Market & Economic Review

Second Half 2017

CAPSTONE™

FINANCIAL ADVISORS

Market Review

Key Points

Market Summary

- Balanced and diversified portfolios have performed well, outpacing inflation by a significant margin.
- After several years of underperformance, international stocks have started to outperform U.S. stocks.
- Growth stocks have outperformed due to significant outperformance by technology companies.
- Emerging markets have led developed markets despite the recent decline in commodity prices.
- Bonds have gained so far this year as longer-term interest rates have declined since the start of the year.
- Lower quality bonds significantly outperformed investment-grade bonds due to improving economic conditions.
- Commodities and other real assets tied to commodity prices (particularly oil) have been one of the few asset classes that have declined this year.
- Real estate securities have been held back by rising rates, while infrastructure assets have benefited from strong investor demand.
- Short-term and long-term interest rates have moved up materially from one year ago reflecting expectations of higher inflation and economic growth.
- Despite “flattening” a bit this year, the U.S. treasury yield curve is still “upward sloping”; the yield curve is currently not indicating a recession is near.
- Inflation expectations are now back down to where they were prior to the U.S. presidential election; expectations for pro-growth policy have been reduced.
- Recent declines in oil prices have been due to the ramp up in production (supply) in the U.S. despite recent cuts from OPEC.
- The U.S. dollar has significantly depreciated on the whole relative to international currencies so far this year.
- Stock markets overall are above historical average valuations. If earnings growth expansion continues, current valuations could be supported for longer

Past performance is not a guarantee of future results. Data as of 06/30/2017.

Economic Review

Key Points

Economic Summary

- The U.S. economy is entering into its eighth year of expansion, and growth remains slow and steady; trend growth remains around 2% per year.
- Federal Reserve officials have moved forward in raising short-term interest rates, with one more raise penciled in for later this year.
- The health of U.S. service sectors remains strong, while manufacturing sector activity has reached its highest level in almost 3 years.
- The recent surge in U.S. inflation has receded; core inflation has averaged 1.65% over the last year. This may cause the Fed to delay more rate hikes.
- U.S. unemployment rates continue to decline. The official unemployment rate (U-3) has reached a level that is consistent with “full employment.”
- Although the U.S. economy remains near full employment, wage growth has disappointed; wage growth has been stuck at the 2.5% per year level.
- U.S. consumer sentiment continues to rise and is near a 13-year high. This is consistent with improving labor market conditions and growing wealth.
- Despite some weakness in the most recent months, U.S. consumer spending has been strong and continues to support the economy.
- Vehicle sales in the U.S. have declined due lower demand. After reaching a record 17.55M vehicles sold in 2016, expectations are for sales to fall.
- Relatively low housing supply, higher home prices, and tough lending standards have dampened home sales.
- On a national level, single-family home prices have increased around 5.5% over the past year as of April.
- Homebuilders slowed down the pace of construction recently due to apparent shortages of skilled workers and available lots.
- Internationally, economic growth has deepened and synchronized across almost all the major world economies, including Europe, Japan, and China.
- Central banks in the euro zone, Britain, and Canada have all hinted that years of easy money and low interest rates might be coming to an end.

Past performance is not a guarantee of future results. Data as of 06/30/2017.

Outlook

Market and Economy

Market

- We are optimistic about the markets going forward. However, it is almost inevitable that we will experience higher levels of market volatility.
- The potential market environment underscores the need for a balanced and diversified portfolio, along with the discipline to rebalance and stay invested.
- We believe long-term market returns should continue to be positive in both stocks and bonds, and portfolios should be properly allocated across both.
- Stock and bond returns are likely to be more modest relative to recent years, which emphasizes the need to keep investment and tax costs low.
- Stock markets overall are above historical average valuations particularly in the U.S.; however, if the earnings growth expansion continues, current valuations could be supported for longer.
- We continue to advocate diversifying portfolios across a global set of asset classes; the recent change in relative U.S./international performance validated this.

Economy

- The U.S. economy continues to strengthen, albeit at a slow pace, and we believe it will likely continue to strengthen despite rising interest rates.
- Globally, the growing prevalence of positive economic data trends likely means that economic expansion should persist for a considerable period of time.
- There are no major market or economic indicators currently pointing to an imminent recession.
- Any "monetary tightening" in the U.S. and around the world will likely be extremely gradual and well telegraphed. We don't believe that interest rate increases will be bad for the economy; in fact, they will likely validate its strength.
- Governments around the world are shifting focus to fiscal stimulus to reinvigorate growth. In the U.S., the possibility remains for tax reform and infrastructure spending, but controversy and legislative bottlenecks will likely delay and diminish the outcomes.

Market Review

Overview

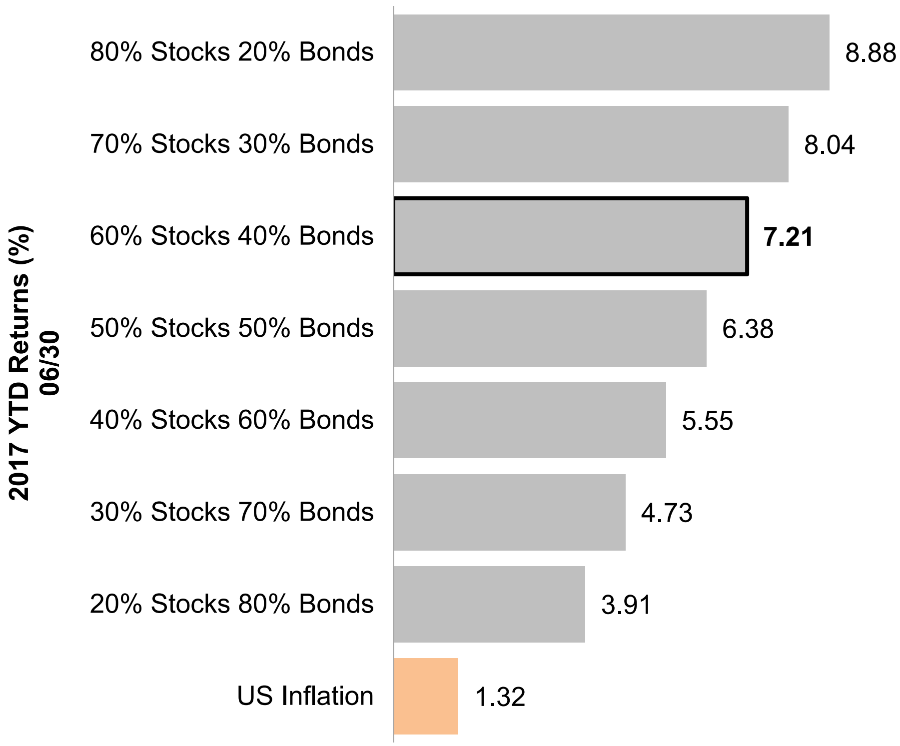
Overview

- Balanced Portfolios
- World Asset Classes
- US Stocks
- International Stocks
- US Bonds
- International Bonds
- Real Assets
- U.S. Interest Rates
- U.S. Inflation Expectations
- Energy Prices
- Currency
- Stock Market Valuations
- Corporate Earnings Growth

Market Review: Balanced Portfolios

2017 Year-to-Date Index Returns (%)

- Balanced and diversified portfolios have performed well, outpacing inflation by a significant margin. Aggressive allocations have outperformed conservative allocations, more so in recent years.



Portfolios	1 Year	2 Years	3 Years	5 Years	10 Years
80% Stocks 20% Bonds	15.08	7.49	6.09	10.58	5.94
70% Stocks 30% Bonds	13.06	6.96	5.70	9.56	5.90
60% Stocks 40% Bonds	**11.07**	**6.41**	**5.29**	**8.53**	**5.83**
50% Stocks 50% Bonds	9.11	5.85	4.86	7.49	5.71
40% Stocks 60% Bonds	7.17	5.27	4.42	6.45	5.55
30% Stocks 70% Bonds	5.26	4.68	3.96	5.40	5.34
20% Stocks 80% Bonds	3.38	4.07	3.48	4.34	5.10
US Inflation	1.50	1.25	0.87	1.29	1.62

Source: Morningstar Direct. Data as of 06/30/2017. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

Stocks = 70% Russell 3000 TR USD + 30% MSCI ACWI Ex USA IMI NR USD, Bonds = 100% BBgBarc US Agg Bond TR USD, US Inflation = IA SBBI US Inflation (Ibbotson Associates *Stocks, Bonds, Bills, and Inflation)*

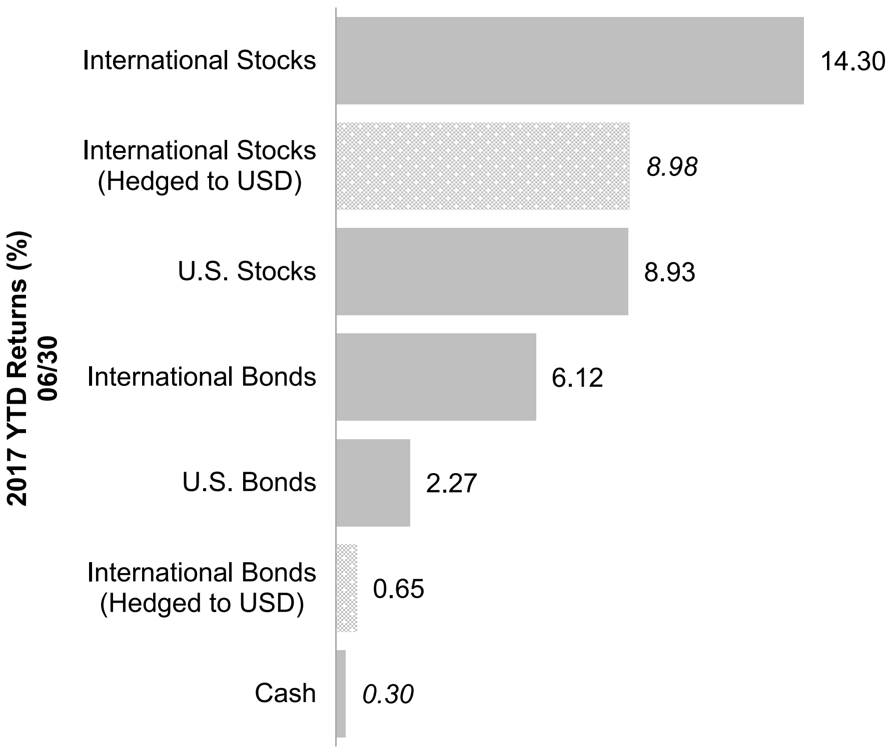
Assumes portfolios are rebalanced monthly.

CAPSTONE™ FINANCIAL ADVISORS

Market Review: Major World Asset Classes

2017 Year-to-Date Index Returns (%)

- After several years of underperformance, international stocks have started to outperform U.S. stocks, even without considering the recent depreciation in the U.S. dollar. U.S. dollar depreciation helps international returns measured in US dollars.



Major World Asset Classes	1 Year	2 Years	3 Years	5 Years	10 Years
International Stocks	20.43	4.33	1.14	7.58	1.38
International Stocks (Hedged to USD)	*21.71*	*5.08*	*6.19*	*10.52*	*2.36*
U.S. Stocks	18.51	10.02	9.10	14.58	7.26
International Bonds	-3.80	3.45	-2.42	-0.36	3.05
U.S. Bonds	-0.31	2.79	2.48	2.21	4.48
International Bonds (Hedged to USD)	*-0.71*	*3.81*	*3.78*	*4.04*	*4.47*
Cash	0.44	0.28	0.19	0.14	0.50

Source: Morningstar Direct. Data as of 06/30/2017. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

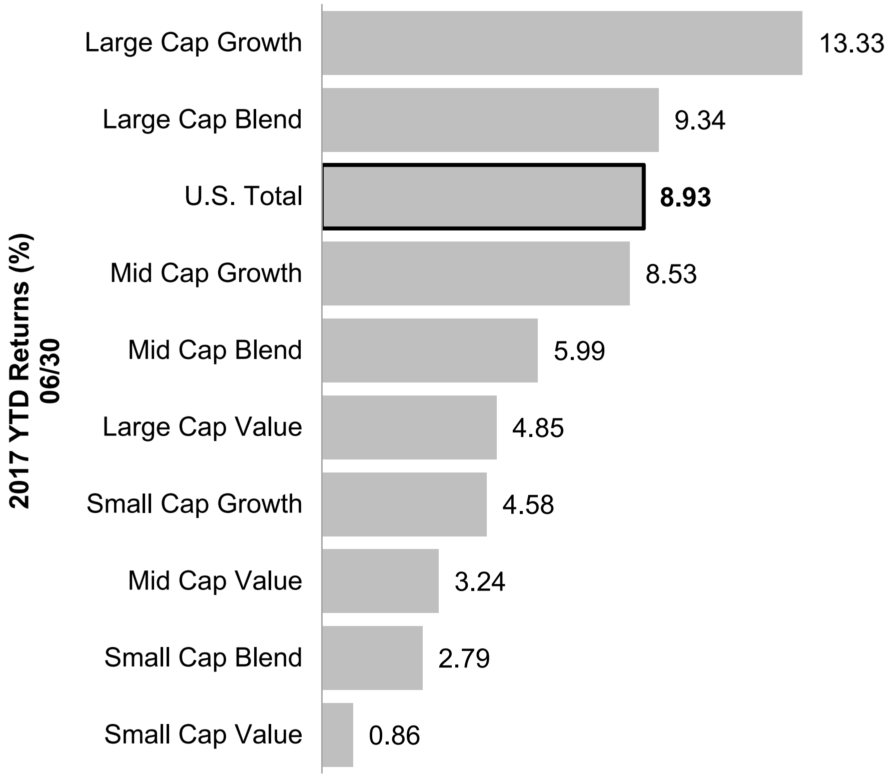
U.S. Stocks = Russell 3000 TR USD, International Stocks (Hedged to USD) = MSCI ACWI ex US 100% Hedged NR USD, International Stocks = MSCI ACWI Ex USA IMI NR USD, U.S. Bonds = BBgBarc US Agg TR USD, International Bonds = BBgBarc Gbl Agg Ex USD TR USD, Cash = BofAML US Treasury Bills 0-3 Mon TR USD

CAPSTONE™ FINANCIAL ADVISORS

Market Review: U.S. Stocks (Styles)

2017 Year-to-Date Index Returns (%)

- Growth stocks have outperformed due to significant outperformance by technology companies. Large caps have outperformed small cap so far this year as expectations of the Trump administration's pro-growth/inflationary agenda have been paired back.



