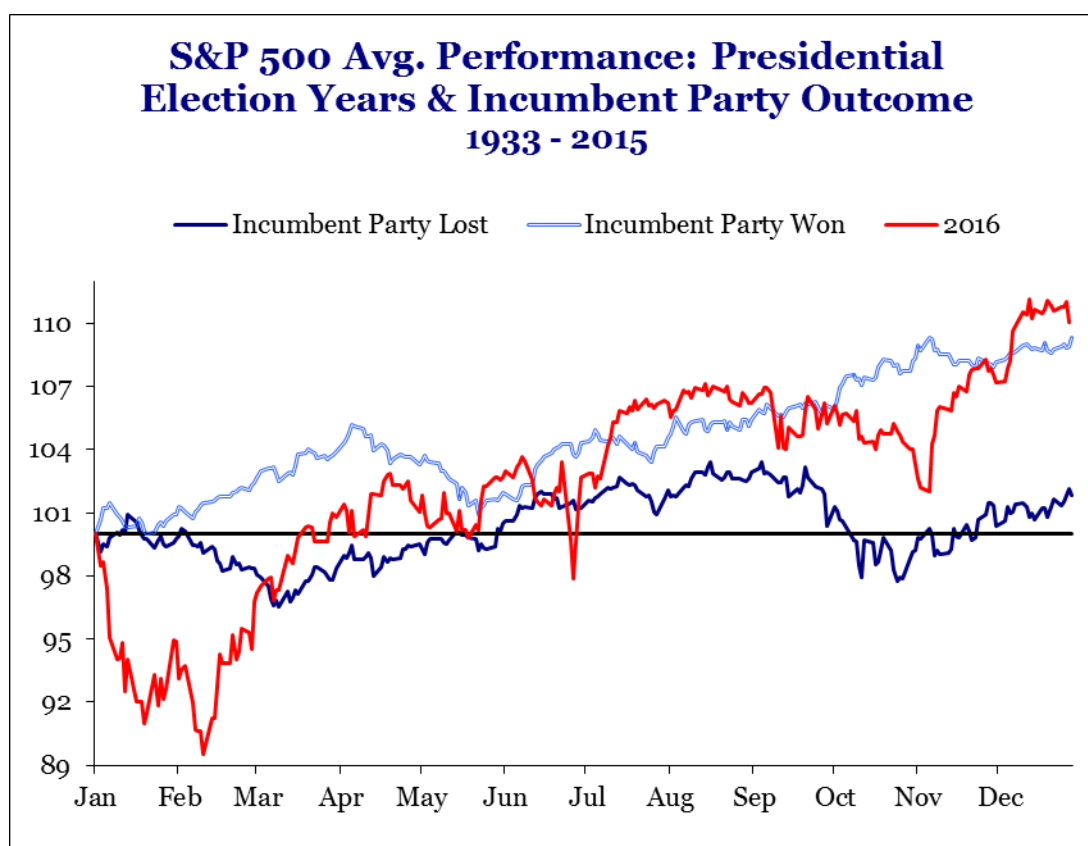
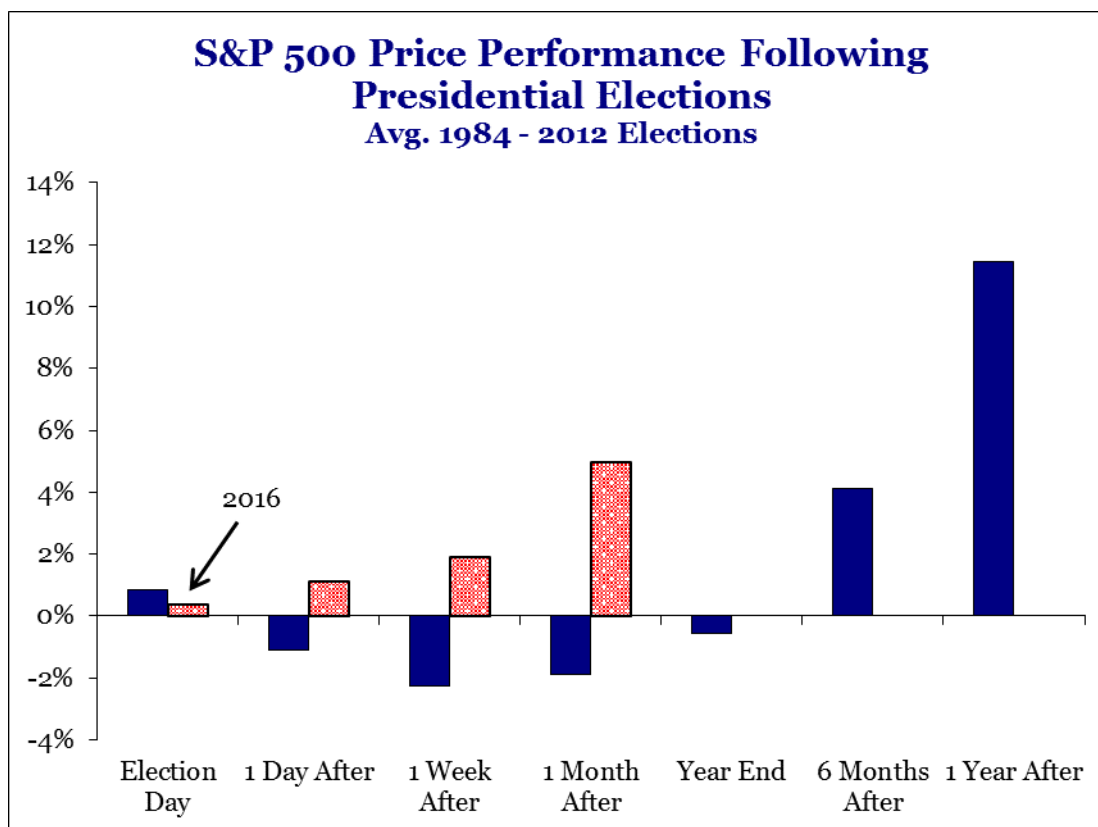
# REPUBLICANS HAVE COMPLETE CONTROL OF THE GOVT & HISTORICALLY THAT HAS BEEN GOOD FOR STOCKS



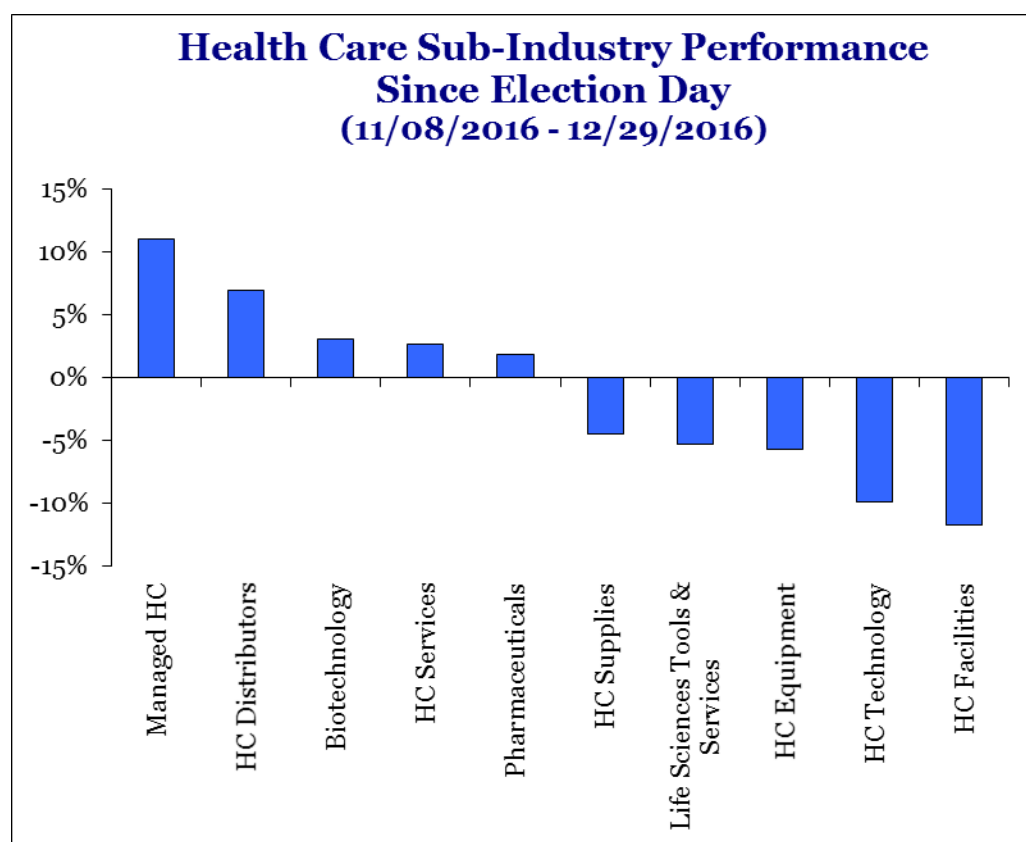
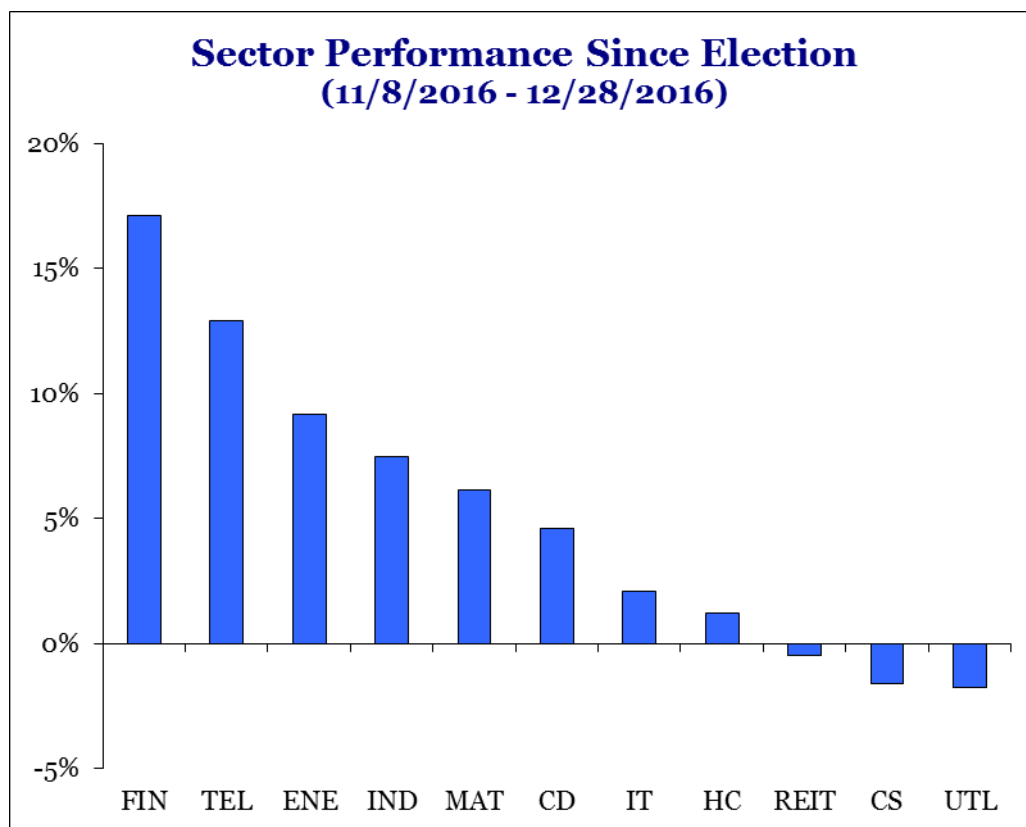
## BUT THE LAST FOUR GOP PRESIDENTS TAKING OVER FROM A DEM SUFFERED IN THEIR 1<sup>ST</sup> YEAR