U.S. Stock Sub-Asset Classes	1 Year	2 Years	3 Years	5 Years	10 Years
Large Cap Growth	19.30	11.52	11.03	15.24	8.97
Large Cap Blend	17.90	10.73	9.61	14.63	7.18
U.S. Total	**18.51**	**10.02**	**9.10**	**14.58**	**7.26**
Mid Cap Growth	17.90	9.22	9.16	14.61	9.24
Mid Cap Blend	18.57	9.61	8.53	14.92	8.56
Large Cap Value	15.86	9.44	7.79	13.82	5.25
Small Cap Growth	22.90	10.51	10.20	15.46	9.26
Mid Cap Value	18.47	9.54	7.50	14.98	7.75
Small Cap Blend	22.47	10.65	9.32	15.47	8.44
Small Cap Value	21.79	10.75	8.37	15.44	7.59

Source: Morningstar Direct. Data as of 06/30/2017. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

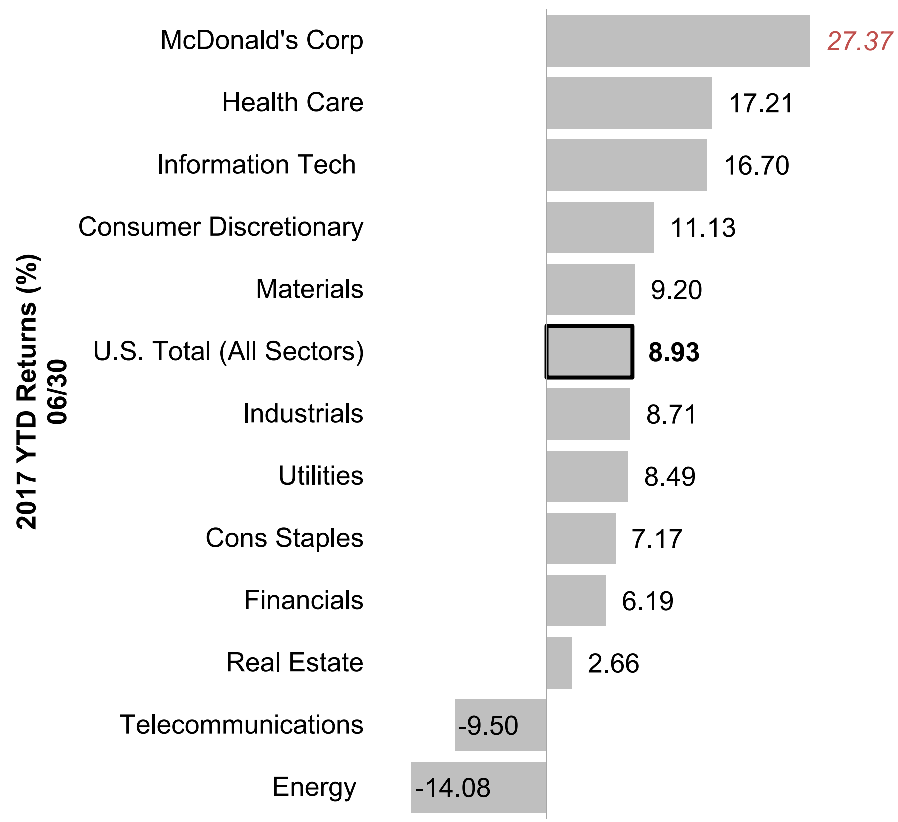
U.S. Stocks = Russell 3000 TR USD, Large Cap Blend = S&P 500 TR USD, Large Cap Value = S&P 500 Value TR USD, Large Cap Growth = S&P 500 Growth TR USD, Mid Cap Blend = S&P MidCap 400 TR, Mid Cap Value = S&P MidCap 400 Value TR USD, Small Cap Blend = S&P SmallCap 600 TR USD, Small Cap Value = S&P SmallCap 600 Value TR USD, Small Cap Growth = S&P SmallCap 600 Growth TR USD

CAPSTONE™ FINANCIAL ADVISORS

Market Review: U.S. Stocks (Sectors)

2017 Year-to-Date Index Returns (%)

- The best performing sector so far in 2017 has been healthcare likely because the market doesn't anticipate big changes to the Affordable Care Act any time soon. The energy sector has been the worst performing sector with over a 17% decline in oil prices this year.



U.S. Stock Sectors (MSCI)	1 Year	2 Years	3 Years	5 Years	10 Years
McDonald's Corp	*30.36*	*29.89*	*17.58*	*13.93*	*13.58*
Health Care	14.79	4.38	11.36	18.19	11.28
Information Tech	33.41	17.19	15.16	17.09	10.57
Consumer Discretionary	18.32	8.96	11.03	17.19	10.02
Materials	21.08	9.20	5.25	11.69	6.12
U.S. Total (All Sectors)	**18.51**	**10.02**	**9.10**	**14.58**	**7.26**
Industrials	21.83	13.33	9.27	15.86	7.62
Utilities	3.20	16.60	9.41	11.76	7.24
Cons Staples	2.87	9.96	9.81	12.70	10.38
Financials	34.41	14.58	12.69	17.43	1.88
Real Estate	-1.82	10.38	8.19	9.38	5.94
Telecommunications	-9.43	5.71	4.41	6.83	3.74
Energy	-5.03	-6.20	-12.60	0.47	0.62

Source: Morningstar Direct. Data as of 06/30/2017. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

Energy = MSCI USA IMI/Energy GR USD, Telecommunicaitons = MSCI USA IMI/Telecom Svcs GR USD, Financials = MSCI USA IMI/Financials GR USD, Industrials = MSCI USA IMI/Industrials GR USD, Materials = MSCI USA IMI/Materials GR USD, Utilities = MSCI USA IMI/Utilities GR USD, Information Technology = MSCI USA IMI/Information Tech GR USD, Consumer Discretionary = MSCI USA IMI/Cons Disc GR USD, Consumer Staples = MSCI USA IMI/Cons Staples GR USD, Real Estate = MSCI US REIT GR USD, Health Care = MSCI USA IMI/Health Care GR USD. U.S. Total (All Sectors) = Russell 3000 TR USD

Market Review: International Stocks

2017 Year-to-Date Index Returns (%)

- Emerging markets have led developed markets despite the recent decline in commodity prices. The sharp appreciation of emerging market currencies, encouraging economic data in China, and corporate earnings growth have benefited emerging market stock returns.

International Stock Sub-Asset Classes	1 Year	2 Years	3 Years	5 Years	10 Years
Emerging Market	22.82	3.87	1.03	4.09	2.02
International Growth	17.35	5.08	2.71	8.25	2.02
International Small Cap	20.32	6.65	3.31	10.02	2.91
International Total	**20.43**	**4.33**	**1.14**	**7.58**	**1.38**
International Large/Mid Cap	20.45	3.98	0.80	7.22	1.13
Developed Market	19.74	4.39	1.12	8.57	1.29
International Value	23.61	3.52	-0.49	6.86	0.69

Source: Morningstar Direct. Data as of 06/30/2017. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

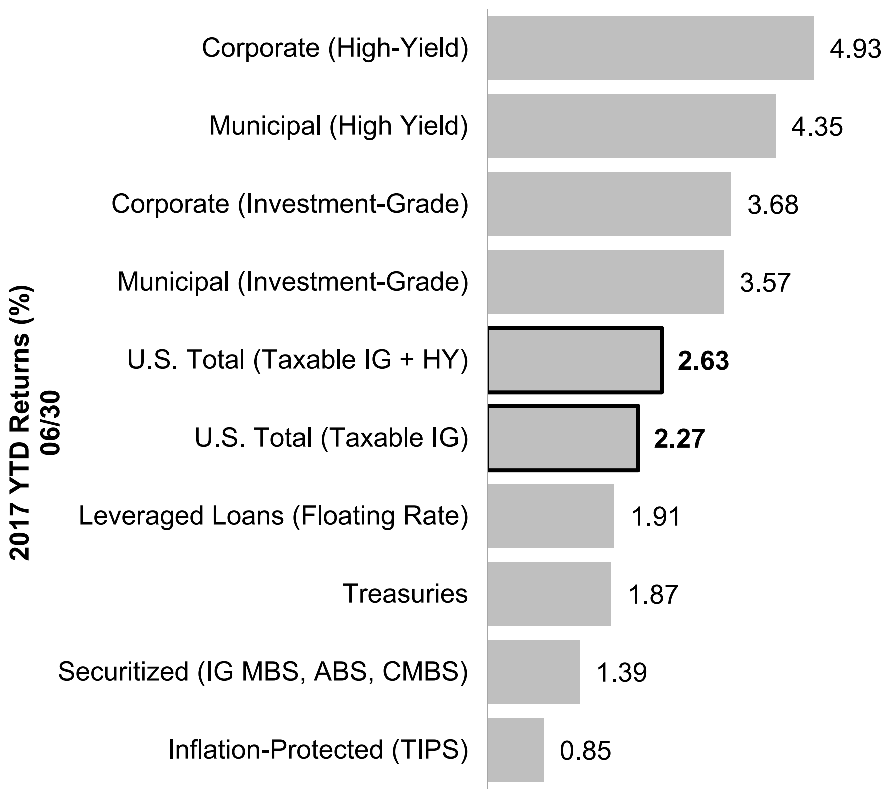
International Total = MSCI ACWI Ex USA IMI NR USD, Developed Market = MSCI World Ex USA IMI NR USD, Emerging Market = MSCI EM IMI NR USD, International Large/Mid Cap = MSCI ACWI Ex USA NR USD, International Small Cap = MSCI ACWI Ex USA Small NR USD, International Growth = MSCI ACWI Ex USA IMI Growth NR USD, International Value = MSCI ACWI Ex USA IMI Value NR USD

CAPSTONE™ FINANCIAL ADVISORS

Market Review: U.S. Bonds

2017 Year-to-Date Index Returns (%)

- Bonds have gained so far this year as longer-term interest rates have declined since the start of the year. Lower quality (high-yield) bonds significantly outperformed investment-grade bonds due to improving economic conditions and corporate earnings, and low market volatility.



U.S. Bond Sub-Asset Classes	1 Year	2 Years	3 Years	5 Years	10 Years
Corporate (High-Yield)	12.70	7.01	4.48	6.89	7.67
Municipal (High Yield)	1.87	6.91	5.93	5.94	4.91
Corporate (Investment-Grade)	1.84	4.66	3.40	3.68	5.61
Municipal (Investment-Grade)	-0.49	3.50	3.33	3.26	4.60
U.S. Total (Taxable IG + HY)	**0.91**	**3.34**	**2.76**	**2.73**	**4.73**
U.S. Total (Taxable IG)	**-0.31**	**2.79**	**2.48**	**2.21**	**4.48**
Leveraged Loans (Floating Rate)	7.42	4.13	3.35	4.58	4.48
Treasuries	-2.32	1.86	2.01	1.28	4.06
Securitized (IG MBS, ABS, CMBS)	-0.06	2.15	2.19	2.05	4.27
Inflation-Protected (TIPS)	-0.63	1.83	0.63	0.27	4.27

Source: Morningstar Direct. Data as of 06/30/2017. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

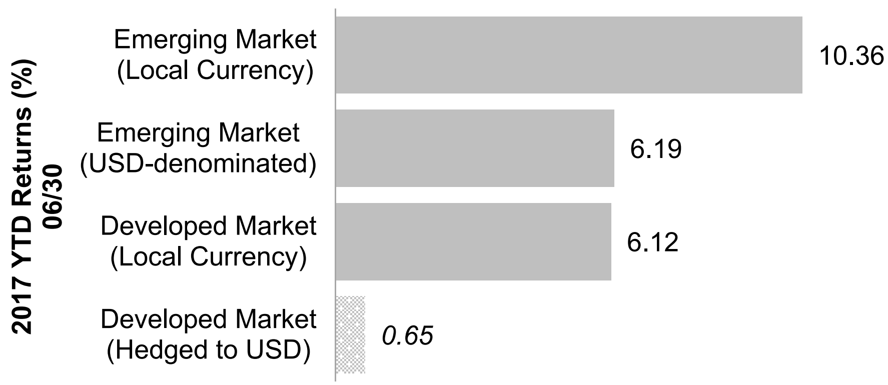
U.S. Total (Taxable IG + HY) = BBgBarc US Universal TR USD, U.S. Total (Taxable IG) = BBgBarc US Agg Bond TR USD, Corporate (High-Yield) = BBgBarc High Yield Corporate TR USD, Leveraged Loans (Floating Rate) = S&P/LSTA Leveraged Loan TR, USD Emerging Market Gov. = BBgBarc USD EM Government TR USD, Corporate (Investment Grade) = BBgBarc US Credit TR USD, Municipal (High Yield) = S&P Municipal Bond High Yield TR, Inflation-Protected Bonds (TIPS) = BBgBarc US Treasury US TIPS TR USD, Securitized (IG MBS, ABS, CMBS) = BBgBarc US Scrtzd MBS ABS CMBS TR USD, Treasuries = BBgBarc US Treasury TR USD, Municipal (Investment Grade) = BBgBarc Municipal TR USD

CAPSTONE™ FINANCIAL ADVISORS

Market Review: International Bonds

2017 Year-to-Date Index Returns (%)

- Similar to stocks, emerging markets bonds led developed markets due to improvement in the global economy, relatively strong growth in emerging market countries, and a slow-moving U.S. interest rate policy.



International Bond Sub-Asset Classes	1 Year	2 Years	3 Years	5 Years	10 Years
Emerging Market (Local Currency)	6.41	4.18	-2.80	-0.67	3.97
Emerging Market (USD-denominated)	6.04	7.90	5.38	5.72	7.44
Developed Market (Local Currency)	-3.80	3.45	-2.42	-0.36	3.05
Developed Market (Hedged to USD)	*-0.71*	*3.81*	*3.78*	*4.04*	*4.47*

Source: Morningstar Direct. Data as of 06/30/2017. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

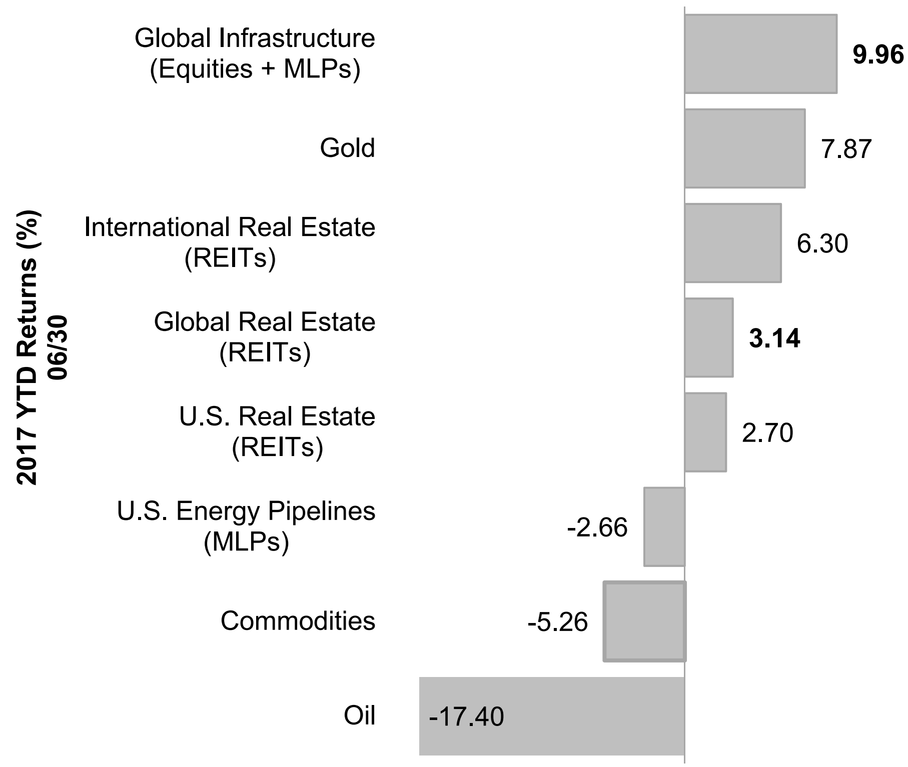
Developed Market (Local Currency) = BBgBarc Gbl Agg Ex USD TR USD, Developed Market (Hedged to USD) = BBgBarc Gbl Agg Ex USD TR Hdg USD, Emerging Market (Local Currency) = JPM GBI-EM Global Diversified TR USD, Emerging Market (USD-denominated) = JPM EMBI Global Diversified TR USD

CAPSTONE™ FINANCIAL ADVISORS

Market Review: Real Assets

2017 Year-to-Date Index Returns (%)

- Commodities and other real assets tied to commodity prices (particularly oil) have been one of the few asset classes that have declined this year. Real estate securities have been held back by rising rates, while infrastructure assets have benefited from strong investor demand.