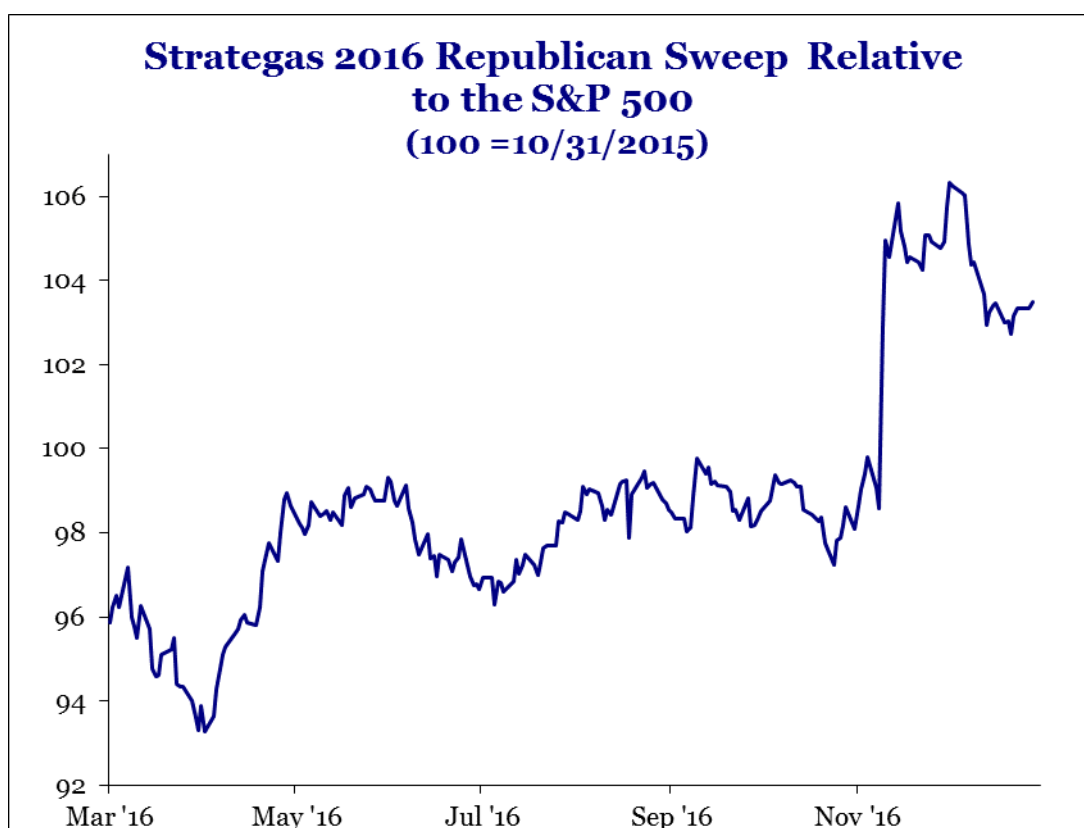
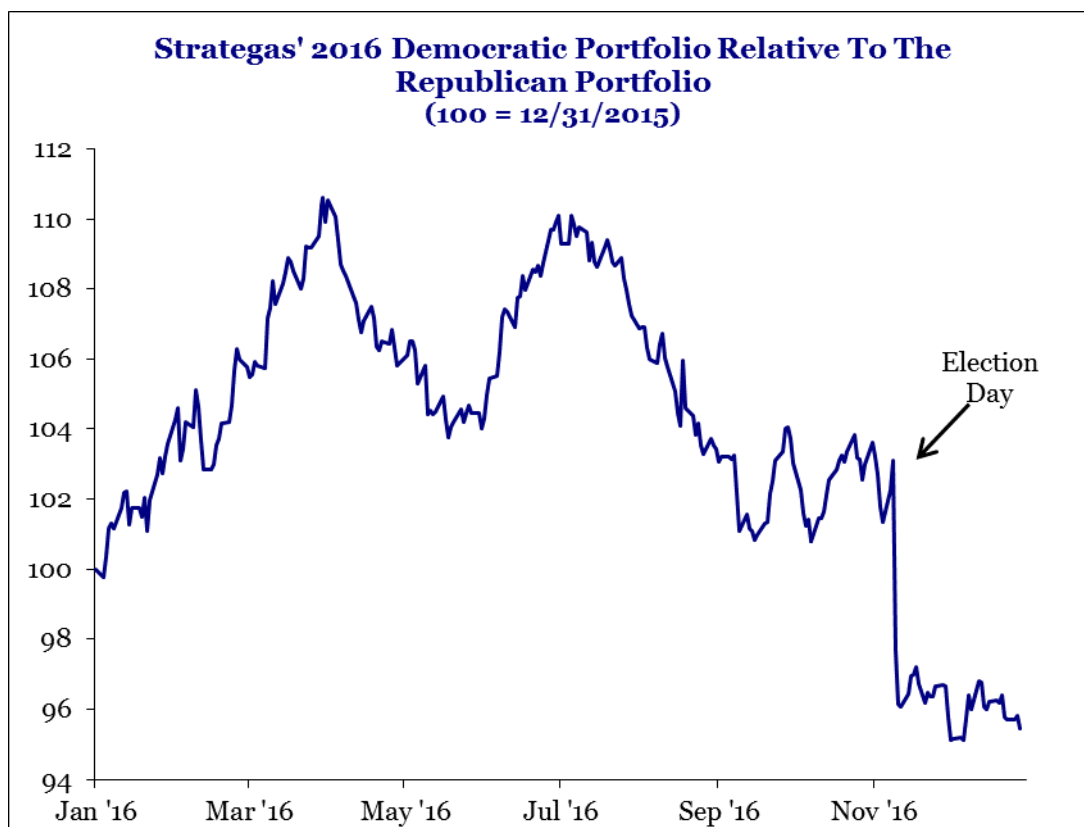
# THE TRUMP RALLY GOES AGAINST HISTORICAL POST-ELECTION MARKET PERFORMANCE



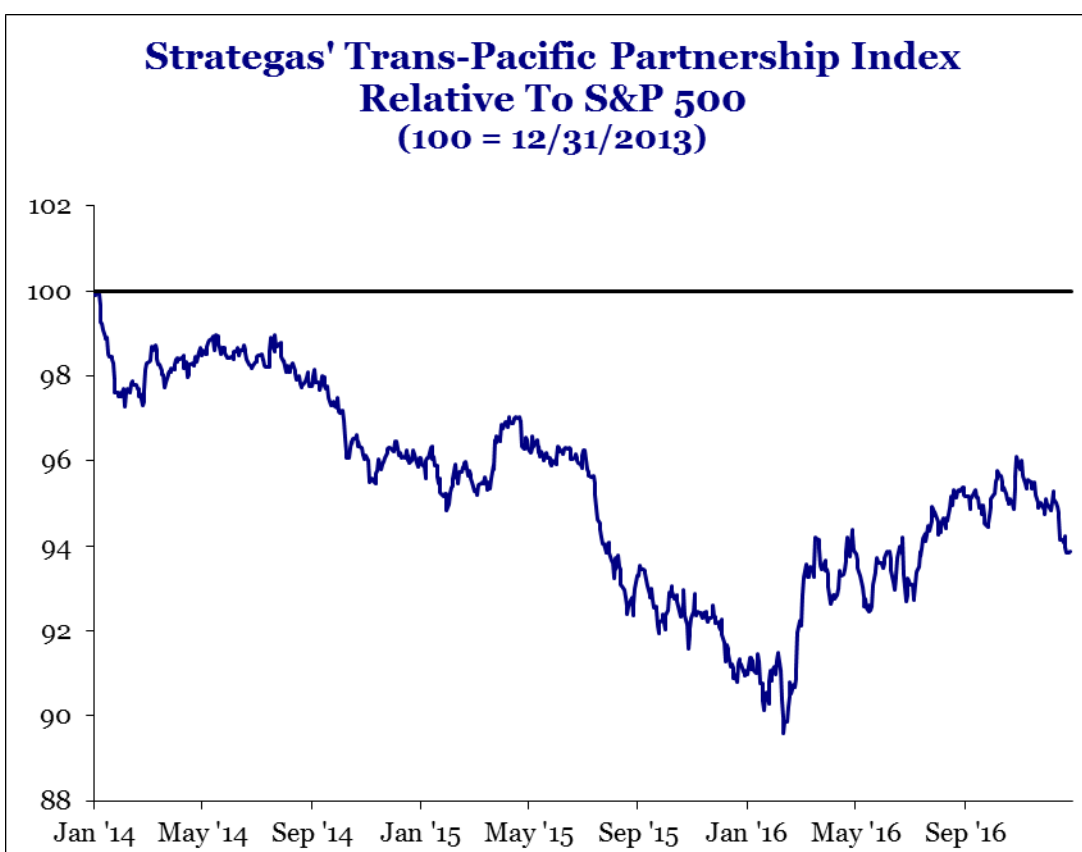
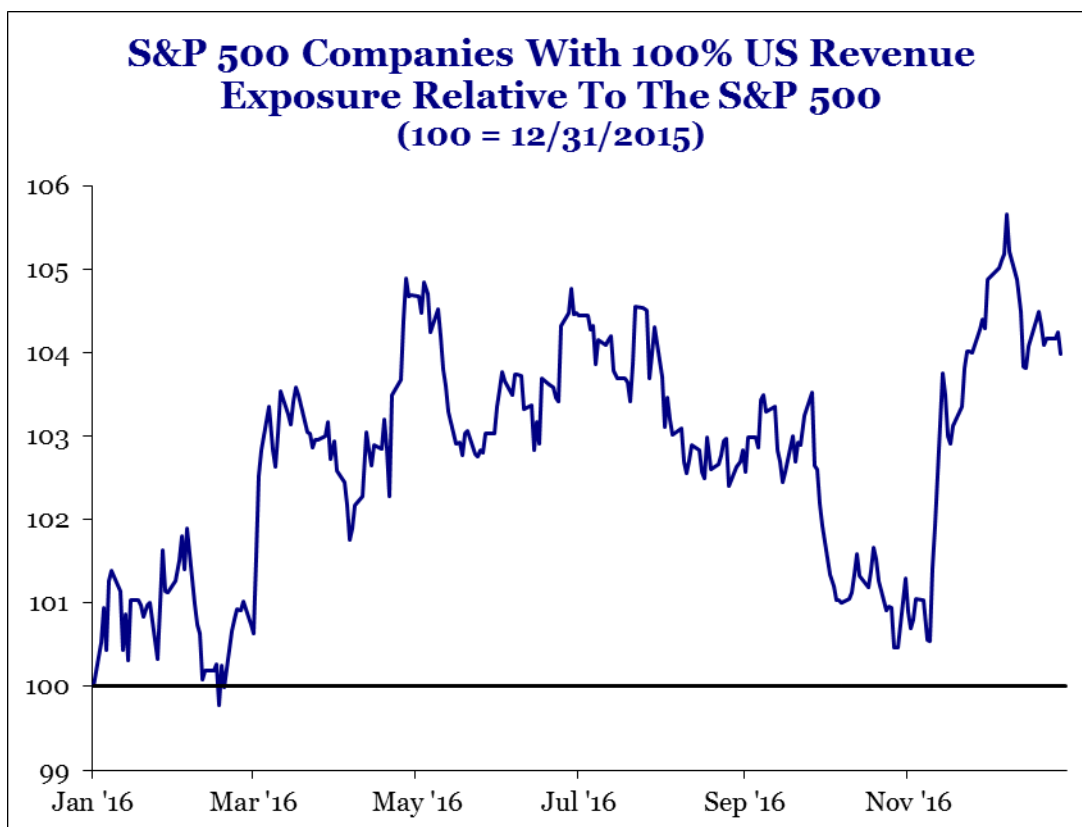
## FINANCIALS, TELECOM & ENERGY ARE LEADING; ACA HEALTHCARE TRADE IS SUFFERING



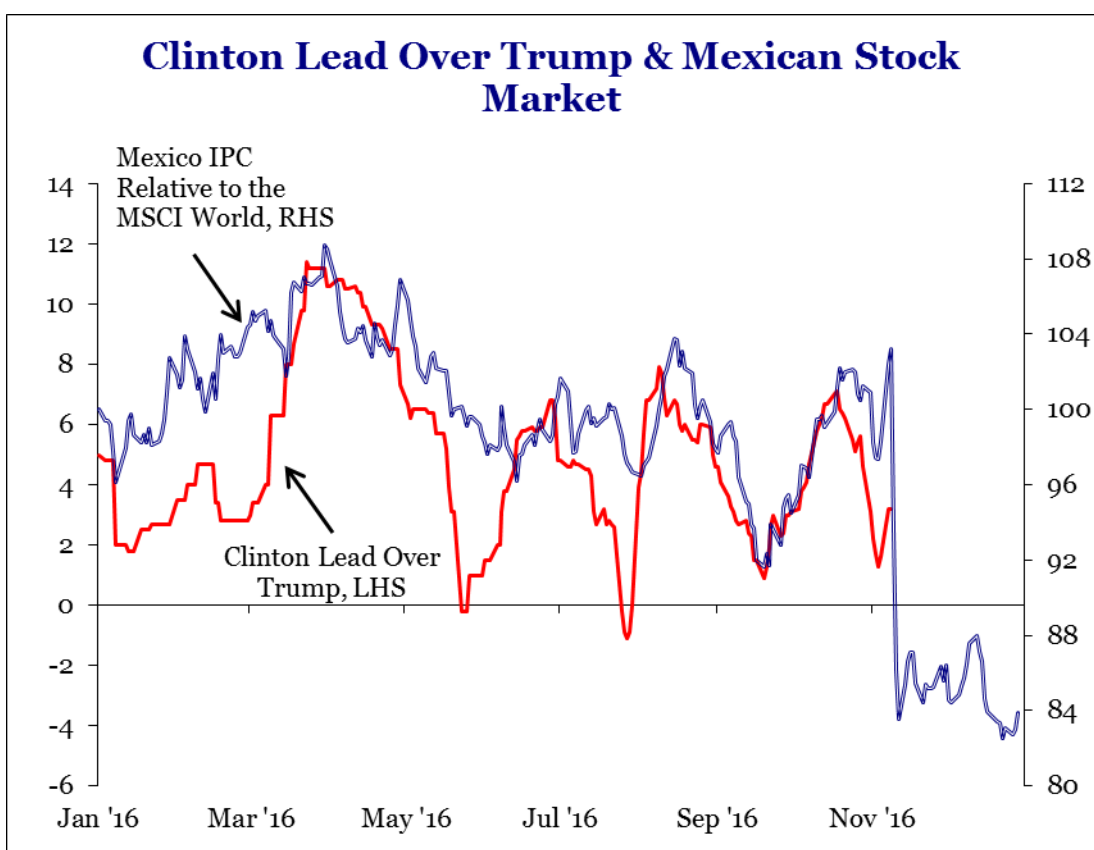
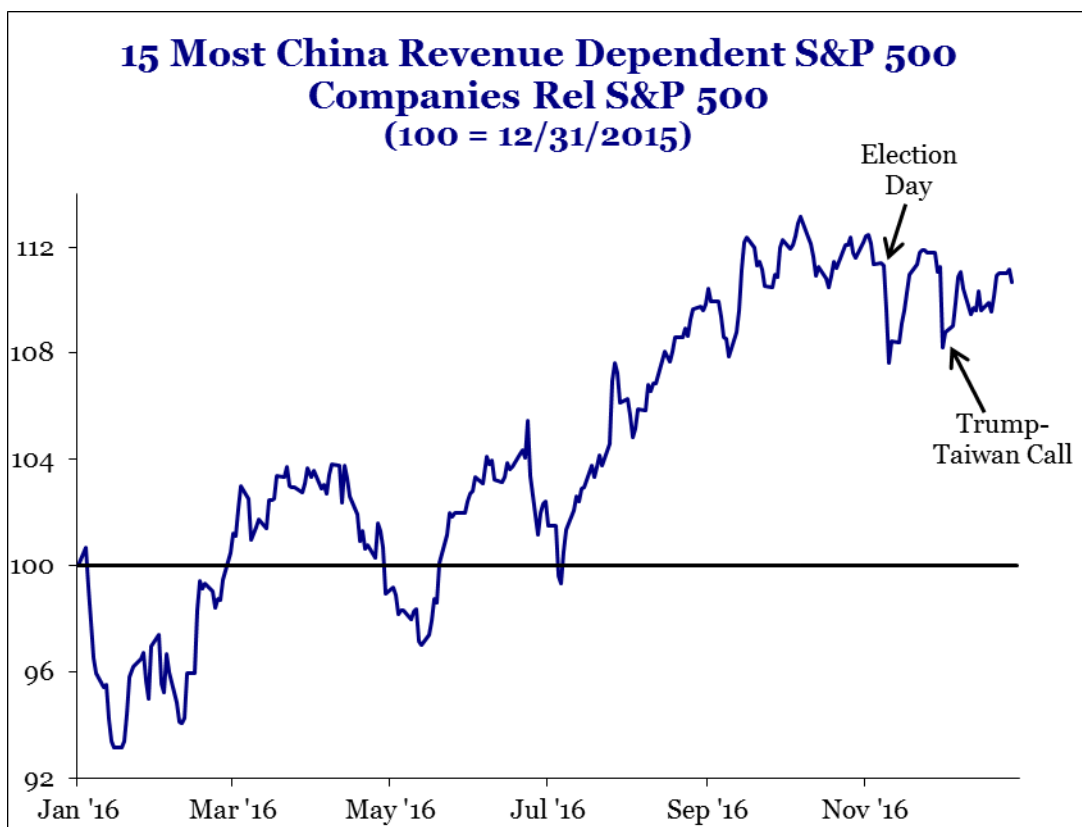
# TO THE VICTOR GO THE SPOILS: STRATEGAS REPUBLICAN PORTFOLIO OUTPACING THE DEMOCRATIC PORTFOLIO