Real Asset Sub-Asset Classes	1 Year	2 Years	3 Years	5 Years	10 Years
Global Infrastructure (Equities + MLPs)	**7.11**	**4.65**	**1.43**	**9.32**	**7.22**
Gold	-5.93	2.96	-2.05	-4.98	6.68
International Real Estate (REITs)	-0.37	3.37	1.13	6.86	0.20
Global Real Estate (REITs)	**-2.35**	**6.68**	**4.55**	**7.57**	**2.60**
U.S. Real Estate (REITs)	-1.70	10.42	8.36	9.52	6.00
U.S. Energy Pipelines (MLPs)	0.40	-6.60	-11.23	1.77	5.74
Commodities	-6.50	-9.97	-14.81	-9.25	-6.49
Oil	-12.54	-24.35	-33.91	-17.90	

Source: Morningstar Direct. Data as of 06/30/2017. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

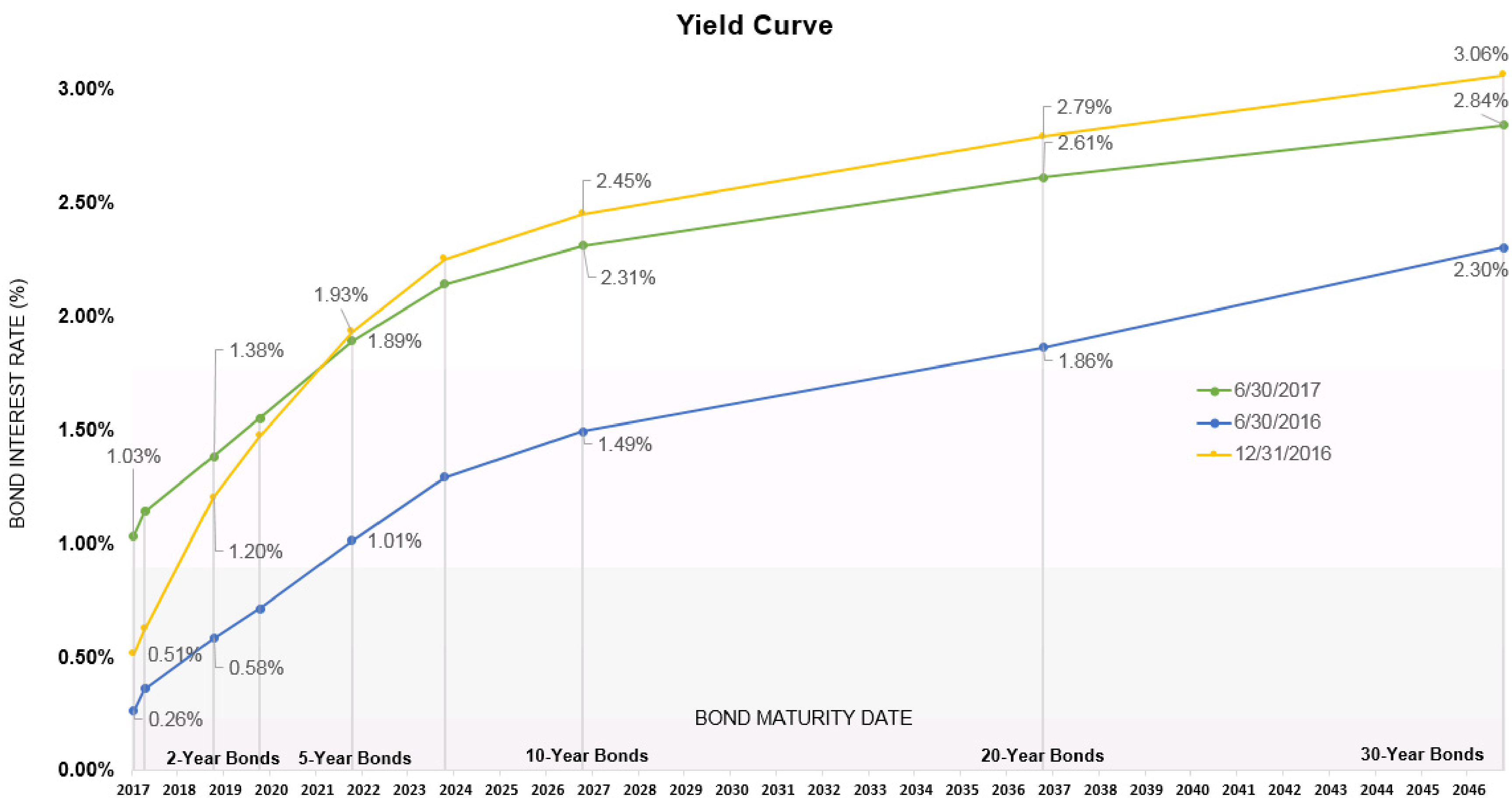
U.S. Energy Pipelines (MLPs) = Alerian MLP TR USD, Commodities = Bloomberg Commodity TR USD, Gold = S&P GSCI Gold Spot, Oil = S&P GSCI Brent Crude TR USD, U.S. Real Estate (REITs) = FTSE NAREIT Equity REITs TR USD, International Real Estate (REITs) = S&P Global ex US REIT NR USD, Global Real Estate (REITs) = S&P Global REIT NR USD

CAPSTONE™ FINANCIAL ADVISORS

Market Review: US Interest Rates

Treasury Yield Curve

- Both short-term and long-term U.S. government interest rates have moved up materially from one year ago reflecting expectations of higher inflation and economic growth. Since the start of the year, short rates have moved up while longer-term rates have come down.



- The Treasury Yield Curve is a graph of the interest rates (yields) of U.S. government bonds plotted against the time they have to maturity. Treasury yields impact consumer and business borrowing rates (e.g., 10-year Treasury yields influence 30-year mortgage rates).

CAPSTONE™ FINANCIAL ADVISORS

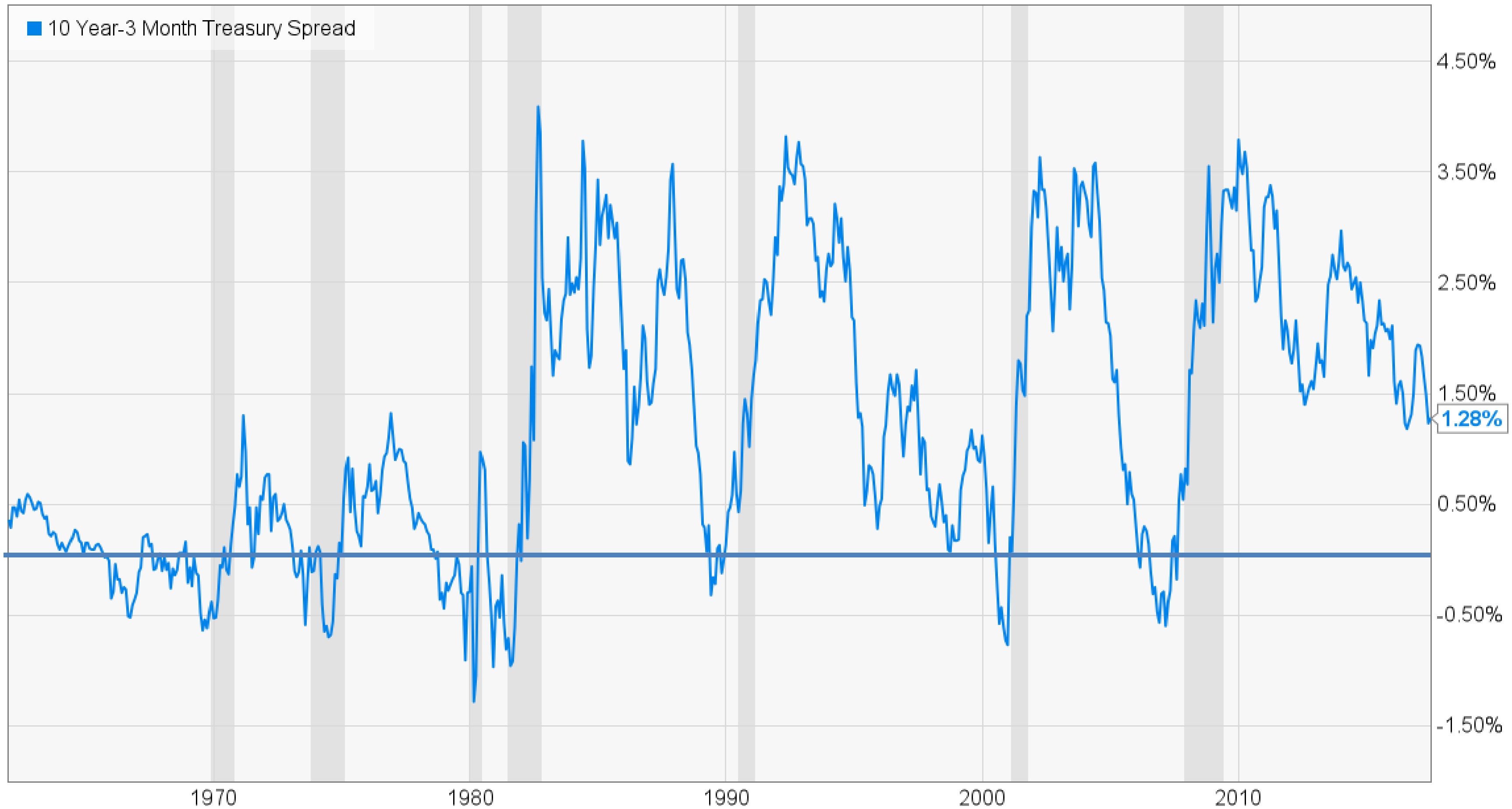
Source: YCharts. Data as of 06/30/2017. Past performance is not a guarantee of future results.

Market Review: US Interest Rates

Treasury Yield Curve Slope

- Despite "flattening" a bit this year, the U.S. treasury yield curve is still "upward sloping"; the yield curve is currently not indicating a recession is near.

Treasury Yield Curve Slope



- The slope of the yield curve provides an important clue to the direction of future short-term interest rates; an upward sloping curve generally indicates that the financial markets expect higher future interest rates (i.e., a stronger economy); a downward sloping curve indicates expectations of lower rates in the future. Historically, the slope of the yield curve is the single best indicator of trouble.

Source: YCharts. Data as of July 2017. Past performance is not a guarantee of future results.
Shaded areas indicate past U.S. recessions.

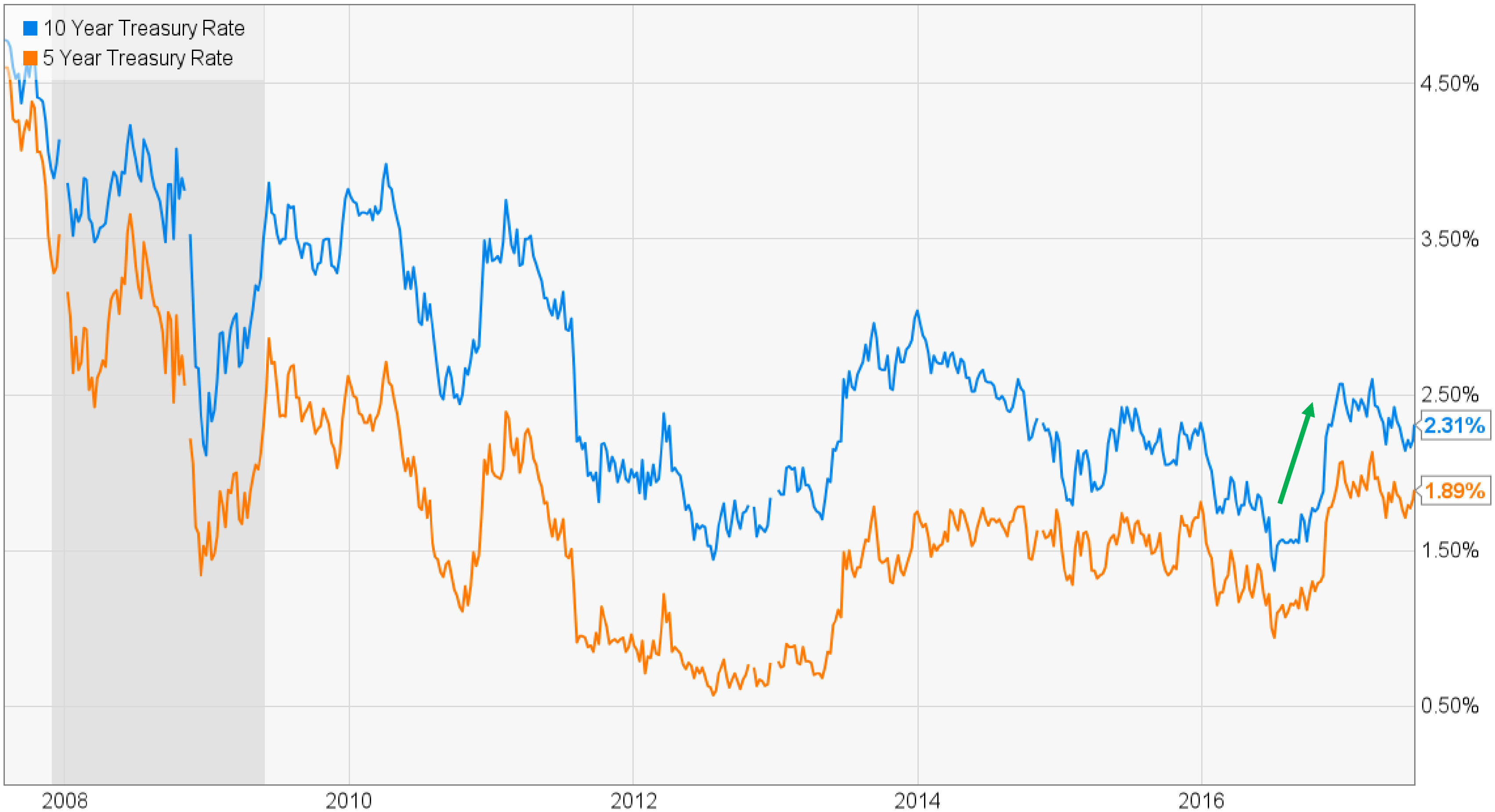
CAPSTONE™ FINANCIAL ADVISORS

Market Review: US Interest Rates

US 10-Year and 5-Year Treasury Yields

- Treasury yields, which borrowing rates for mortgage rates to auto loans are based on, have moved up since last year, but are still at relatively low. levels.

10 Year and 5 Year Treasury Rates



- The 10-year treasury yield is the benchmark yield that borrowing rates for mortgage rates and Home Equity Loans, Federal student Loans (once a year in May reset) are based on. The 5-year treasury yield is pegged for auto loans.

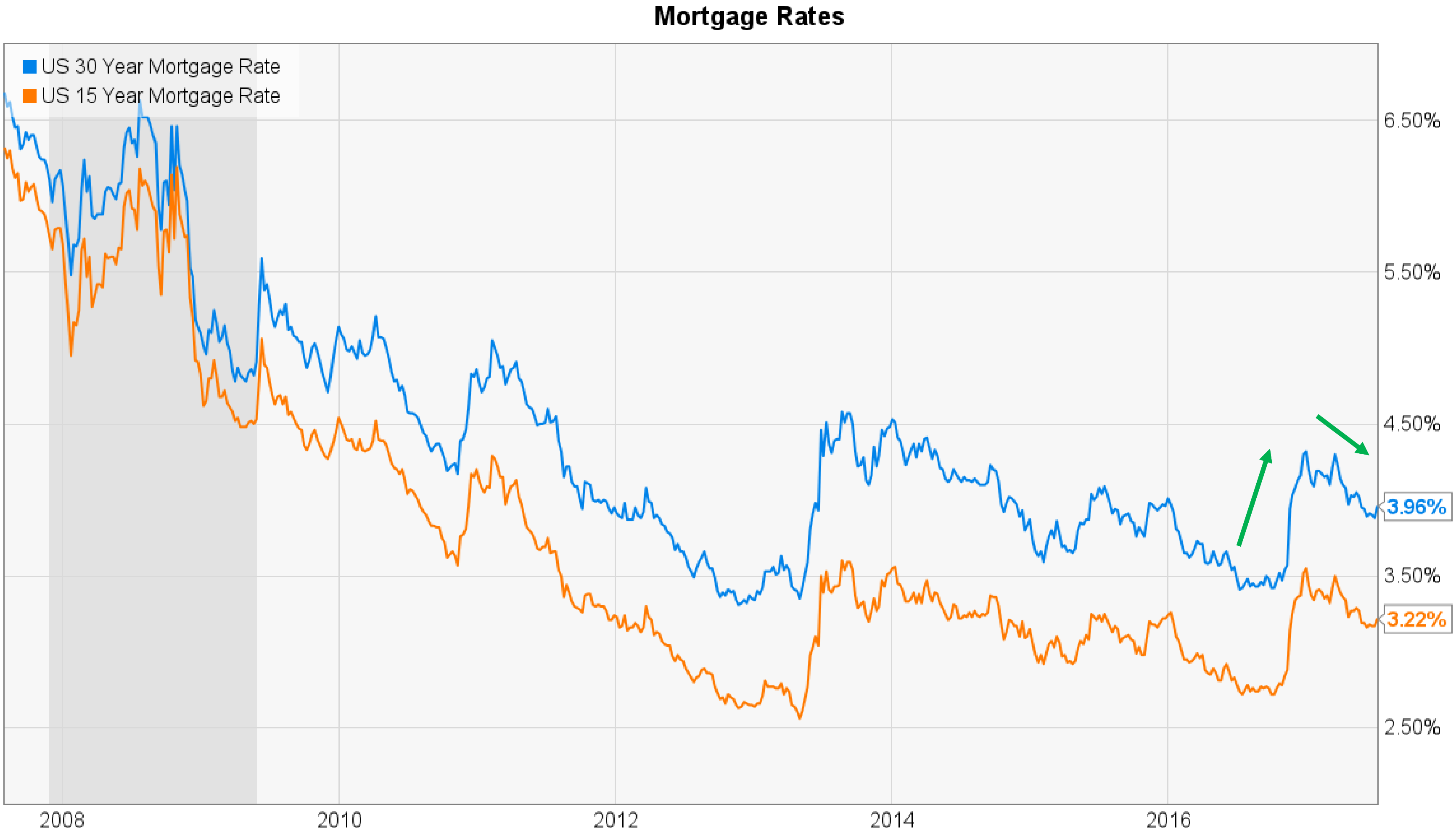
CAPSTONE™ FINANCIAL ADVISORS

Source: YCharts. Data as of July 2017. Past performance is not a guarantee of future results.
Shaded areas indicate past U.S. recessions.