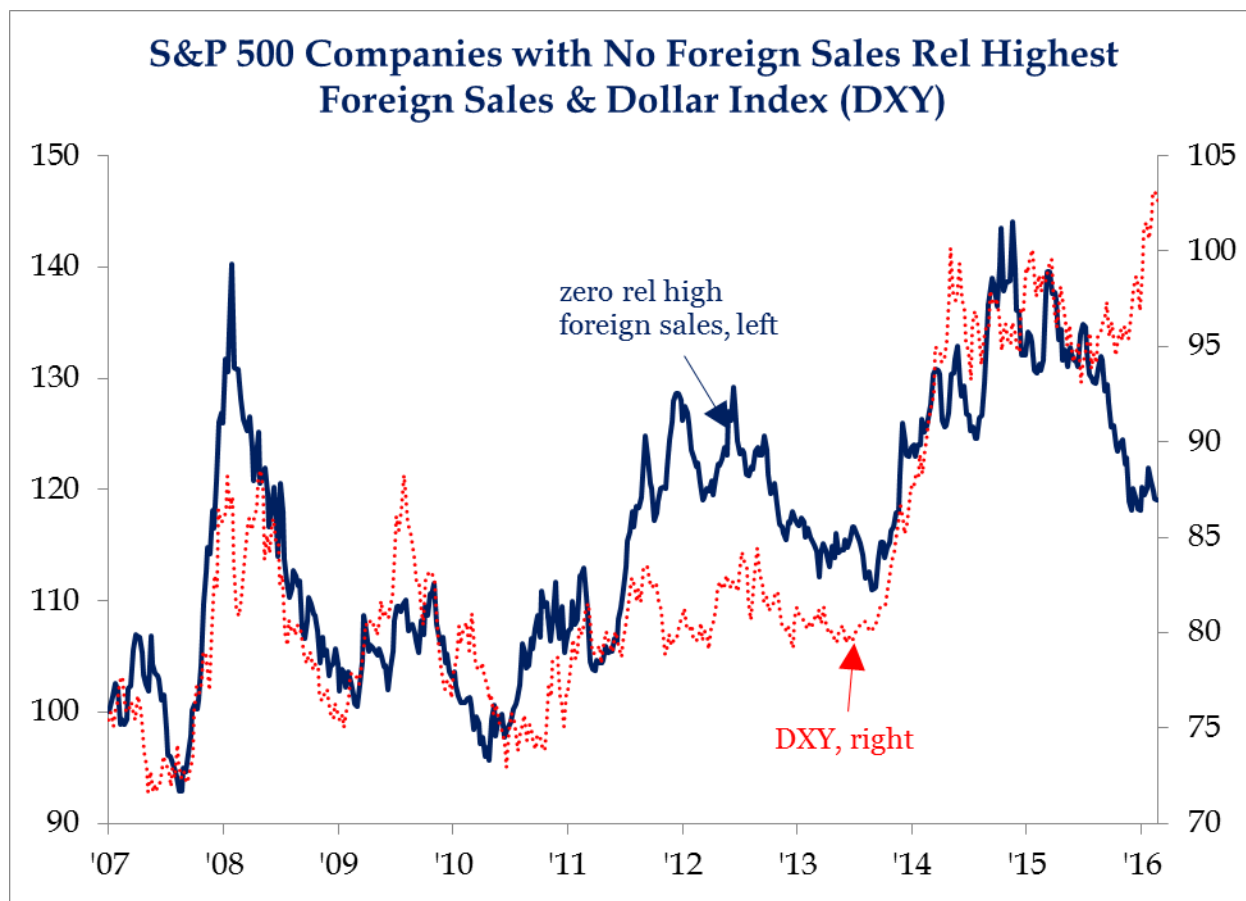
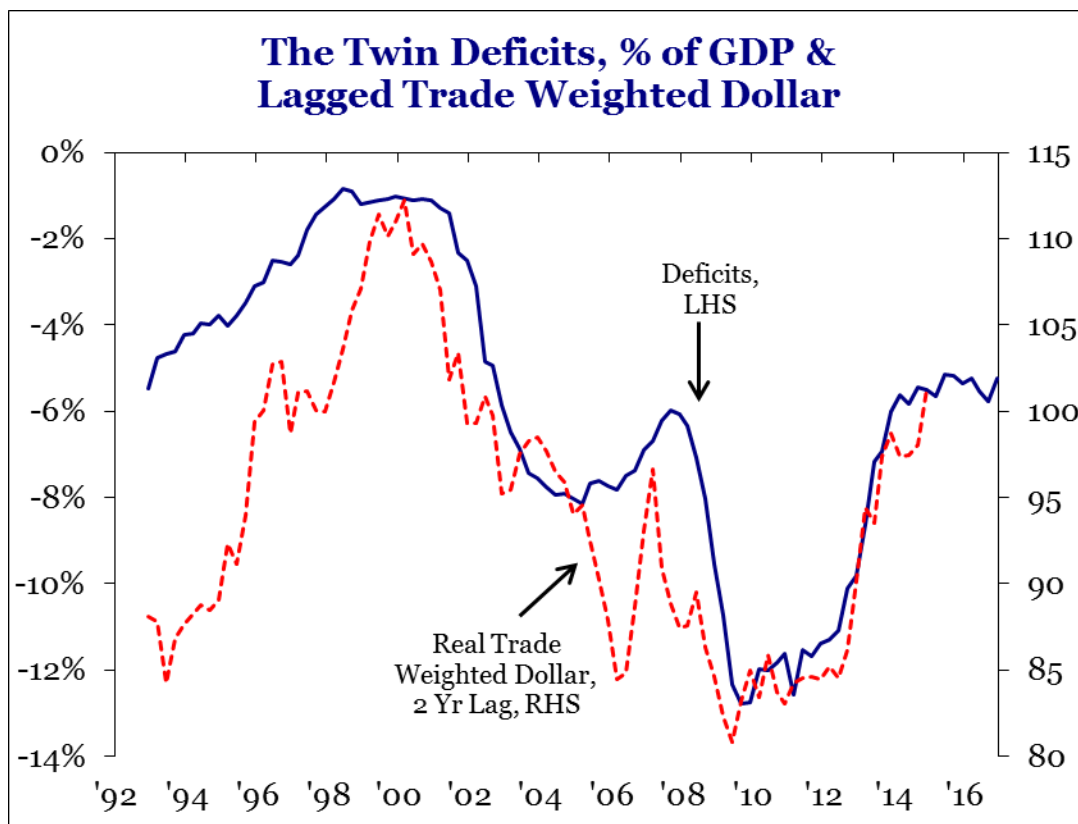
# WITH TALK OF TARIFFS & TAXING IMPORTS, COMPANIES WITH US REVENUE EXPOSURE ARE OUTPERFORMING



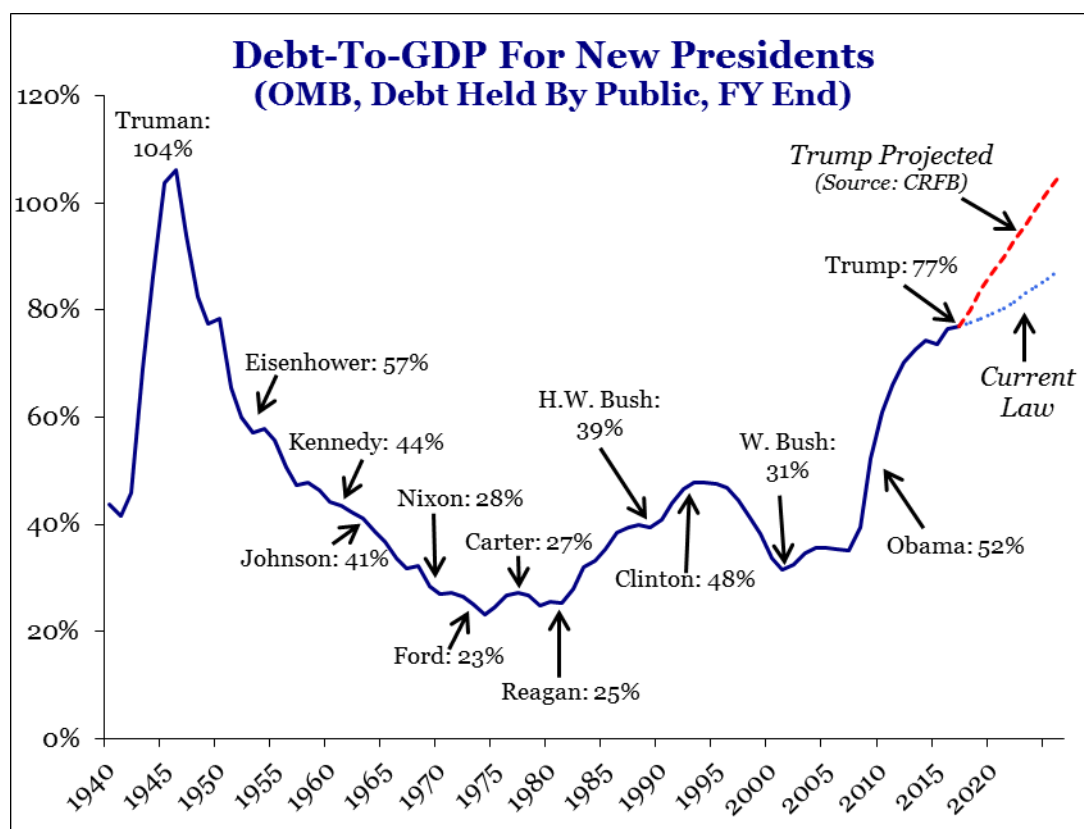
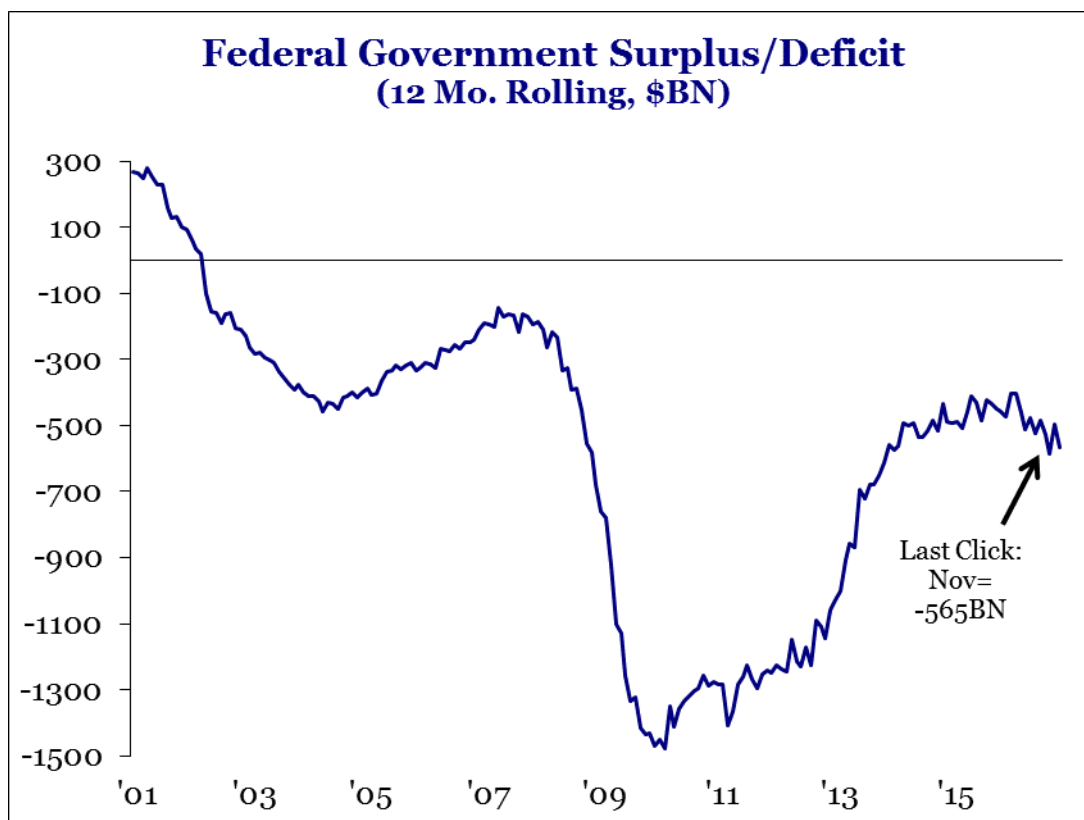
## COMPANIES WITH MEXICO & CHINA EXPOSURE BOTH FELL POST-ELECTION