Market Review: US Interest Rates

30-Year Fixed Mortgage Rate

- Mortgage rates moved up quickly earlier this year, but have since come back down along with longer-term treasury yields.



Source: YCharts, Freddie Mac. Data as of July 2017. Past performance is not a guarantee of future results.
Shaded areas indicate past U.S. recessions.

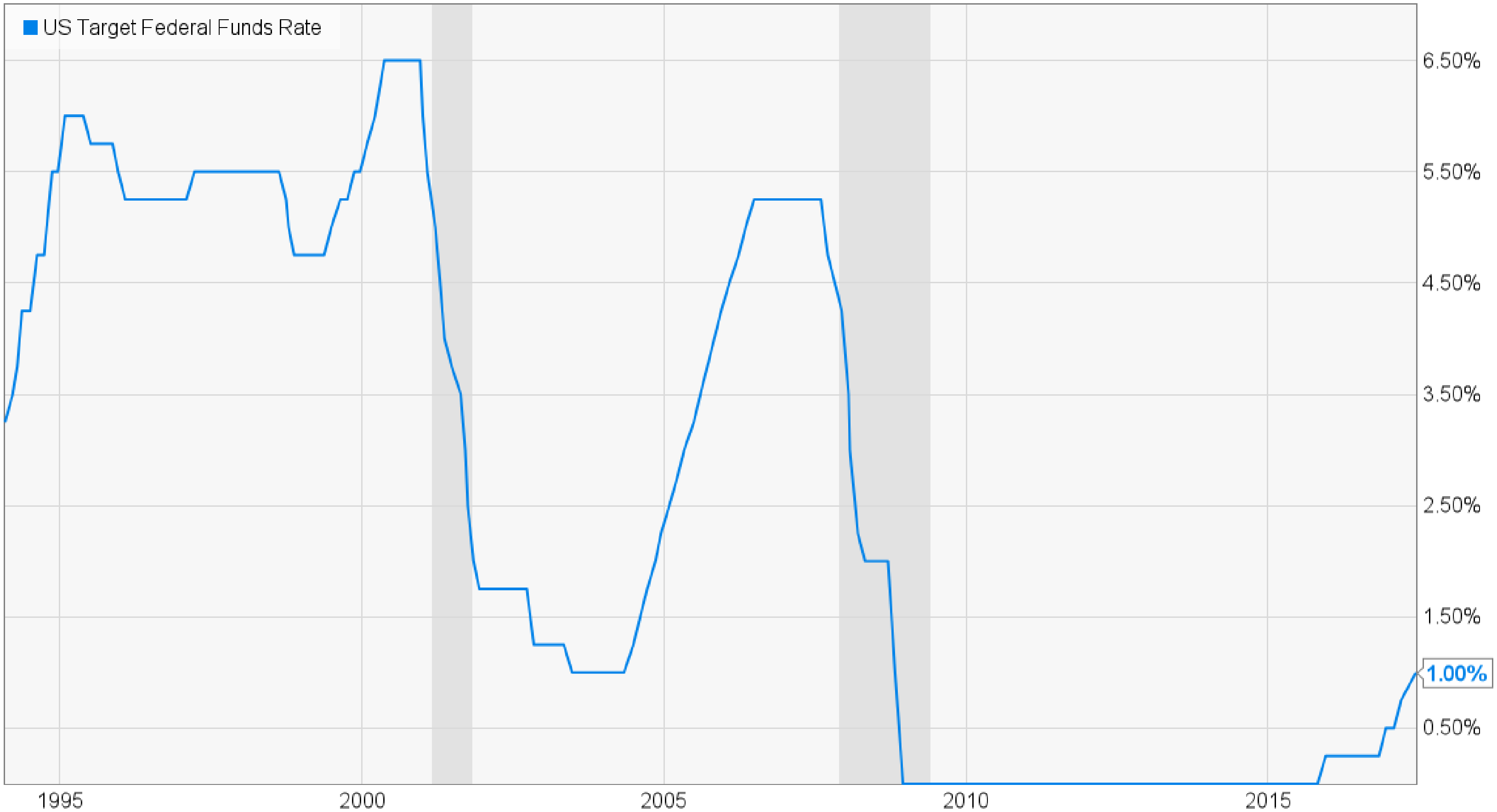
CAPSTONE™ FINANCIAL ADVISORS

Market Review: US Interest Rates

Federal Funds Rate

- The Federal Funds rate is a short-term interest rate based on policy set by the U.S. Federal Reserve. This policy rate has been increased three times in as many quarters. One more raise penciled in for later this year.

Short-Term (Policy) Interest Rate



- The federal funds rate is rate at which banks can borrow and lend to each other overnight. It is one of the most influential interest rates in the U.S. economy because it affects other short-term and long-term lending rates in the U.S. economy (e.g., credit cards, mortgages, home equity lines, etc.).

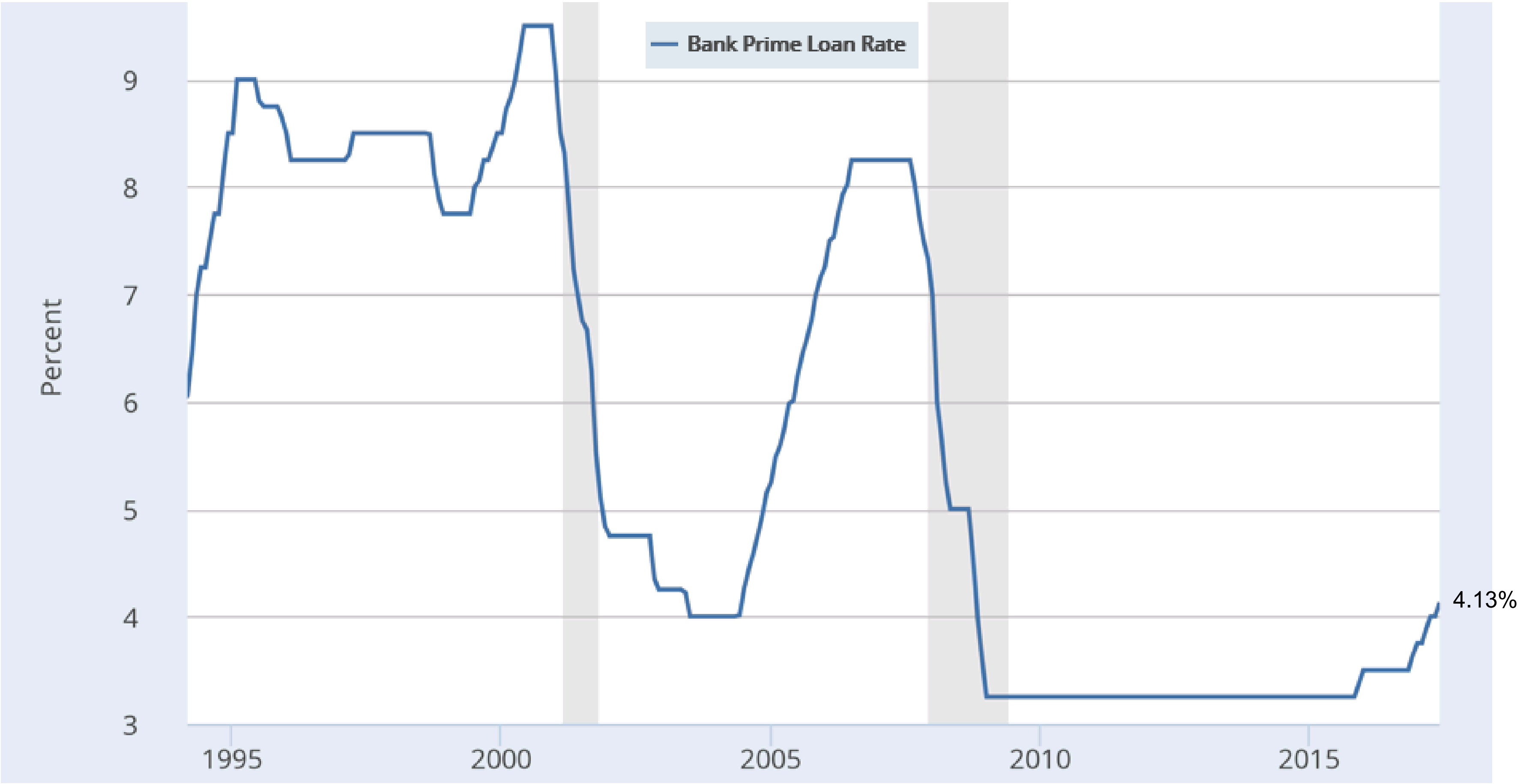
Source: YCharts, Federal Reserve. Data as of July 2017. Past performance is not a guarantee of future results.
Shaded areas indicate past U.S. recessions.

CAPSTONE™ FINANCIAL ADVISORS

Market Review: US Interest Rates

Prime Rate

- Many of the major banks have announced increases to their prime rates following the federal fund rate increases. Credit cards, brokerage margin loans, and home equity lines of credit will feel increases. These rates remain low by historical standards.



- The prime rate is the interest rate that commercial banks charge their most credit-worthy customers and large corporations. The prime interest rate, or prime lending rate, is largely determined by the federal funds rate; the prime rate is also important for individual borrowers as it influences credit card rates and home-equity lines of credit.

Source: Board of Governors of the Federal Reserve System (US), fred.stlouisfed.org. Data as of June 2017. Past performance is not a guarantee of future results. Shaded areas indicate past U.S. recessions.

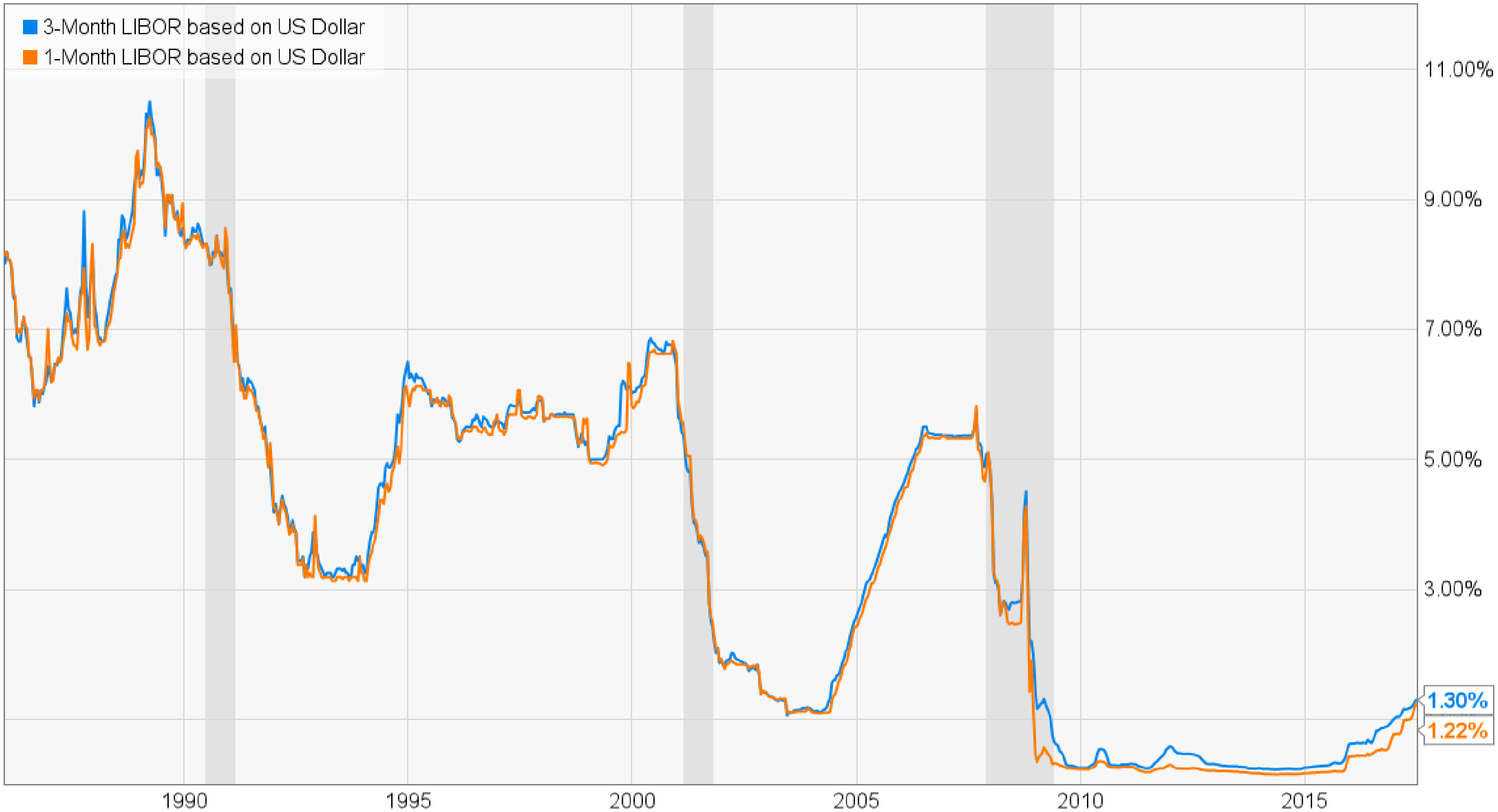
CAPSTONE™ FINANCIAL ADVISORS

Market Review: US Interest Rates

1-Month and 3-Month London Interbank Offer Rate (LIBOR)

- LIBOR rates have moved up, with both 1-month and 3-month LIBOR crossing 1% for the first time since the US emerged from recession in 2009. Some variable rate loans (e.g., ARMs) and leveraged loans have been impacted, but not to a large degree.

LIBOR



- The Intercontinental Exchange London Interbank Offered Rate (LIBOR or ICE LIBOR) is a benchmark rate that some of the world's leading banks charge each other for short-term loans. It stands for and serves as the first step to calculating interest rates on various loans throughout the world.

Source: YCharts, ICE. Data as of July 2017. Past performance is not a guarantee of future results.
Shaded areas indicate past U.S. recessions.