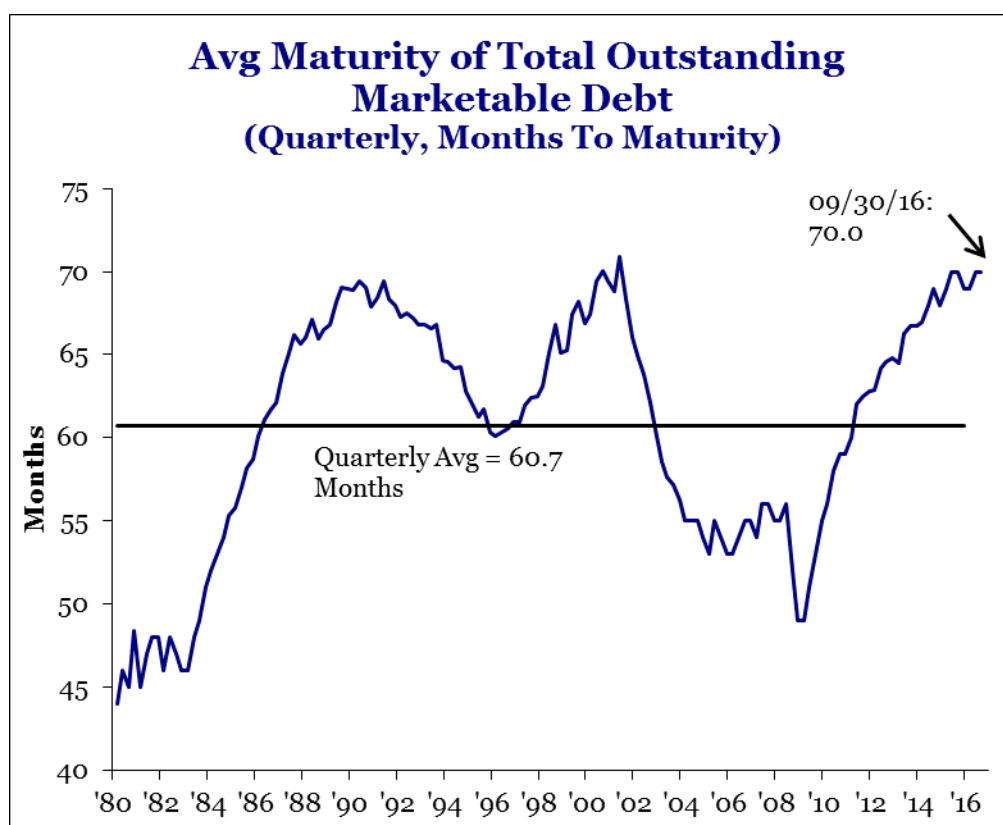
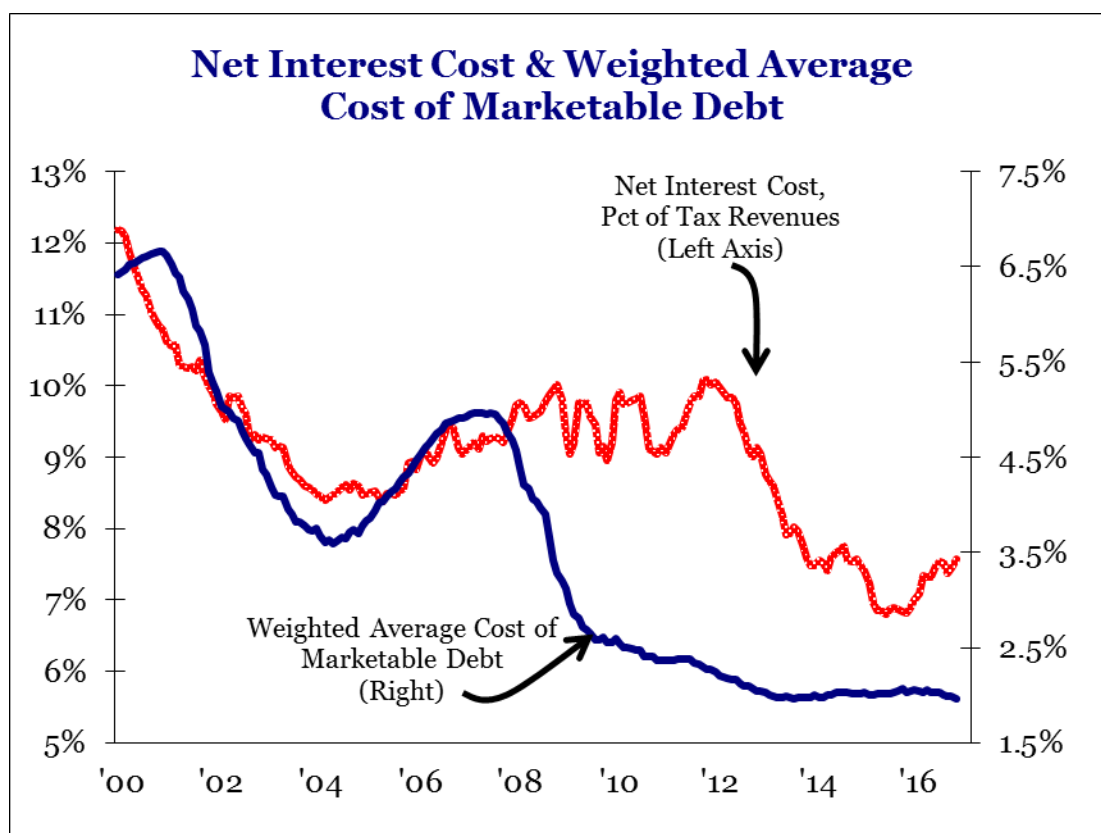
# TWIN DEFICITS IMPACT THE VALUE OF THE DOLLAR



# TRUMP ENTERS OFFICE WITH HIGHEST DEBT TO GDP RATIO SINCE TRUMAN & THE DEFICIT INCREASED IN '16

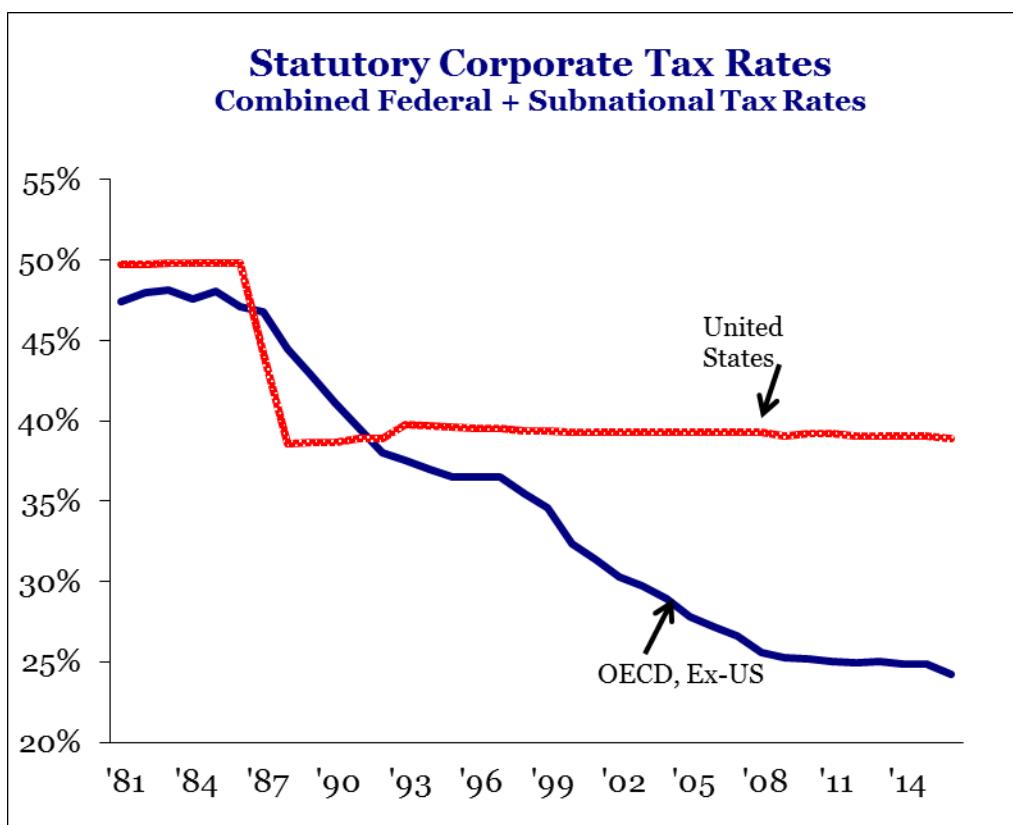


# INTEREST COSTS ON THE DEBT HAS BEEN CREEPING HIGHER DESPITE SUCH LOW INTEREST RATES

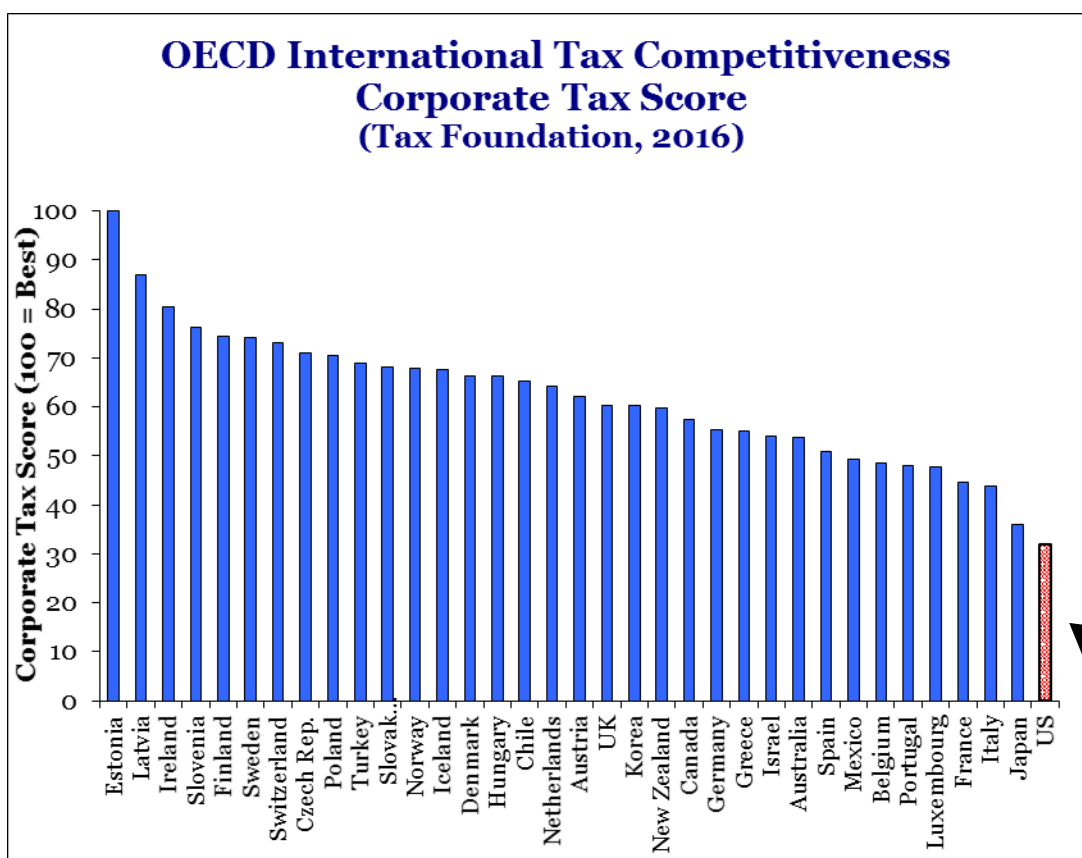


Trump's pick for Treasury Secretary Mnuchin said in a recent interview that he would "take a look at everything" in response to a question about issuing longer duration bonds, a move encouraged by Larry Kudlow to take advantage of the low rate environment. Meanwhile, the average duration of US marketable debt is at a near-high at 70 months.

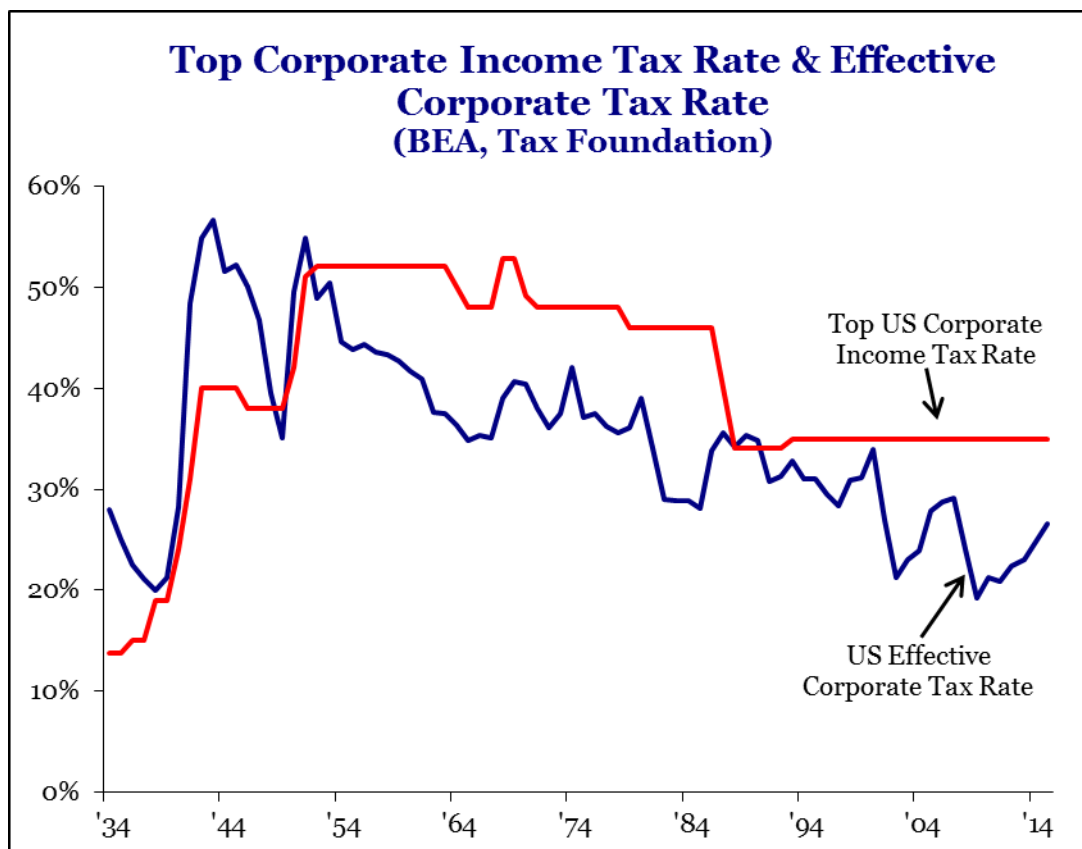
# TAX REFORM IS A TOP PRIORITY FOR TRUMP & THE REPUBLICANS IN CONGRESS



The US is now the least competitive OECD country when it comes to tax treatment of corporations. As the other OECD countries have lowered their tax rates the US has held steady. Republicans want to accomplish corporate tax reform, not just a rate cut.