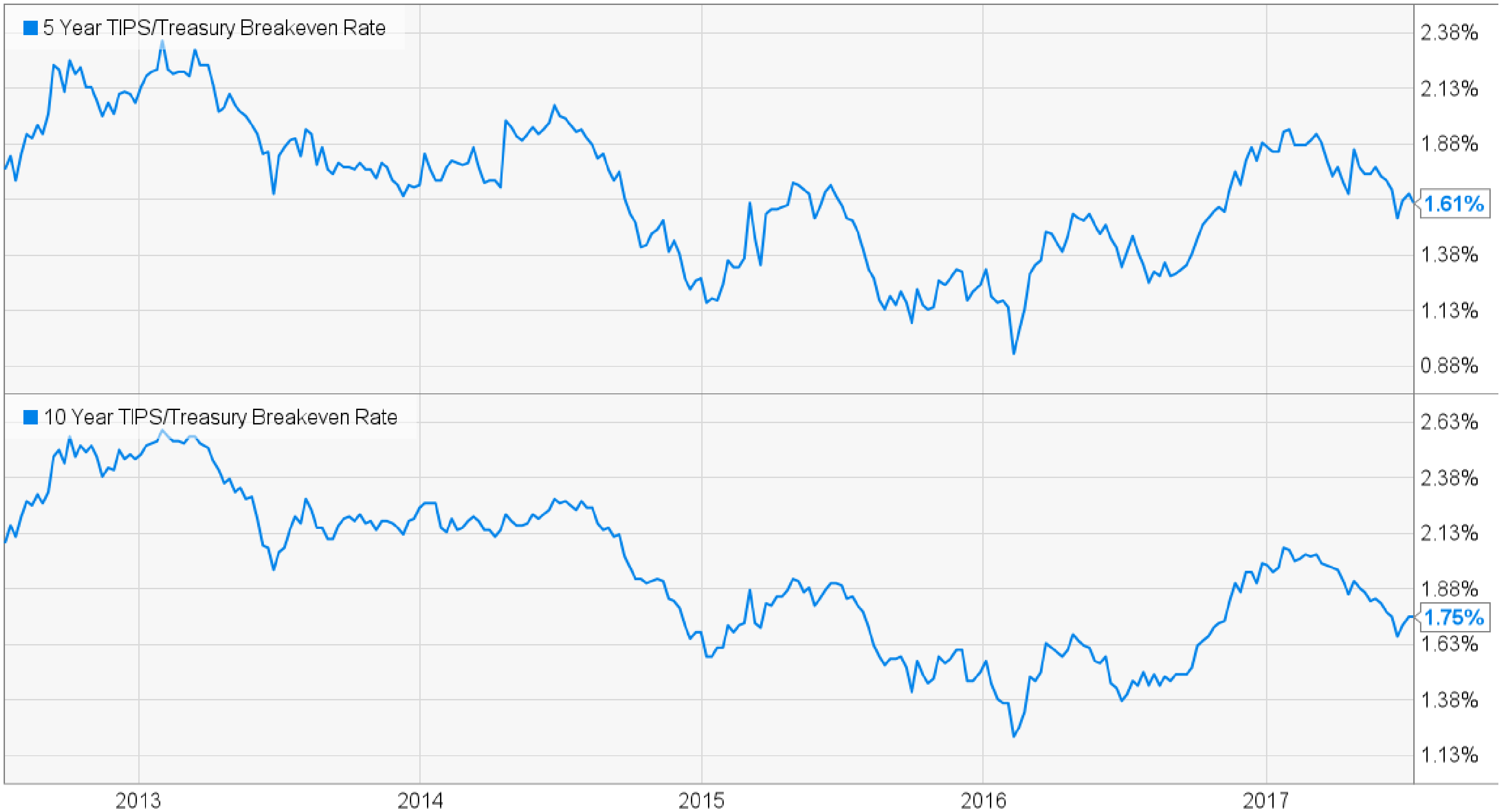
CAPSTONE™ FINANCIAL ADVISORS

Market Review: US Inflation Expectations

Breakeven Rates

- Investors now have lower expectations of future inflation. Inflation expectations, are now back down to where they were prior to the U.S. presidential election. Expectations for pro-growth policies that involve increasing government debt levels (hence future inflation) have been paired back.

Market Inflation Expectations



- Breakeven rates are market-based inflation indicators. They are the differential between nominal (non-inflation-adjusted) Treasuries and Treasury-Inflation-Protected-Securities. Policy makers pay close attention to inflation expectation because they can influence firms' and households' spending decisions, which affect actual prices.

CAPSTONE™ FINANCIAL ADVISORS

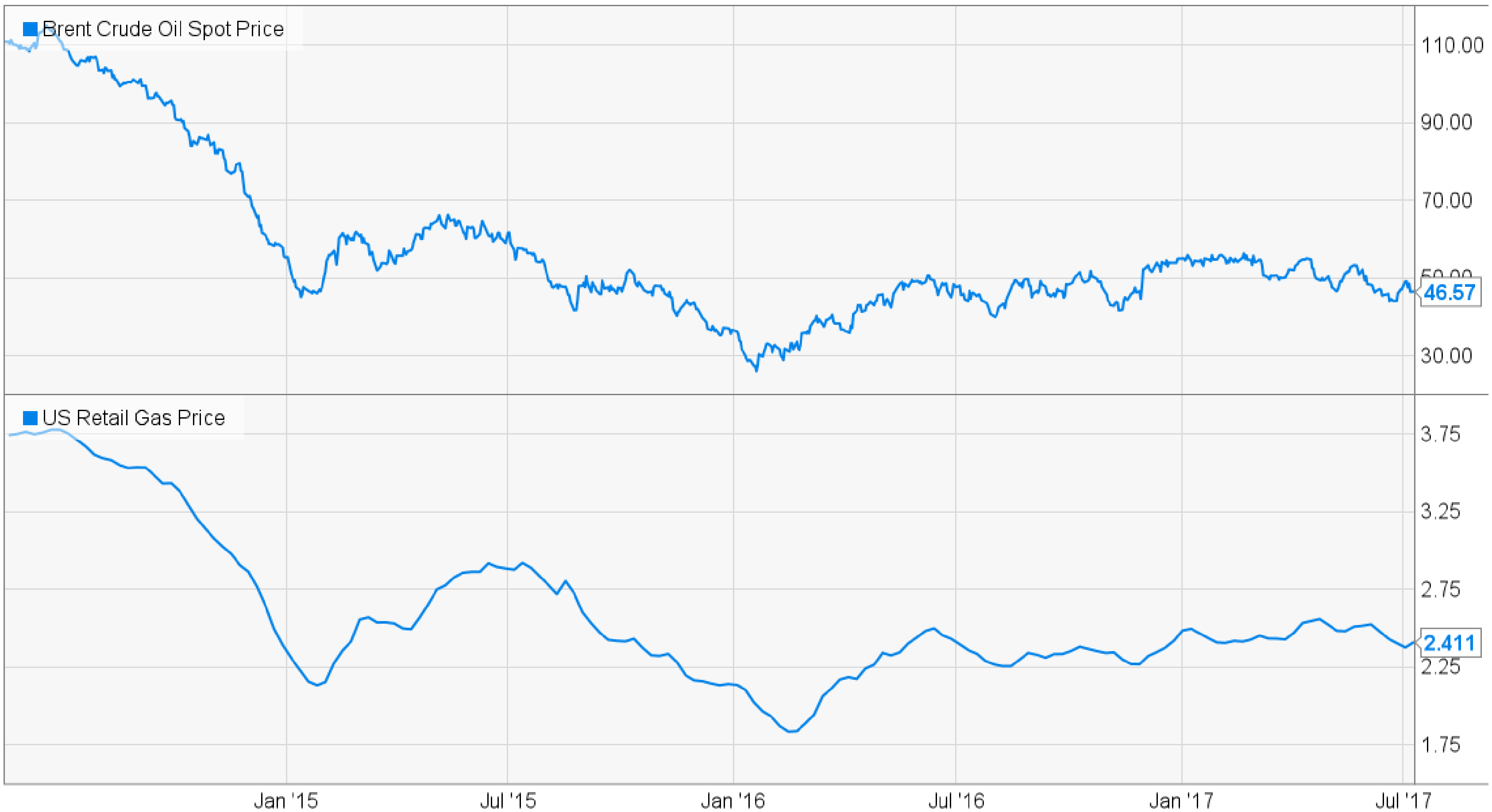
Source: YCharts. Data as of July 2017. Past performance is not a guarantee of future results.

Market Review: Energy Prices

Oil & Gas

- Oil prices have declined from $55/barrel to $45/barrel this year. The declines in oil prices have been due to increase in supply (despite recent cuts from OPEC); the increase in supply has mainly been due to the ramp up in production in the U.S.

Energy Prices



Source: YCharts, Energy Information Administration. Data as of July 2017. Past performance is not a guarantee of future results.

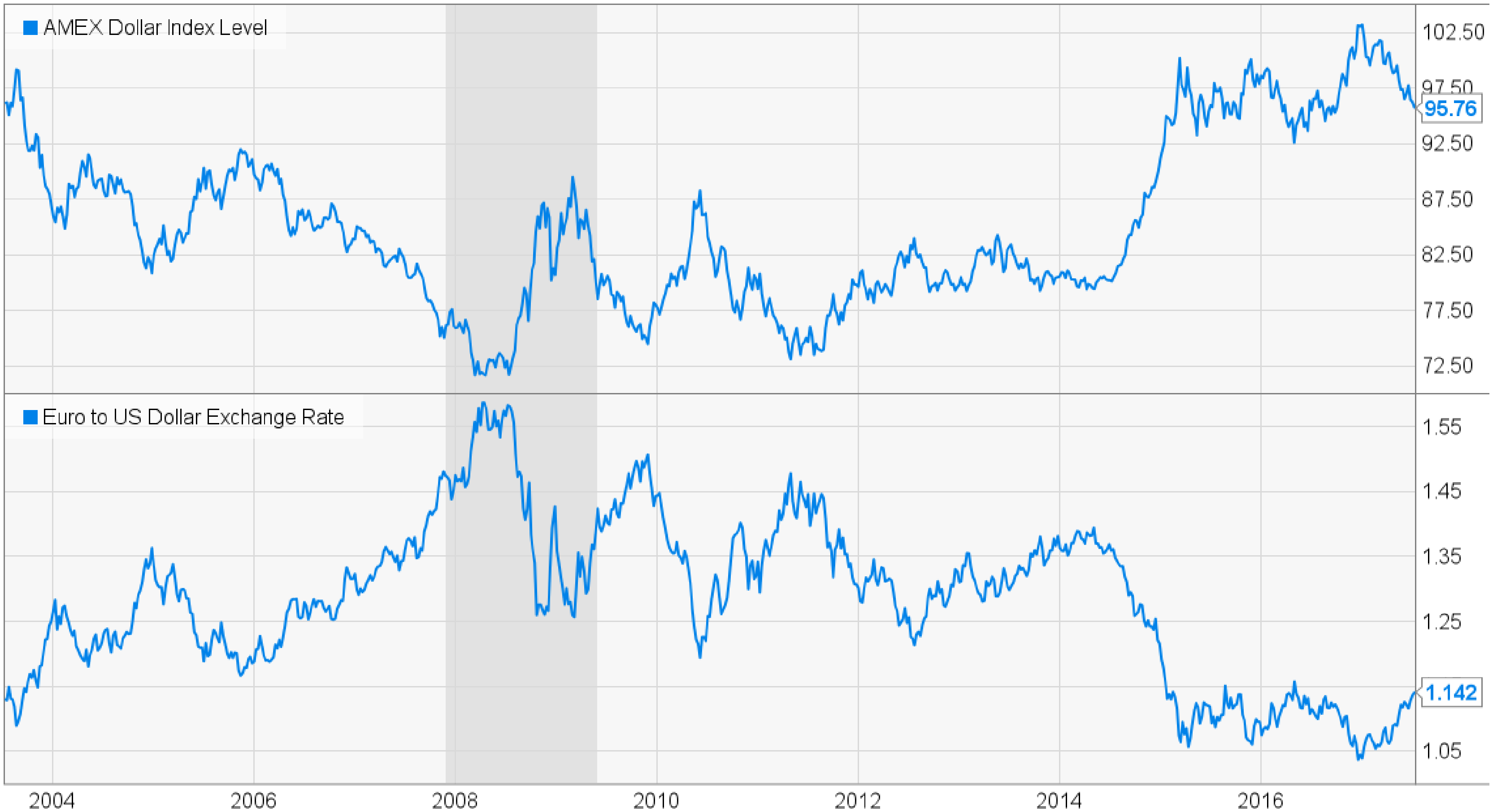
CAPSTONE™ FINANCIAL ADVISORS

Markets Review: Currency

US Dollar

- The U.S. dollar has significantly depreciated on the whole relative to international currencies so far this year. Subdued expectations for pro-growth policies, slower than originally expected policy rate increases in the U.S., and declining inflation have all contributed to this.

U.S. Dollar $



- The US Dollar Index (DXY) is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of US trade partners' currencies. It is a weighted geometric mean of the dollar's value relative to other select currencies. The Euro to US Dollar Exchange Rate is a direct quote of the U.S. dollars per unit of Euro.

Source: YCharts. Data as of July 2017. Past performance is not a guarantee of future results.

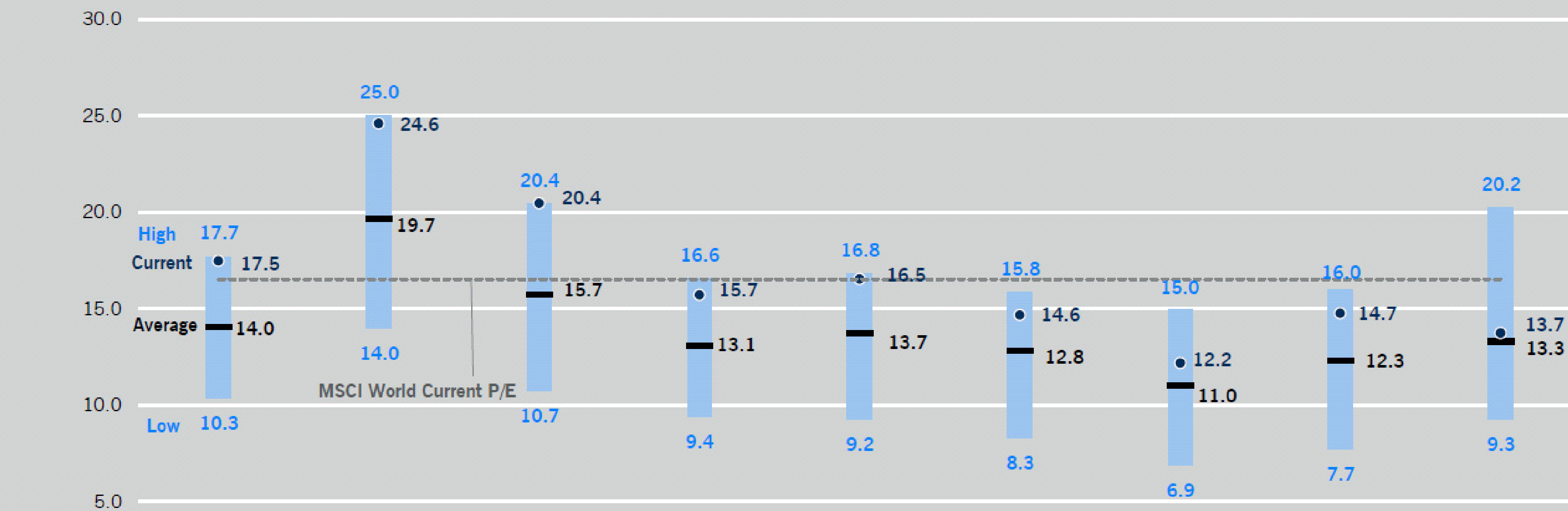
CAPSTONE FINANCIAL ADVISORS

Markets Review: Valuations

Stock Valuations

- Stock markets overall are above historical average valuations particularly in the U.S. Low interest rates are part of the reason. However, if the earnings growth expansion continues, current valuations could be supported for longer.

Regions/Styles: Current NTM P/E vs. 10-Year High, Low, Average



	S&P 500	Russell 2000	Russell 1000 Growth	Russell 1000 Value	MSCI World	MSCI EAFE	MSCI EM	MSCI Europe	MSCI AC Asia Pac
High Date	2/17	7/09	6/17	2/17	2/15	5/15	10/07	3/15	7/09
Low Date	9/11	9/11	11/08	9/11	10/08	10/08	10/08	10/08	10/08

Source: Eaton Vance, Factset. Data as of 06/30/2017. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

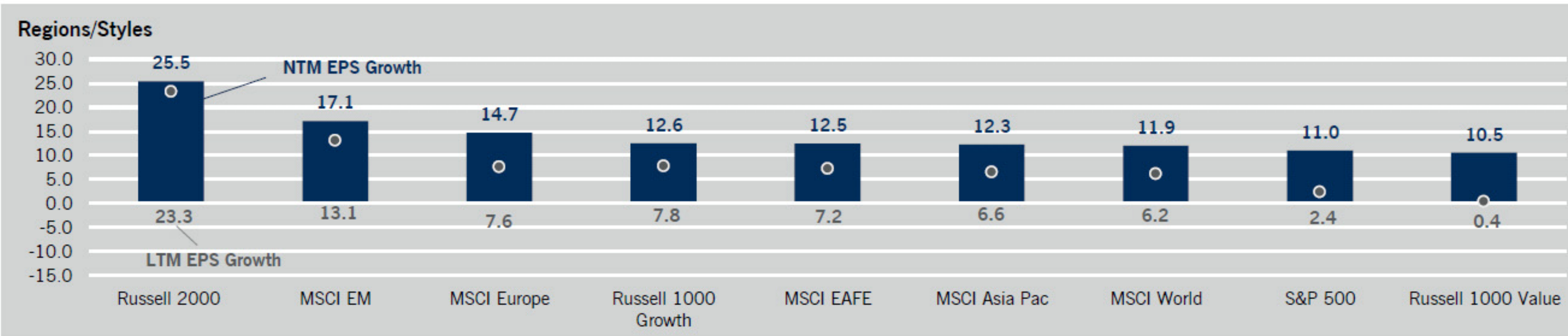
NTM P/E is market price per share divided by expected earnings per share over the next twelve months. ..

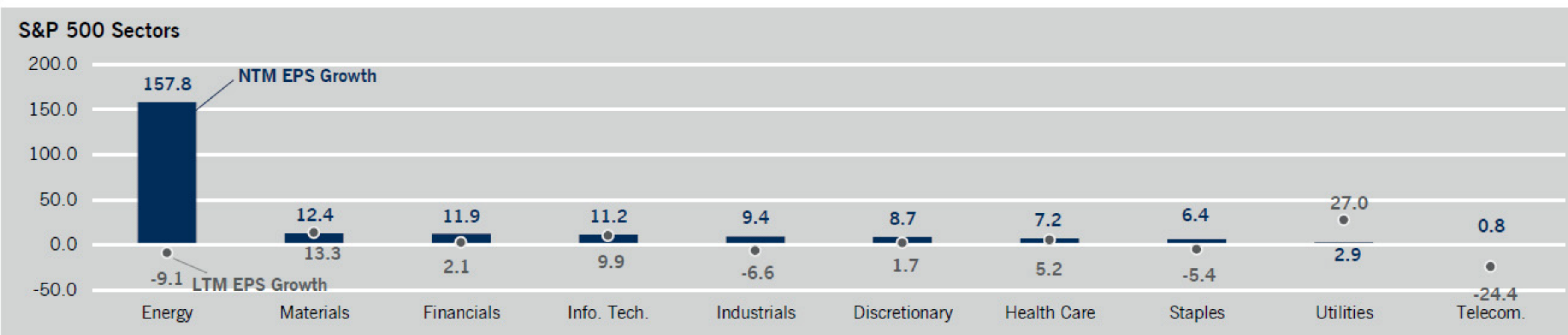
CAPSTONE™ FINANCIAL ADVISORS

Markets Review: Earnings Growth

Corporate Earnings Growth

- Future earnings growth expectations are higher than trailing 12-month earnings in most regions and sectors.





Source: Eaton Vance, Factset. Data as of 06/30/2017. Past performance is not a guarantee of future results.

NTM EPS Growth is the % change in YoY EPS for the next 12 months. LTM EPS Growth is the % change in YoY EPS for the last 12 months.

CAPSTONE™ FINANCIAL ADVISORS

Overview

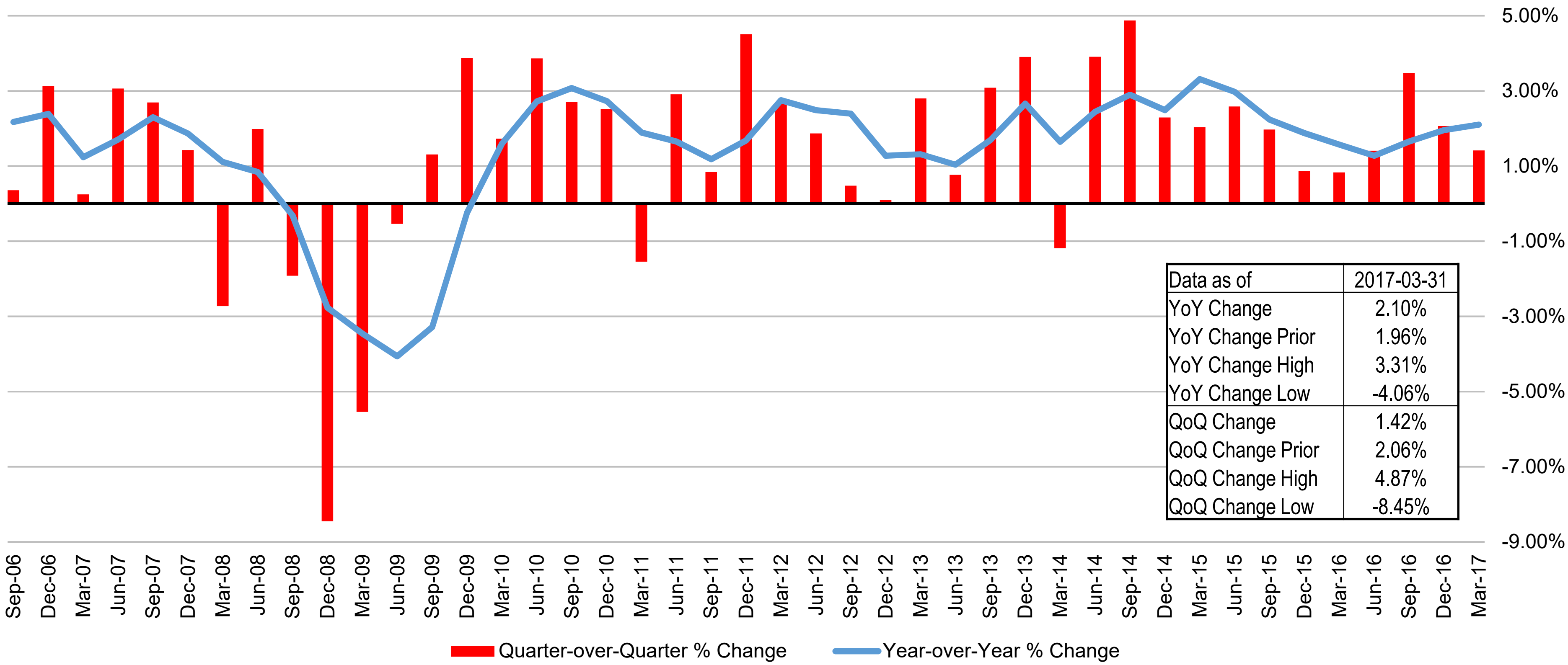
- U.S. Growth
- U.S. Inflation
- U.S. Job Market
- U.S. Consumer
- U.S. Housing Market

Economy: US Growth

Gross Domestic Product (GDP)

- The U.S. economy is entering into its eighth year of expansion and growth remains slow and steady. While economic expansion has declined over the last two quarters, trend growth remains around 2% per year. The Trump administration's stated target of 3% growth will likely remain a challenge.

US Real GDP



Data as of	2017-03-31
YoY Change	2.10%
YoY Change Prior	1.96%
YoY Change High	3.31%
YoY Change Low	-4.06%
QoQ Change	1.42%
QoQ Change Prior	2.06%
QoQ Change High	4.87%
QoQ Change Low	-8.45%

- Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. Though GDP is usually calculated on an annual basis, it can be calculated on a quarterly basis as well. GDP includes all private and public consumption, government outlays, investments and exports minus imports that occur within a defined territory. GDP is a broad measurement of a nation’s overall economic activity.

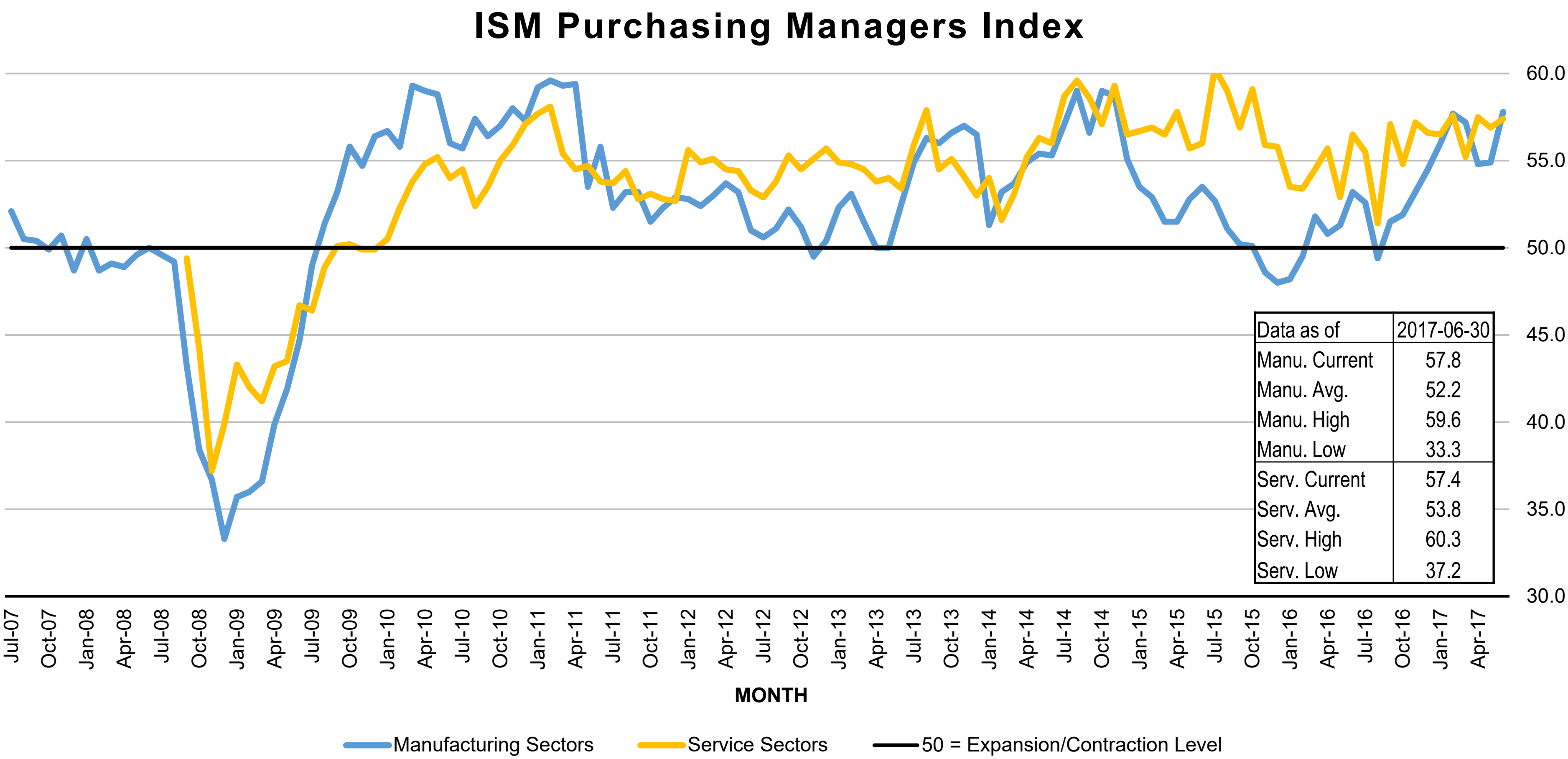
Source: YCharts, Bureau of Economic Analysis. Past performance is not a guarantee of future results.

CAPSTONE™ FINANCIAL ADVISORS

Economy: US Growth

Manufacturing & Service Sectors

- The health of U.S. service sectors remains strong, while manufacturing sector activity has reached its highest level in almost 3 years. The recent strong ISM numbers are raising forecasts for second-quarter GDP.



- The Purchasing Managers' Index (PMI) is an indicator of the economic health of the manufacturing and service sectors. The PMI is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. It provides information about current business conditions to company decision makers, analysts and purchasing managers. It is produced from monthly surveys sent to purchasing executives at approximately 300 companies. Readings over 50 imply expansion.

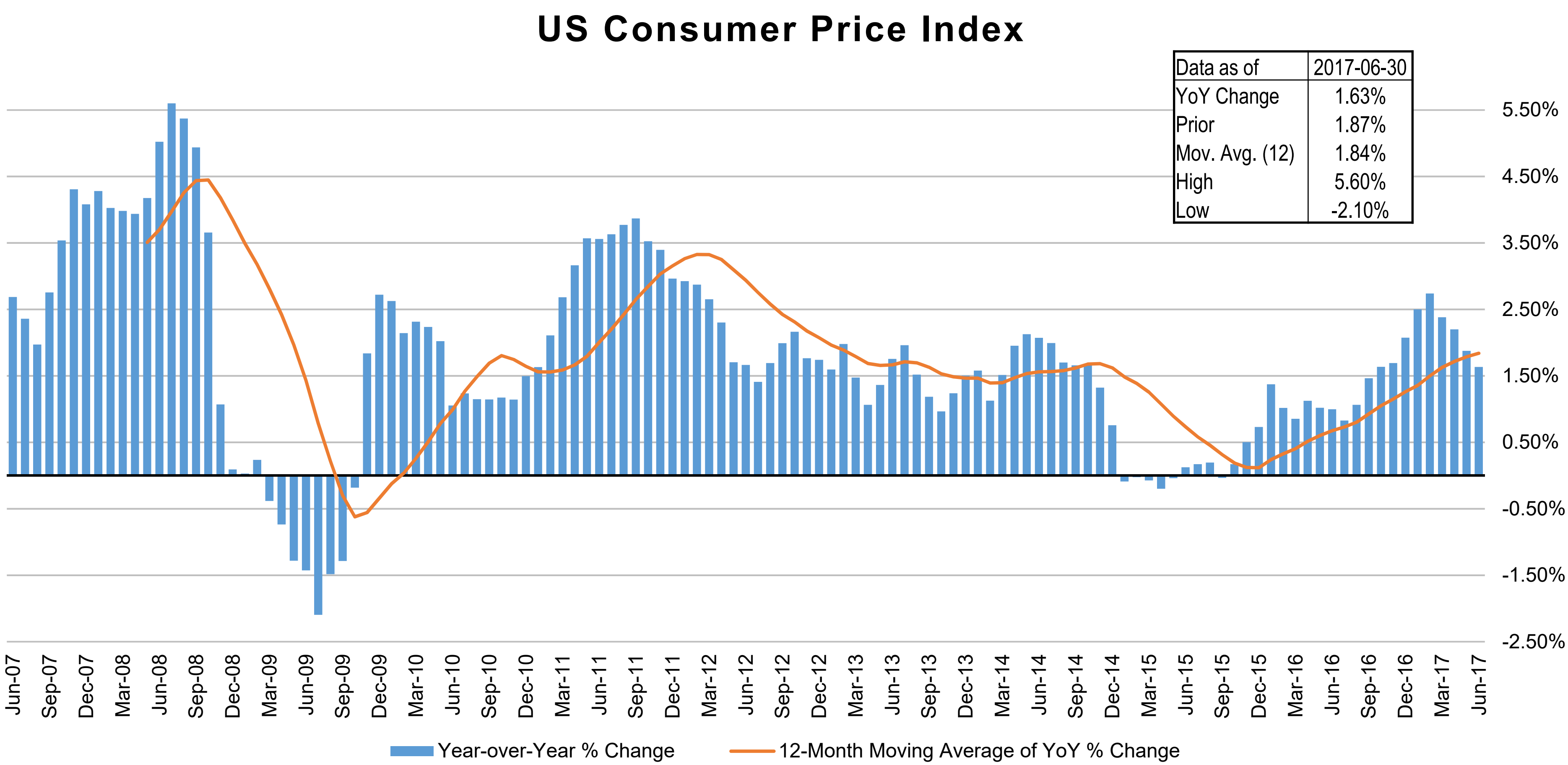
Source: YCharts, Institute for Supply Management (ISM). Past performance is not a guarantee of future results.