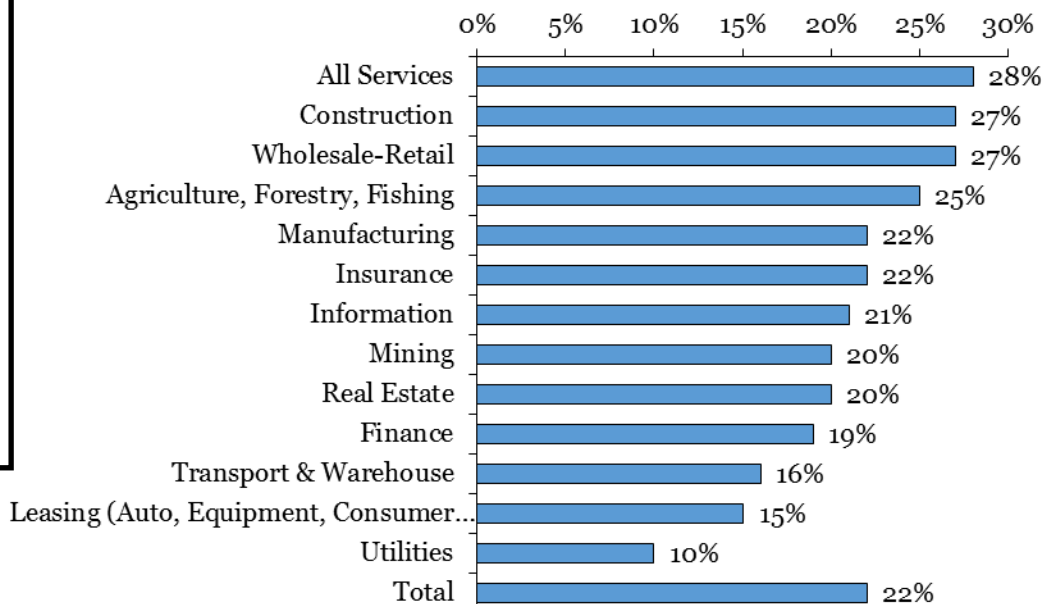
## REPUBLICANS ARE PUSHING FOR THE LOWEST CORPORATE TAX RATE SINCE 1939



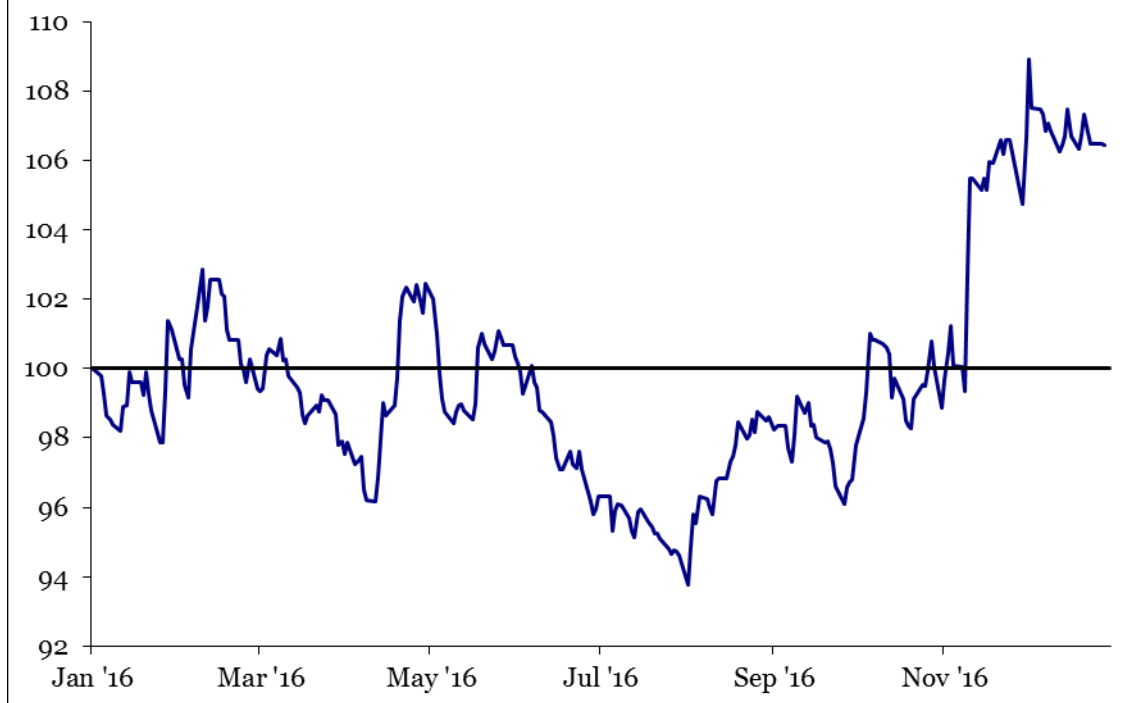
# THE REPUBLICAN TAX REFORM WILL BE DEFICIT NEUTRAL & THUS CREATES WINNERS & LOSERS

Republicans are talking about deficit neutral tax reform which creates a system of winners and losers. More specifically, tax reform helps companies with high tax rates and hurts companies with low tax rates.

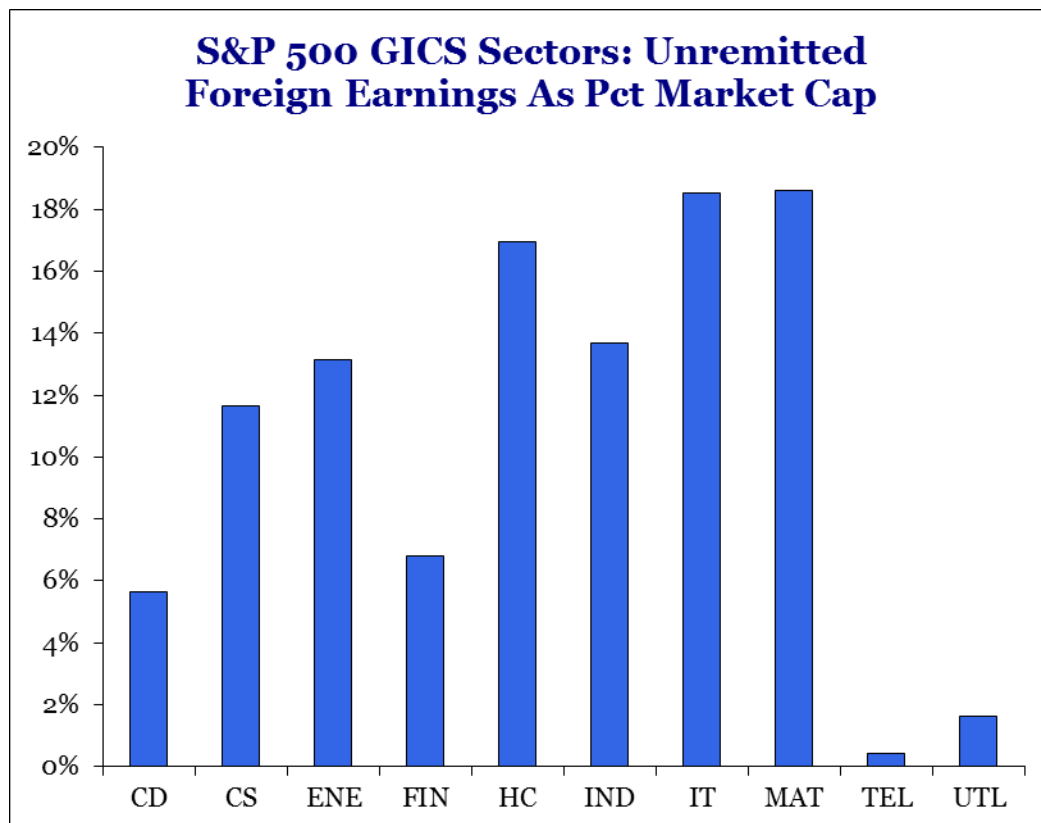
## Effective Actual Federal Corporate Tax Rate, By Industry, Avg. 2007-2011 (US Treasury)



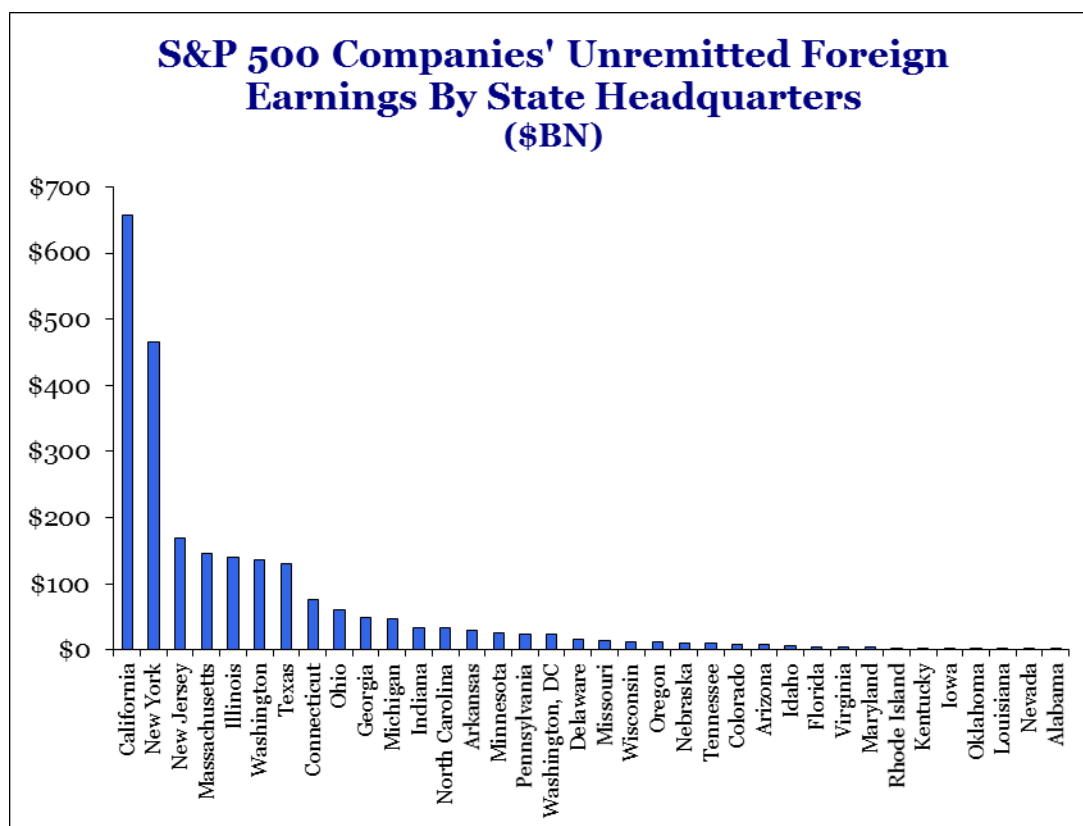
## Taxes as % of EBITDA - Top 50 S&P 500 Companies Rel Bottom 50 (100 = 12/31/2015)



## REPATRIATION IS EXPECTED TO BE PART OF ANY TAX REFORM BILL

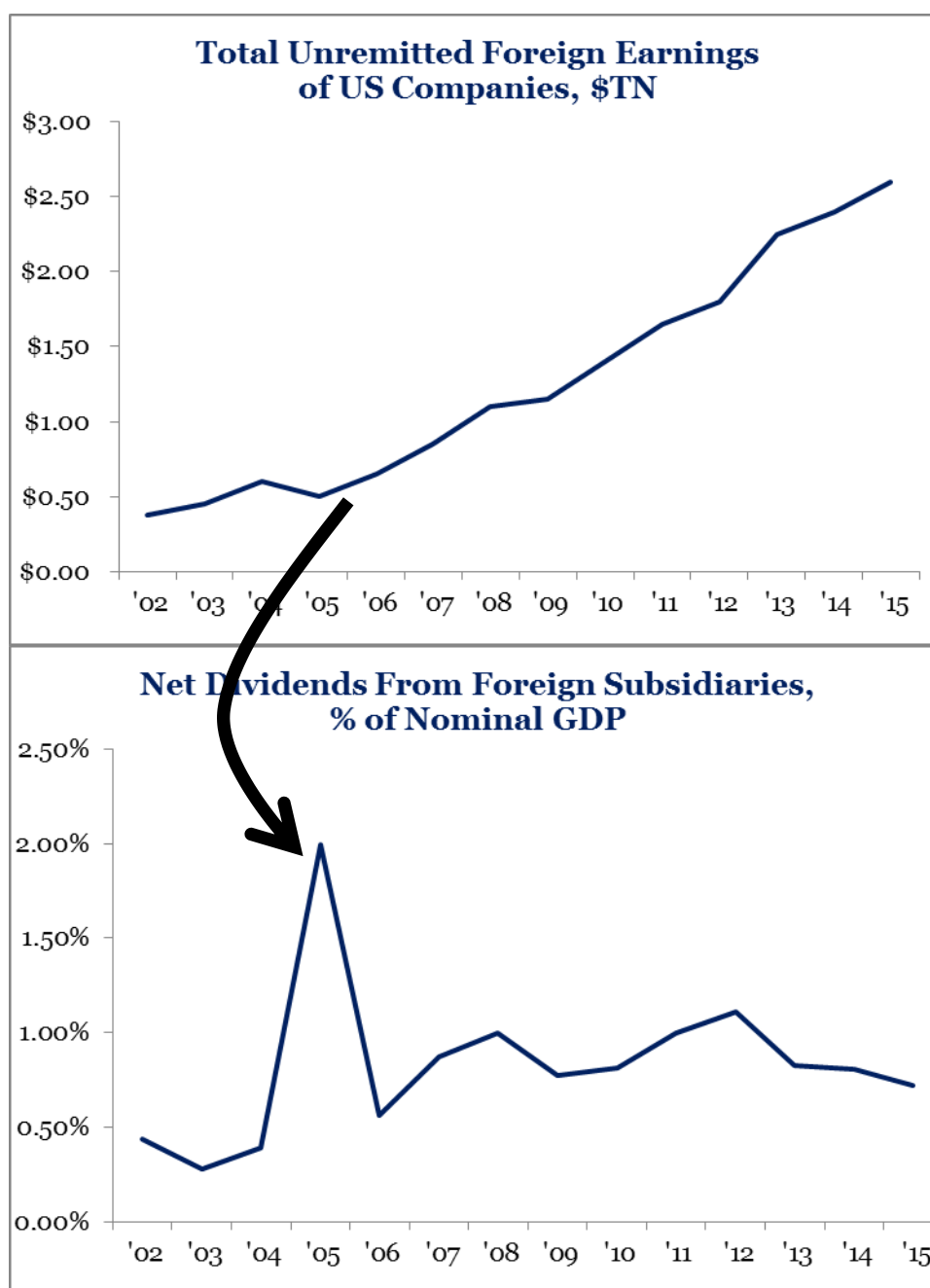


With \$2.4bn in unremitted foreign earnings amongst S&P 500 companies, we expect Republicans to use a repatriation tax holiday to help pay for tax reform and infrastructure spending. The states that these companies are headquartered in will also see a boost in tax revenues.

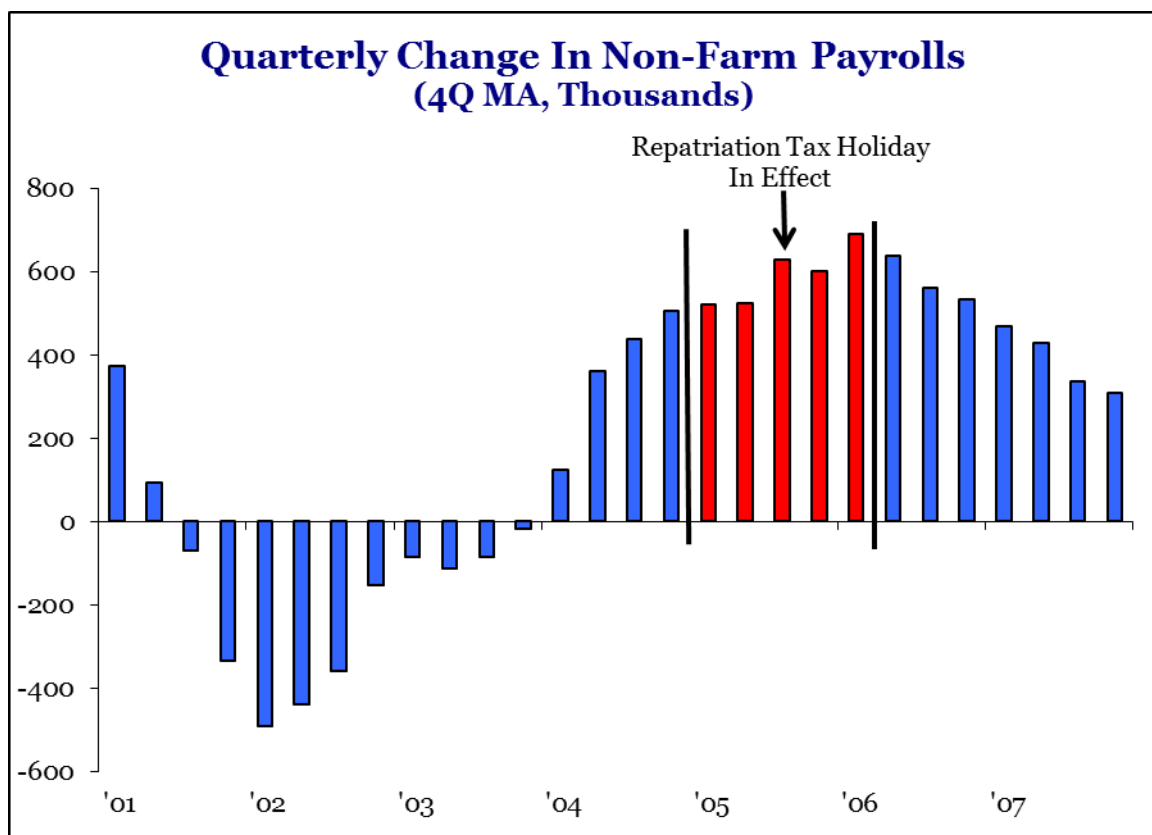
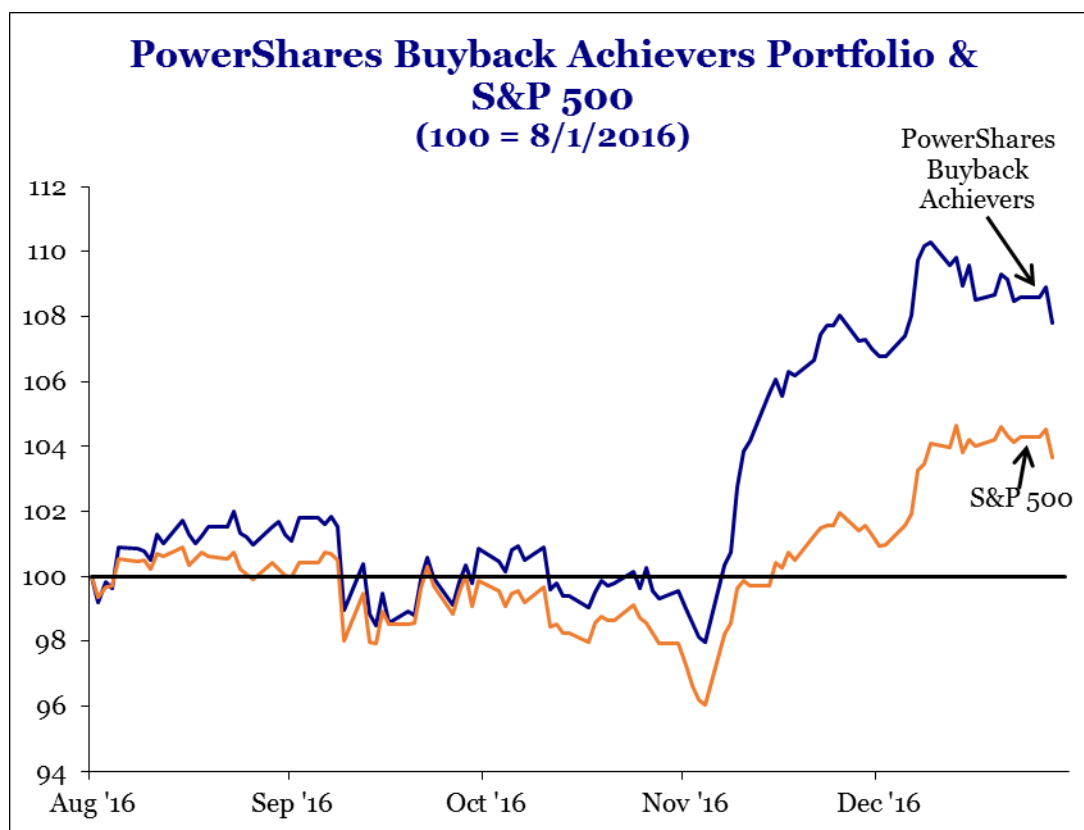


## INCREMENTAL STIMULUS WILL COME FROM REPATRIATED EARNINGS & IT WILL BE SIGNIFICANT

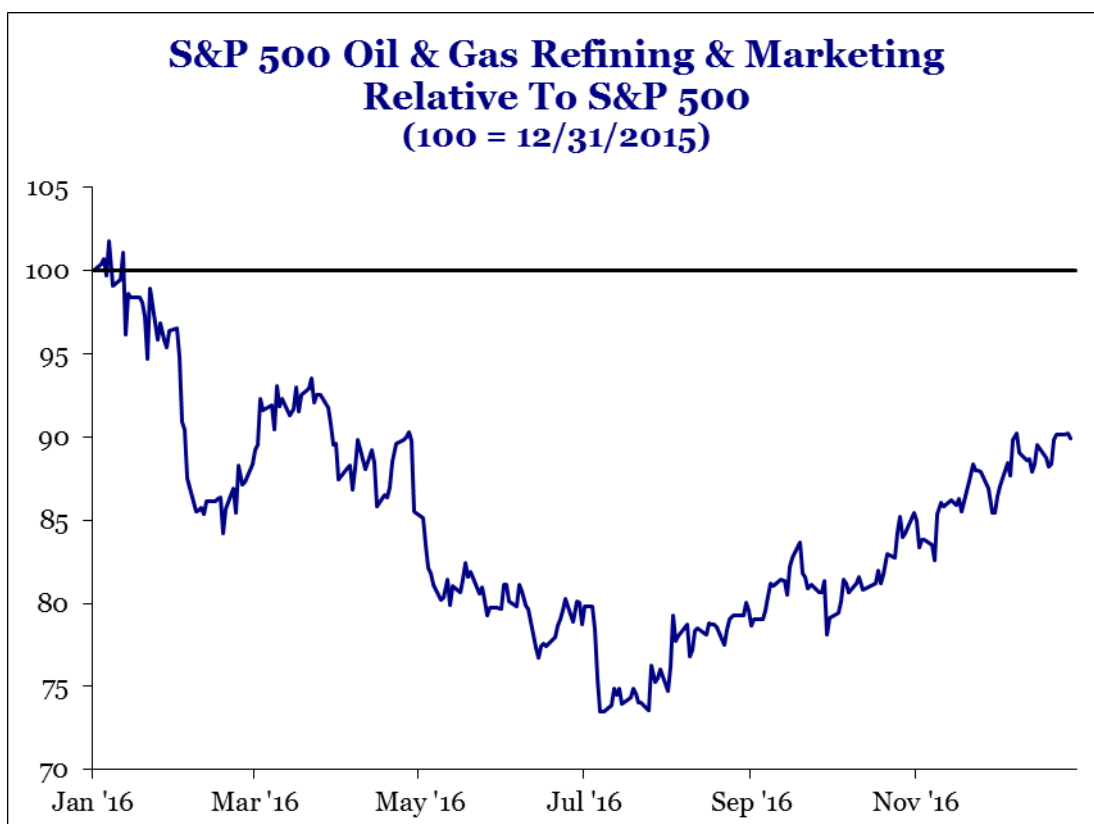
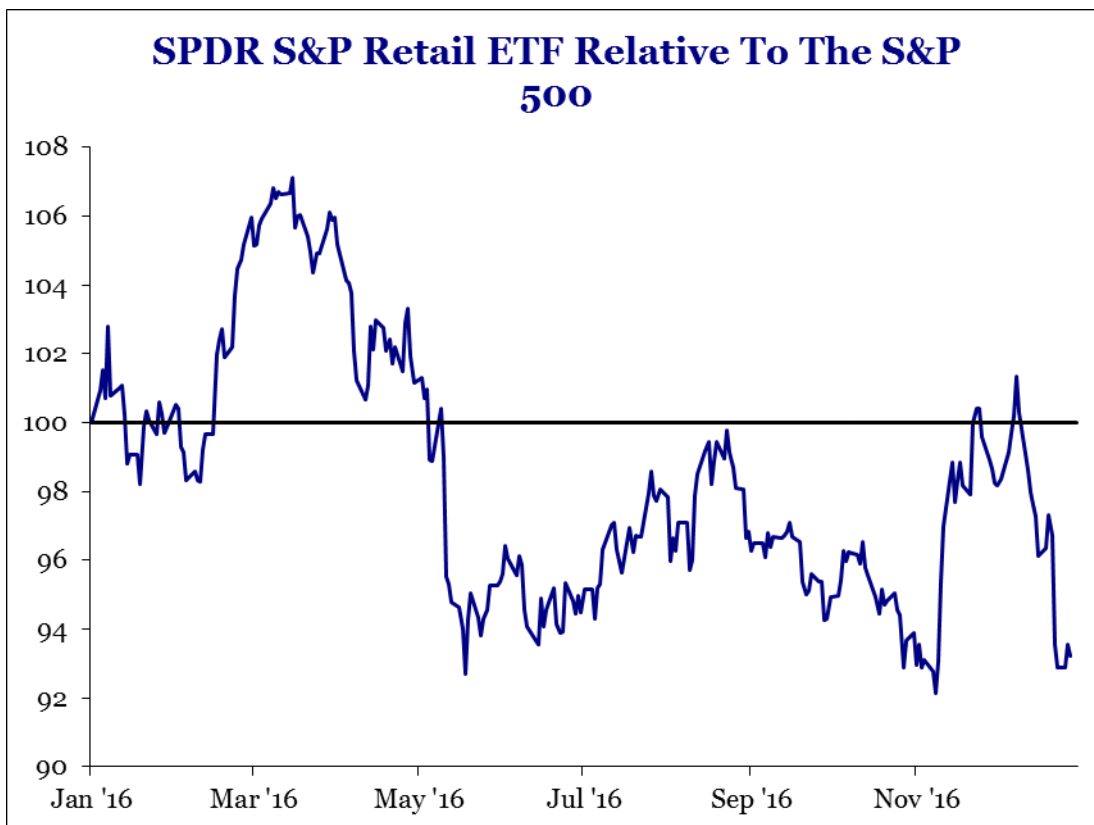
Although most of the new tax cuts will likely be offset by removing of tax deductions and credits, repatriated foreign earnings allows money to come into the US fairly quickly. There is a lot of low-balling about how much cash will come back to US and whether this initiative will be effective. But we want to put into context how large the 2005 repatriation tax holiday was – companies were holding \$600bn overseas and \$300bn was returned to the US, or 2% of GDP. Since then, overseas earnings have quadrupled but repatriations have not increased significantly. **We would not be surprised if \$1 trillion comes back over a 12-15 month period.**