CAPSTONE™ FINANCIAL ADVISORS

Economy: US Inflation

Consumer Price Index (CPI)

- The recent surge in inflation has receded as the cost of gasoline and mobile phone services declined further. Many Federal Reserve officials had believed that the slowdown in inflation would be temporary, but now they may be forced to reassess their views.



- The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

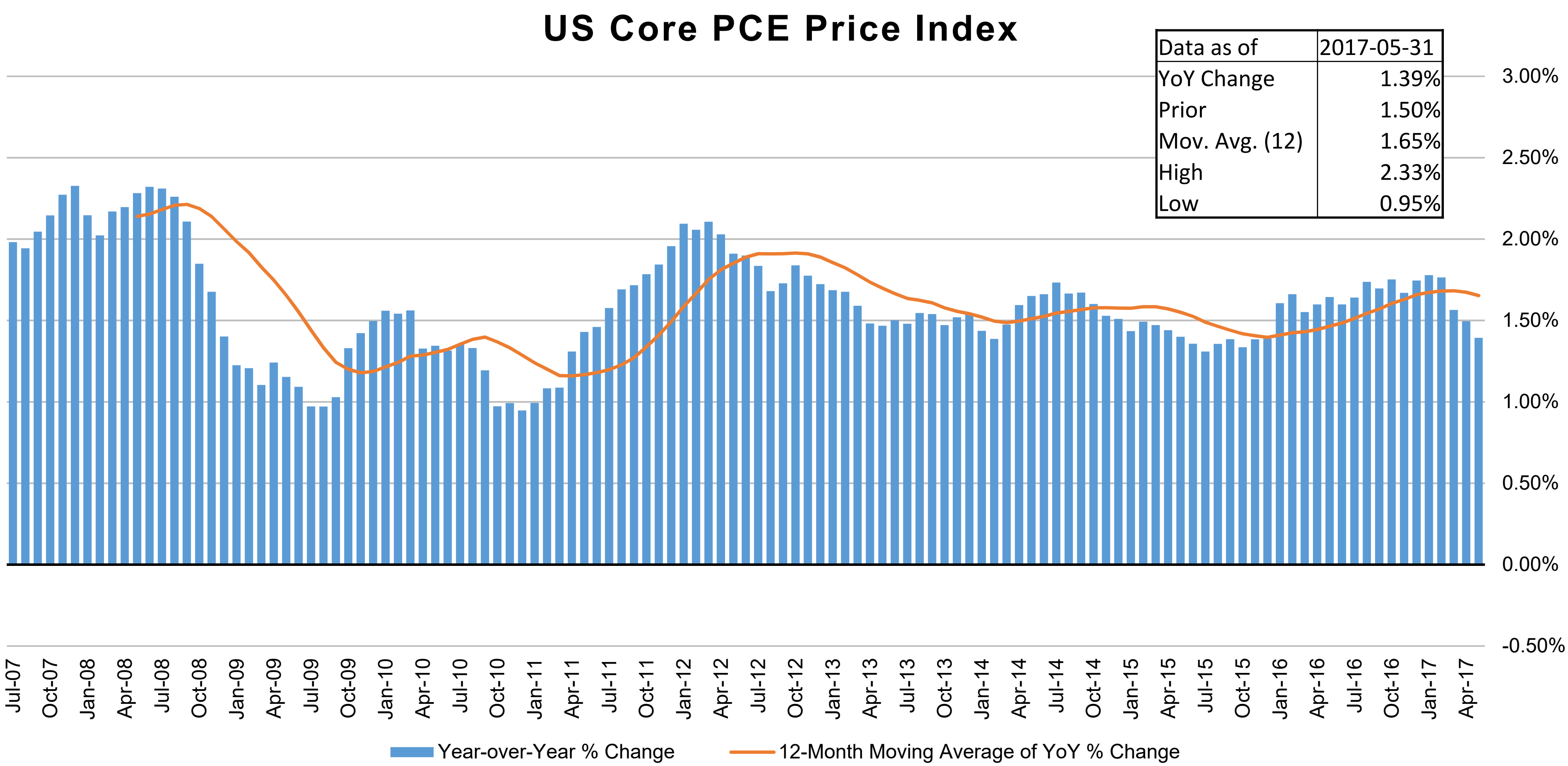
CAPSTONE™ FINANCIAL ADVISORS

Source: YCharts, Bureau of Labor Statistics (Labor Department),. Past performance is not a guarantee of future results.

Economy: US Inflation

Core Personal Consumption Expenditures Price Index (Core PCE)

- The Federal Reserve's preferred measure of inflation, Core PCE, has recently been declining as well. It has failed to hit the Federal Reserve's 2% annual target for more than five years. This has casted doubts on the Fed's ability to increase interest rates for a third time this year.



- The Core PCE Price Index is a measure of the price changes of consumer goods and services excluding food and energy. While it shares similarities with the Consumer Price Index (CPI), it is considered a more comprehensive, dynamic and reliable inflation metric. The Fed prefers it when reviewing economic conditions.

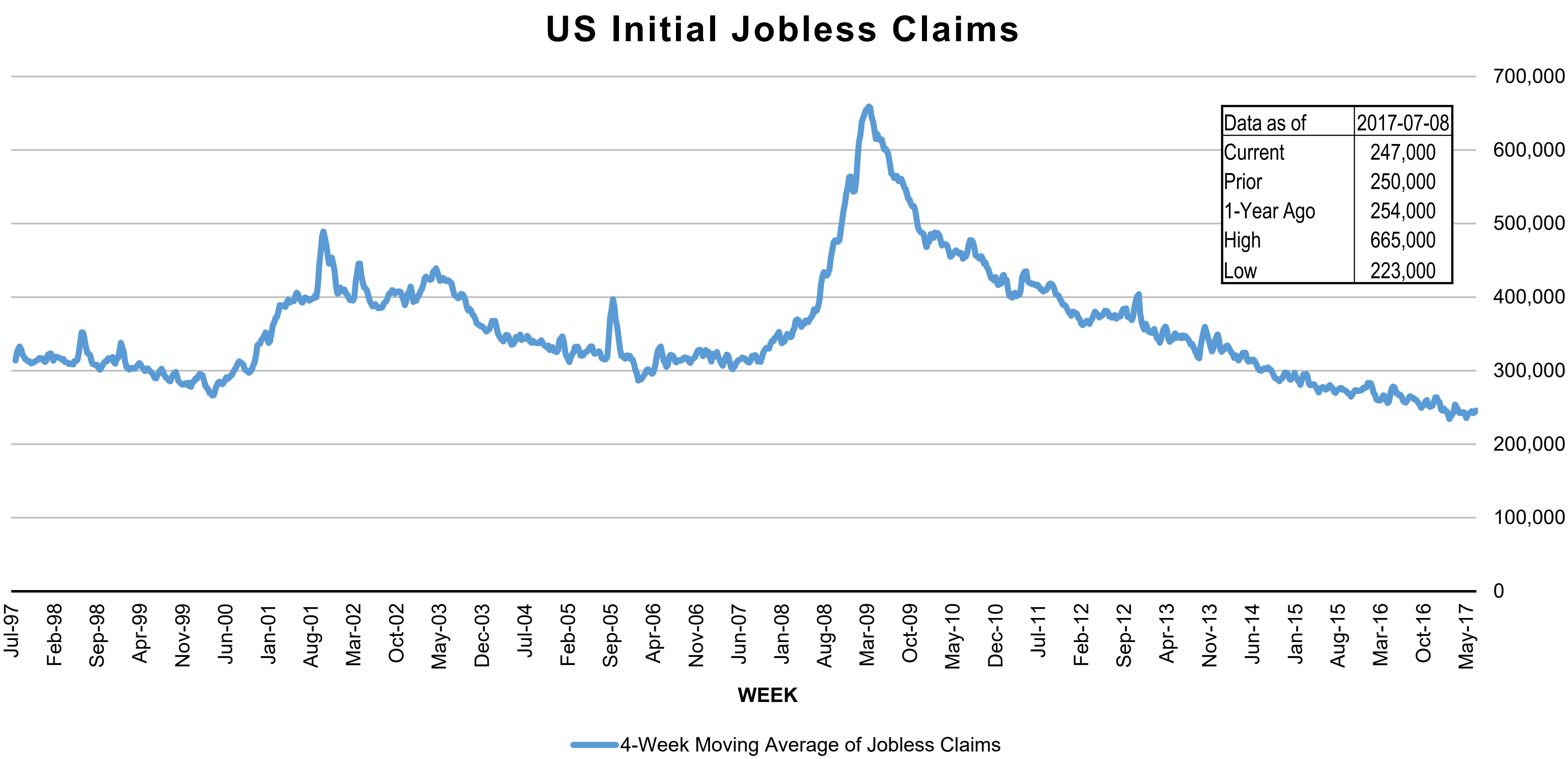
Source: YCharts, Bureau of Economic Analysis (Commerce Department. Past performance is not a guarantee of future results.

CAPSTONE™ FINANCIAL ADVISORS

Economy: US Job Market

Jobless Claims

- The number of Americans applying for first-time unemployment benefits continues to fall. The number remains at the lowest level since November 1973. This is evidence of an environment in which turnover is low, making employers generally content to maintain and expand their payrolls.



Data as of	2017-07-08
Current	247,000
Prior	250,000
1-Year Ago	254,000
High	665,000
Low	223,000

- Initial claims for unemployment insurance, to be exact, offer weekly information on layoff activity. In the post-war period, when initial claims head above 320,000 per week on a consistent basis, a recession is just around the corner.

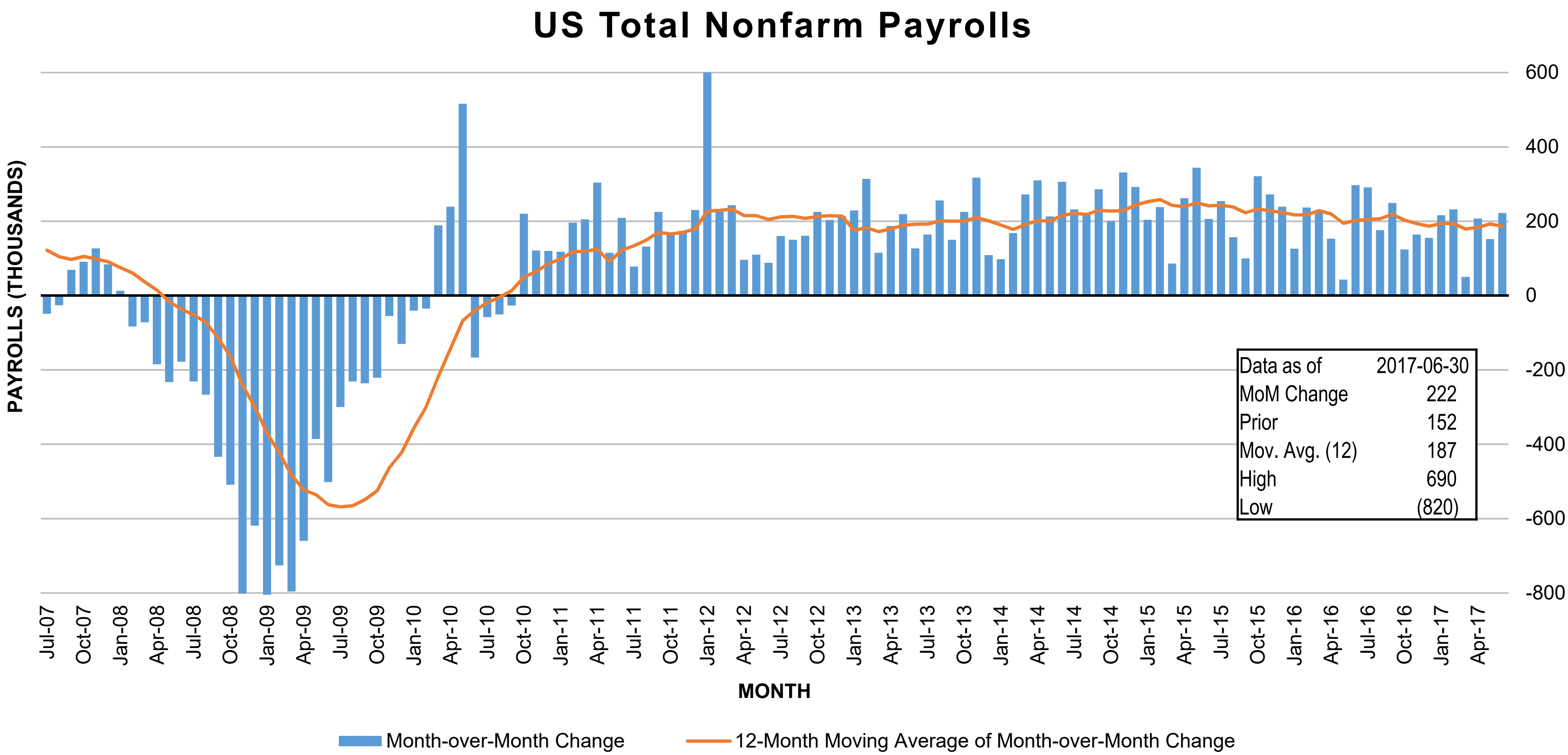
Source: YCharts, Department of Labor. Past performance is not a guarantee of future results.

CAPSTONE™ FINANCIAL ADVISORS

Economy: US Job Market

Change in Nonfarm Payrolls

- Monthly average payroll increases are still close to a healthy pace of 200,000 per month. The recent trend has been a slightly declining number of payroll increases as the labor market has tightened (i.e., reaching near full employment).



- Nonfarm payroll is a monthly report intended to represent the number of additional jobs added from the previous month Despite the name nonfarm payroll, the report excludes workers from general government jobs, private household jobs, employees of nonprofit organizations and farm employees.

Source: YCharts, Bureau of Labor Statistics. Past performance is not a guarantee of future results.