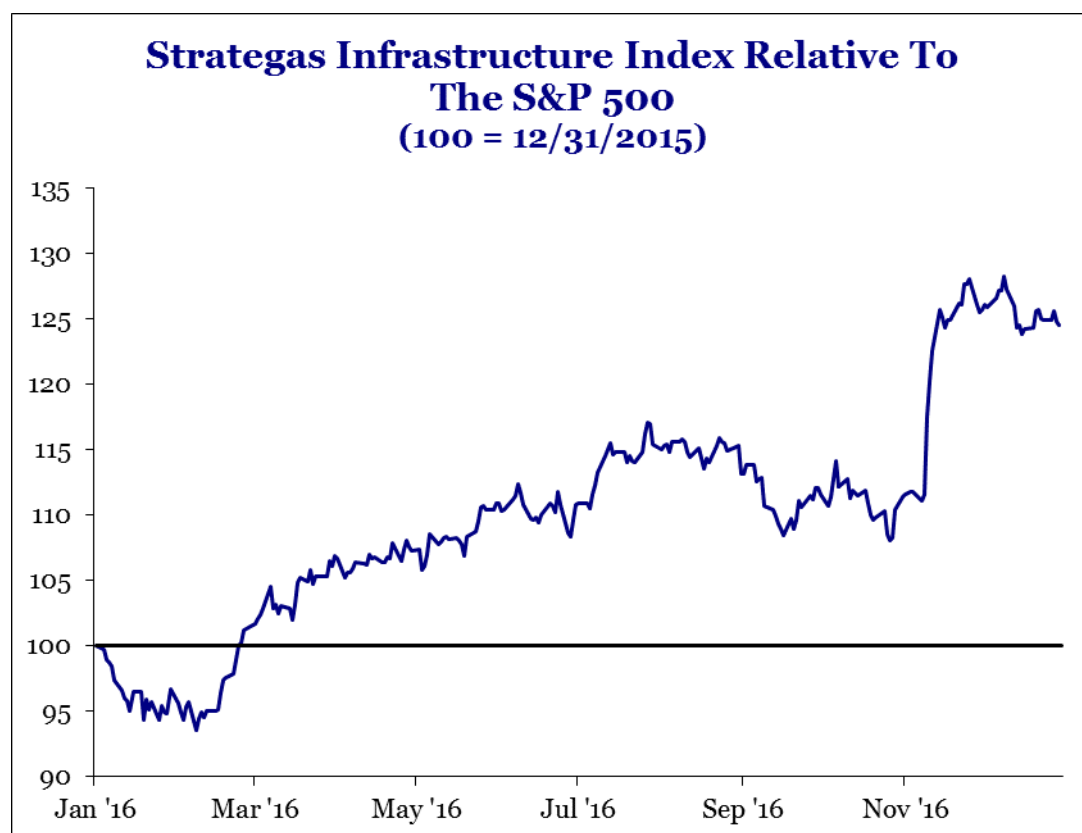
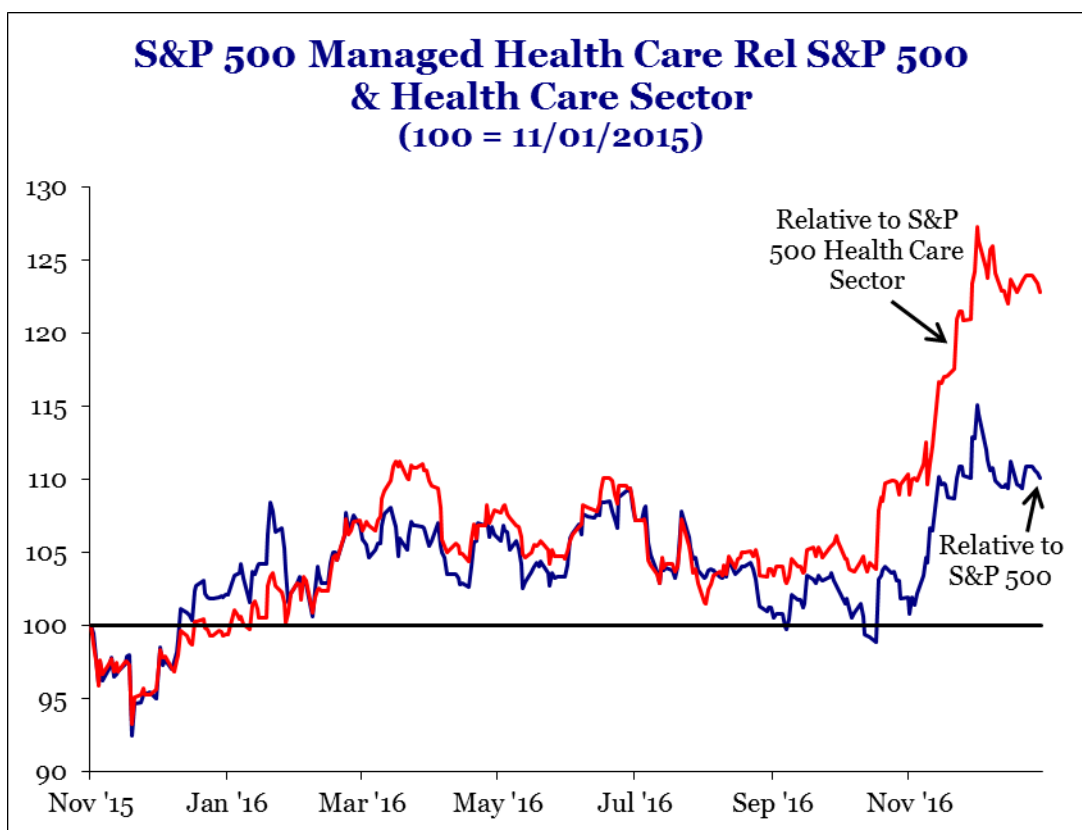
# COMPANIES WILL DO BUYBACKS WITH REPATRIATED FUNDS BUT EMPLOYMENT SHOULD ALSO INCREASE



## RETAILERS & REFINERS ARE CONCERNED ABOUT IMPORTS BEING TAXED IN TAX REFORM

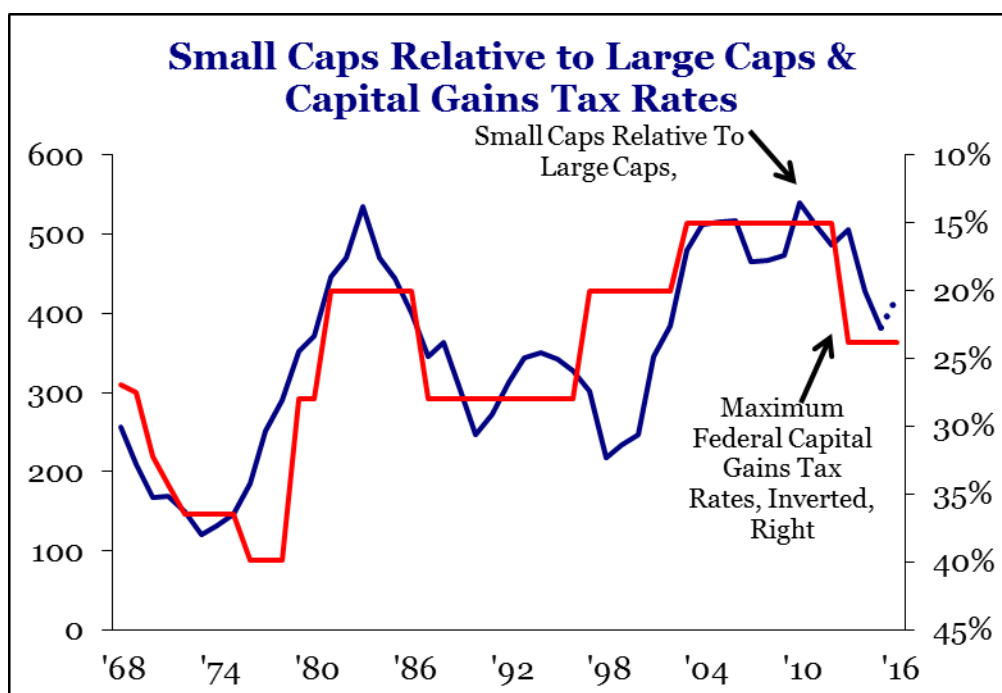
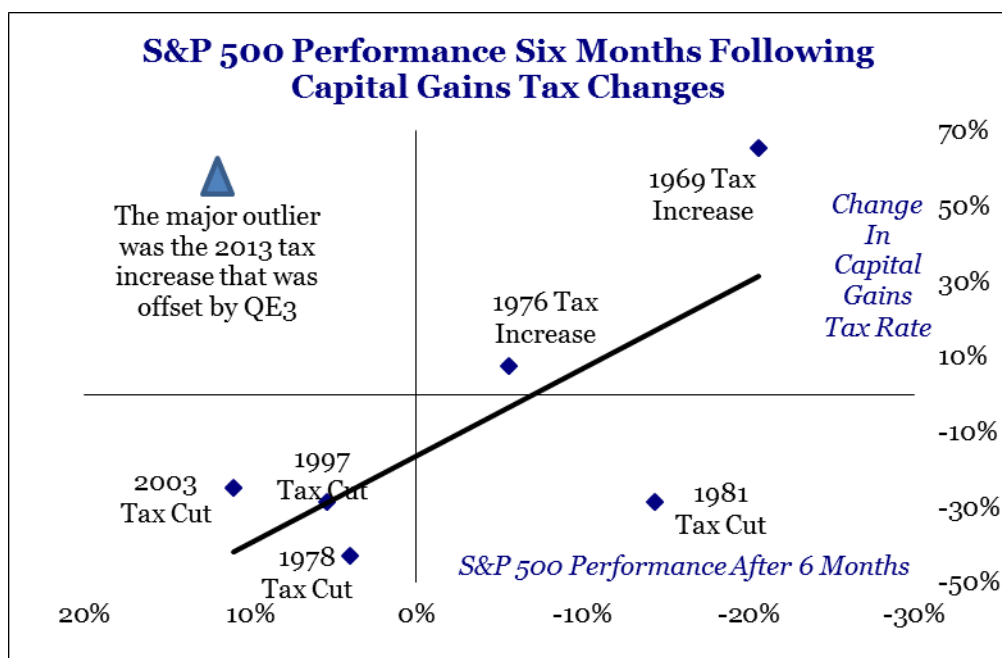


# INDUSTRIES WITH LESS FOREIGN EXPOSURE ARE OUTPERFORMING: MANAGED CARE & INFRASTRUCTURE

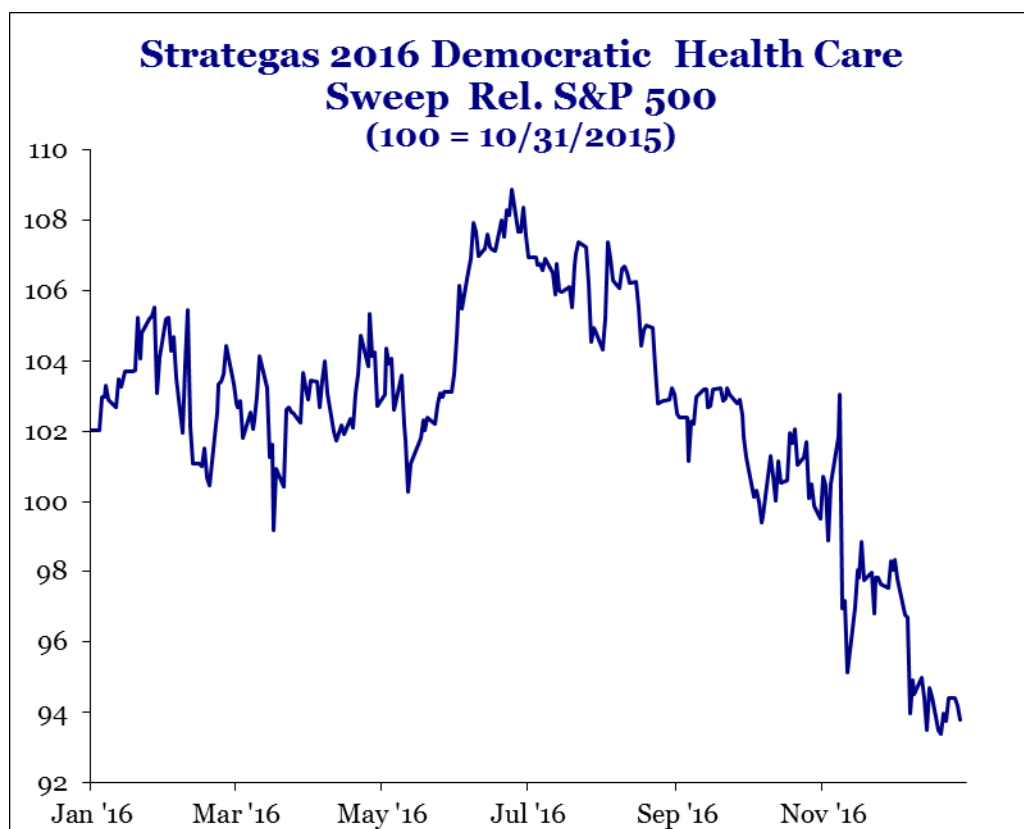
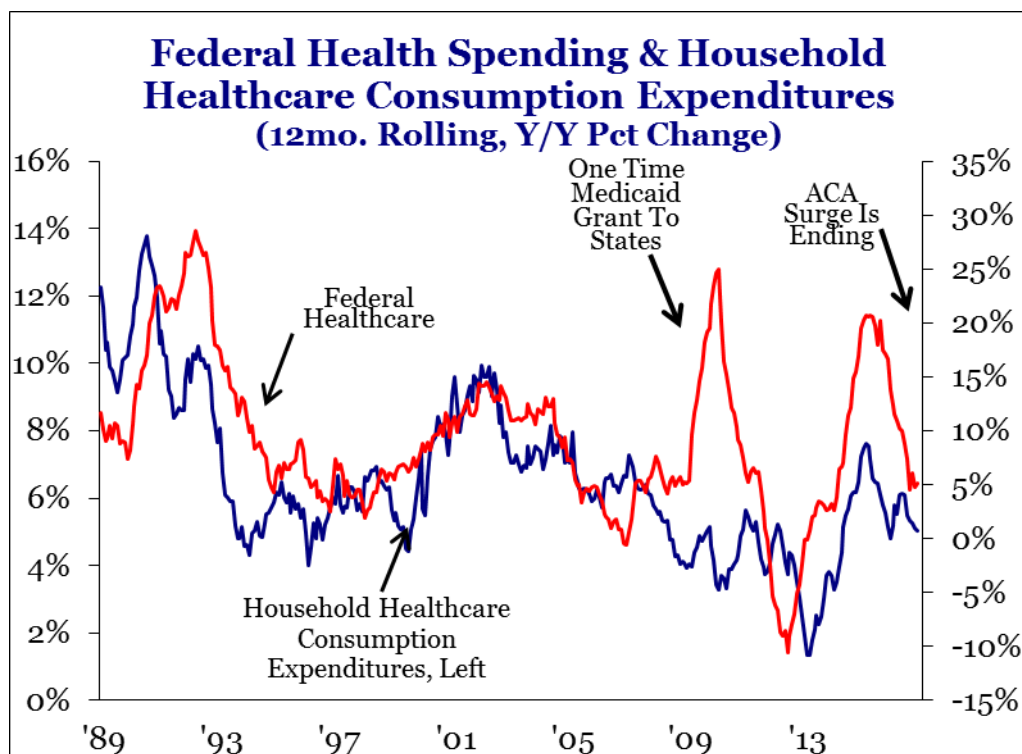


## REPEAL OF THE AFFORDABLE CARE ACT MAY PROVIDE IMMEDIATE FISCAL STIMULUS IN Q1

Our overall view is that tax reform is a complicated process and could take longer than the market expects. However, a review of the original ACA repeal legislation shows Congress immediately repealed the tax increases enacted as part of the healthcare bill. If Republicans keep this in place, then Congress will enact a \$65bn stimulus early in 2017 with a 16% cut in the capital gains & dividend tax rate. Capital gains tax cuts increase the after tax rate of return on equities and move stocks higher, all else being equal.

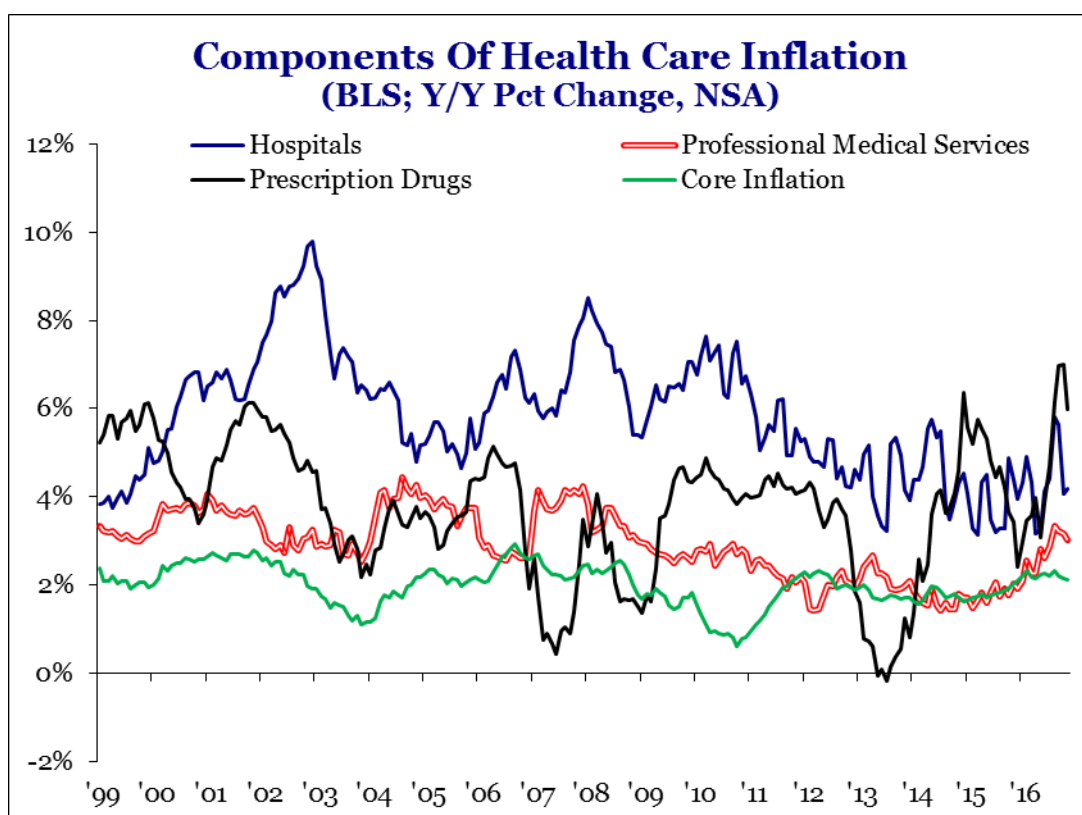
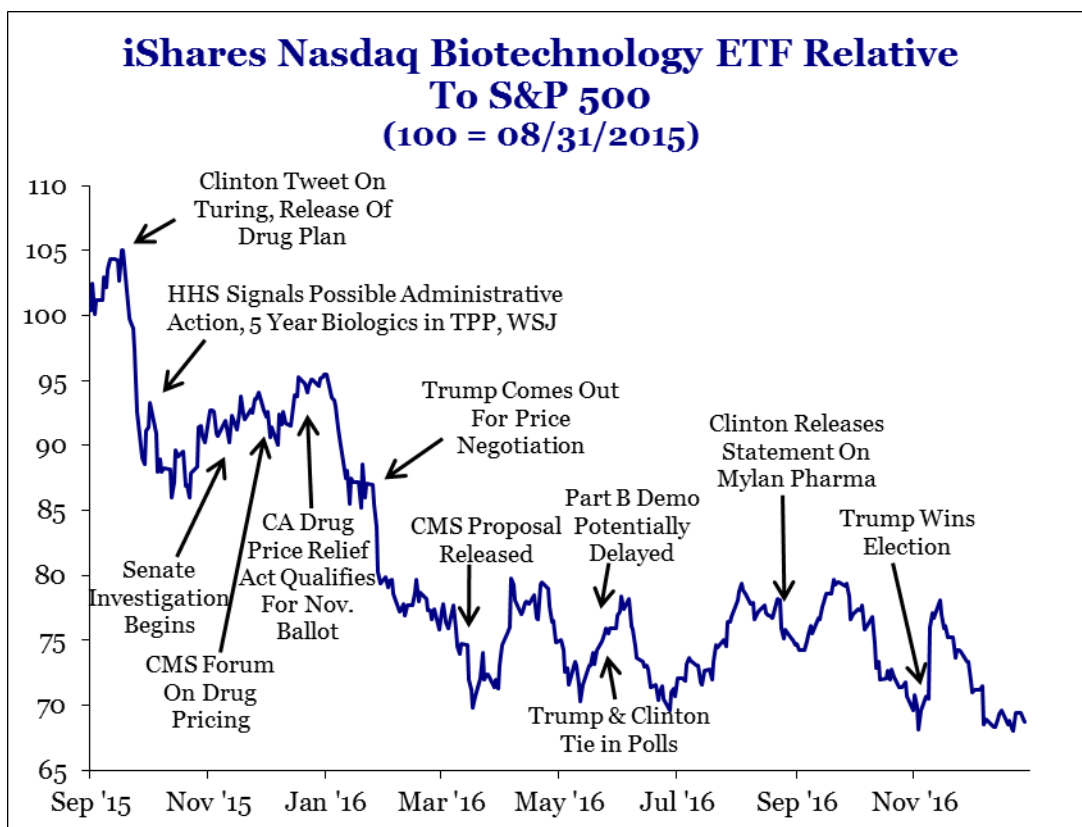


## ACA RELATED COMPANIES WERE ALREADY AT RISK AS FEDERAL HEALTH SPENDING DECELERATED



The health care companies in Strategas' Democratic Sweep Portfolio are reliant on the ACA and government health care programs. They had decelerating performance going into the election, but have continued to sharply underperform the S&P 500 since Election Day.

# DESPITE REPUBLICAN VICTORY, PRICING PRESSURE CONTINUES ON PHARMA & BIOTECH

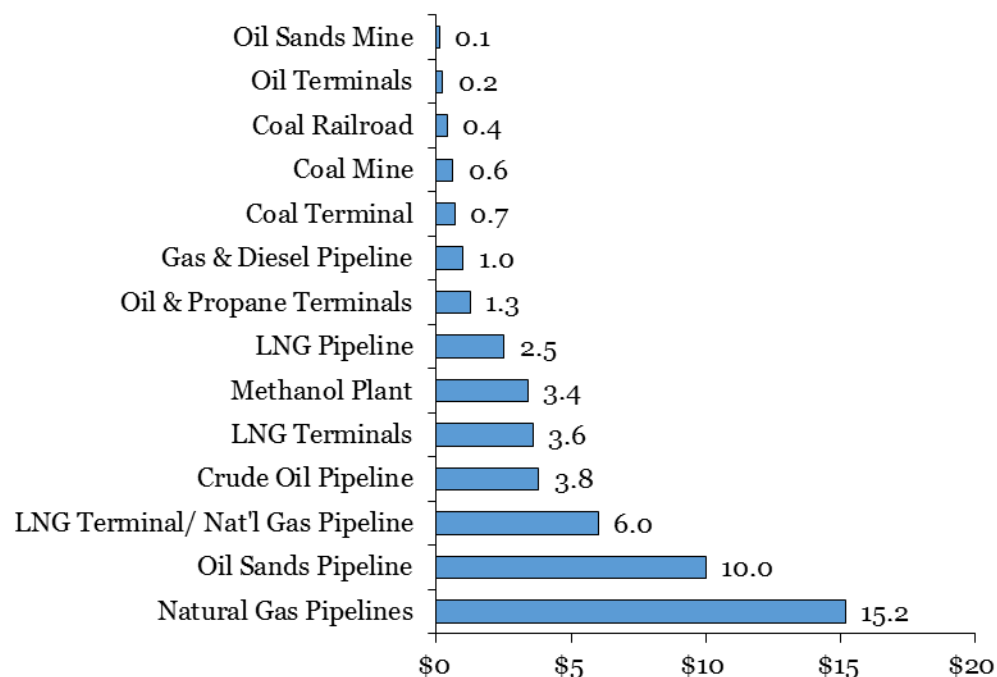


# TRUMP IS EXPECTED TO LESSEN THE REGULATORY BURDEN

<b>Obama Executive Actions At Risk</b>	<b>Trump Executive Actions Expected</b>
<b>Energy &amp; Climate</b>	<b>Trade</b>
Paris Climate Accords	Renegotiate Trade Agreements
EPA Clean Power Plan	New Thresholds for Countervailing & Anti-Dumping Duties
Keystone XL Pipeline	Declare Currency Manipulation
<b>Tax &amp; Financial Services</b>	<b>Immigration</b>
Section 385 Regulations	Accelerate Deportations ~2x (to 500k)
Fiduciary Rule	Cut Off Federal Grants to Sanctuary Cities
Targeted Dodd Frank Rules	Slow Pace of Legal Visas
<b>Labor</b>	Increase Prevailing Wage Via New Formula
NLRB/DOL Overtime Rule	<b>Health Care</b>
Joint Employer Liability Standard	Move Towards Premium Support Model, Possibly through CMMI Authority
Persuader Rule	Expedite State Medicaid Waivers
Contractor Disclosure	<b>Energy &amp; Climate</b>
<b>Health Care</b>	Expedite Leasing on Federal Lands
ACA Implementation Delays	Reform RFS RINS
<b>Telecom &amp; Tech</b>	<b>Tax &amp; Financial Services</b>
Net Neutrality	Overturn Estate Tax regulations
Business Data Services Re-Regulation	Replace CFPB Director; Change in Enforcement

# TRUMP CAN ADD QUICK FISCAL STIMULUS BY ALLOWING STALLED ENERGY INFRASTRUCTURE PROJECTS

## Cancelled Fossil Fuel Project Costs By Project Type (\$Bn)



There have been at least 24 delayed or cancelled energy infrastructure projects since the Obama Administration rejected the Keystone XL Pipeline in November 2015. Many of these projects were delayed or cancelled due, at least in part, to regulatory issues and environmental pressure.

## Keystone XL Pipeline Index Relative To The S&P 500 (12/31/2013 = 100)



# TRUMP'S LIST OF NOMINEES IS ALMOST FINISHED

<b>Trump Administration Cabinet Members</b>	
<b>Office</b>	<b>Nominees</b>
Secretary of State	Rex Tillerson, CEO, Exxon Mobil
Treasury Secretary	Steve Mnuchin, Co-Founder of Dune Capital Management & former partner, Goldman Sachs
Defense Secretary	Retired Marine General James Mattis
Attorney General	Alabama Senator Jeff Sessions
Interior Secretary	Montana Rep. Ryan Zinke
Agriculture Secretary	
Commerce Secretary	Investor Wilbur Ross
Labor Secretary	Andrew Puzder, Chief Executive, CKE Restaurants
Health and Human Services Secretary	Georgia Rep. Tom Price
Housing and Urban Development Secretary	Retired neurosurgeon Ben Carson
Transportation Secretary	Former Labor Secretary Elaine Chao
Energy Secretary	Texas Governor Rick Perry
Education Secretary	Conservative Activist Betsy DeVos
Veterans Affairs Secretary	
Homeland Security Secretary	Retired Marine General John F. Kelly
Chief of Staff	RNC Chair Reince Priebus
EPA Administrator	Oklahoma Attorney General Scott Pruitt
OMB Director	South Carolina Rep. Mick Mulvaney
US Trade Representative	
US Ambassador to the United Nations	South Carolina Governor Nikki Haley
Council of Economic Advisers Chairman	
SBA Administrator	Linda McMahon, co-founder and former CEO of WWE