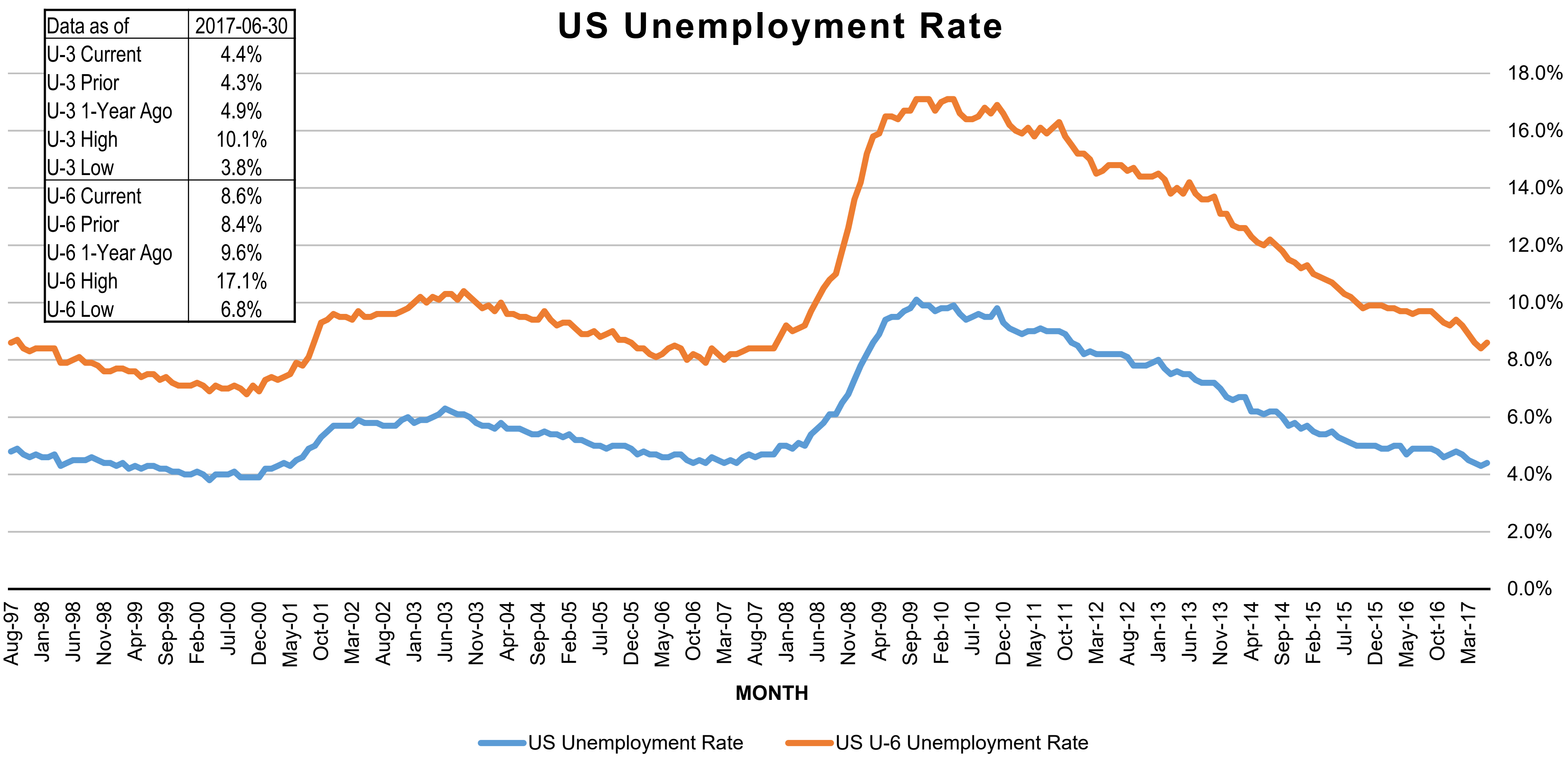
CAPSTONE™ FINANCIAL ADVISORS

Economy: US Job Market

Unemployment Rates

- Unemployment rates continue to decline. The official unemployment rate (U-3) has reached a level that is consistent with “full employment.” The unemployment rate that includes part-time workers (U-6) has not reached pre-2008/2009 recession levels yet, but is getting closer.

Data as of	2017-06-30
U-3 Current	4.4%
U-3 Prior	4.3%
U-3 1-Year Ago	4.9%
U-3 High	10.1%
U-3 Low	3.8%
U-6 Current	8.6%
U-6 Prior	8.4%
U-6 1-Year Ago	9.6%
U-6 High	17.1%
U-6 Low	6.8%



- The unemployment rate is the percentage of the total labor force that is unemployed but actively seeking employment and willing to work. The U-3 rate is the officially recognized rate of unemployment, measuring the number of unemployed people as a percentage of the labor force. The U-6 rate includes people who work part time because full-time work is not available due to economic conditions.

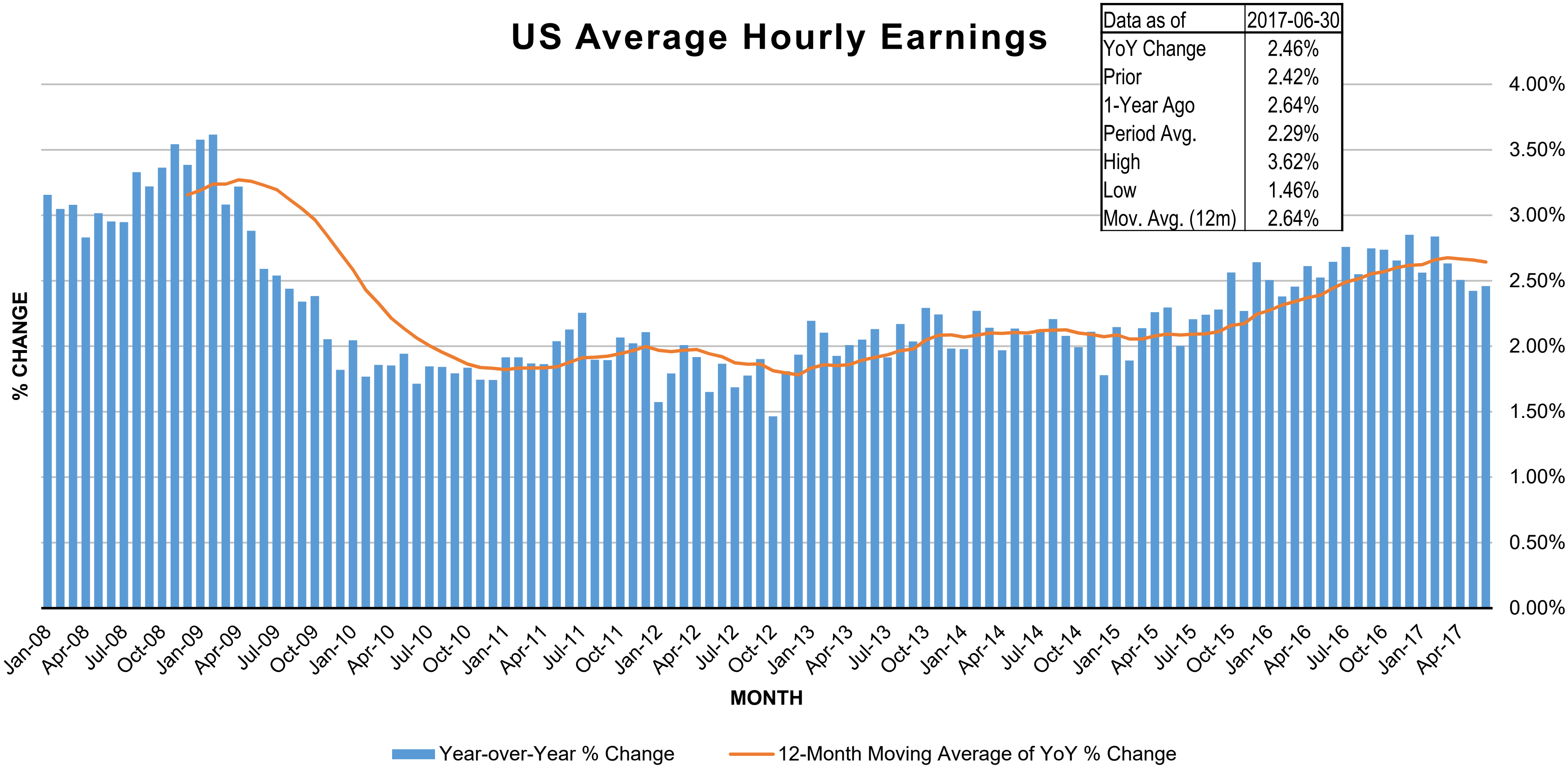
Source: YCharts, Bureau of Labor Statistics. Past performance is not a guarantee of future results.

CAPSTONE™ FINANCIAL ADVISORS

Economy: US Job Market

Wage Growth

- Although the economy remains near full employment, wage growth has disappointed. After reaching its highest rate since 2009 (in Dec.), growth turned negative for the first time since late-2014. Many economists say the changes in demographic has a lot to do with wage growth being stuck at the 2.5% level.



Data as of	2017-06-30
YoY Change	2.46%
Prior	2.42%
1-Year Ago	2.64%
Period Avg.	2.29%
High	3.62%
Low	1.46%
Mov. Avg. (12m)	2.64%

- Average hourly earnings is the average basic hourly rate for major industries. It is the average amount employees make per hour in the United States in a given month. It is calculated by the Bureau of Labor Statistics each month.

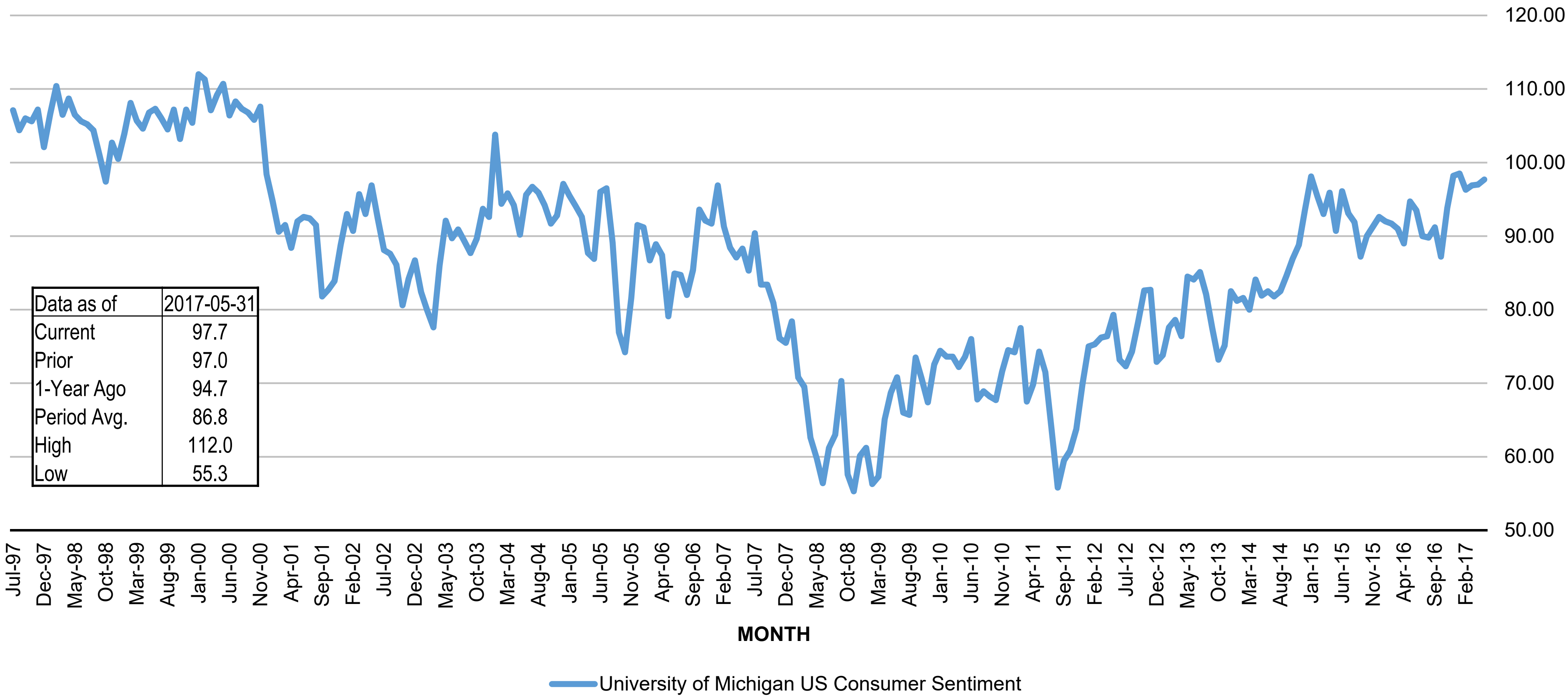
Source: YCharts, Bureau of Labor Statistics. Past performance is not a guarantee of future results.

Economy: US Consumer

Consumer Sentiment

- Consumer sentiment continues to rise and is near a 13-year high. This is consistent with improving labor market conditions and growing wealth.

University of Michigan US Consumer Sentiment



Data as of	2017-05-31
Current	97.7
Prior	97.0
1-Year Ago	94.7
Period Avg.	86.8
High	112.0
Low	55.3

- The U.S. Consumer Sentiment report is published by the University of Michigan. Data is collected from a query of 500 adults regarding their attitude on financial and income situations. Interviewers ask 50 core questions, and the responses are standardized on a 100 point scale.

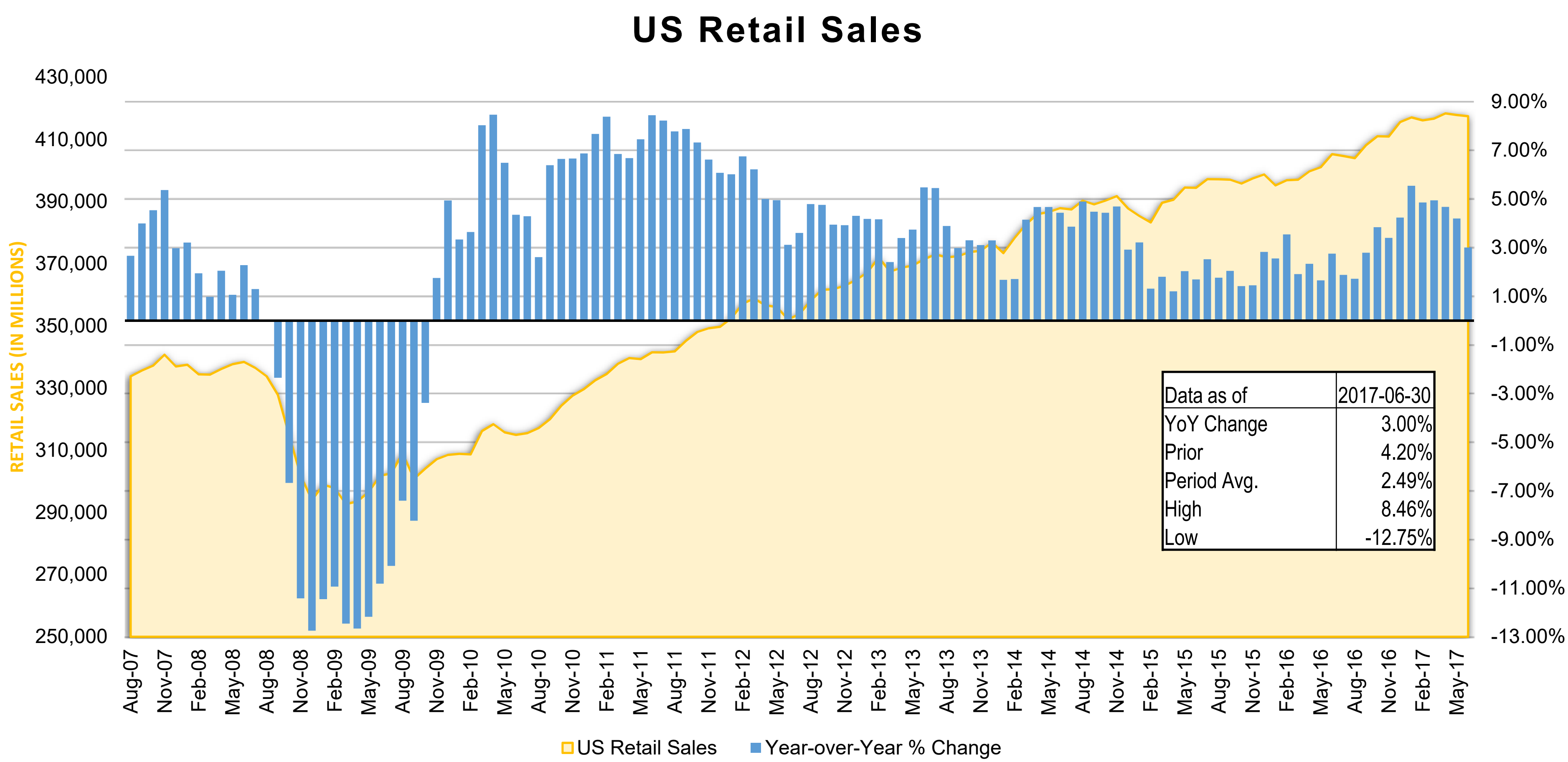
Source: YCharts, University of Michigan. Past performance is not a guarantee of future results.

CAPSTONE™ FINANCIAL ADVISORS

Economy: US Consumer

Retail Sales

- Despite some weakness in the most recent months, consumer spending has been strong and continues to support the economy. This has been due to broadly favorable economic conditions, including job gains, lower gas prices, and reduced consumer debt burdens.



- Retail sales, a measure of purchases at stores, gas stations, car dealerships, restaurants and online, is a substantial portion of consumer spending and an important indicator of economic health. Increased consumer spending is generally considered a sign of stability and growth. Retail sales are important measure of consumer spending, which accounts for more than two-thirds of economic activity in the U.S

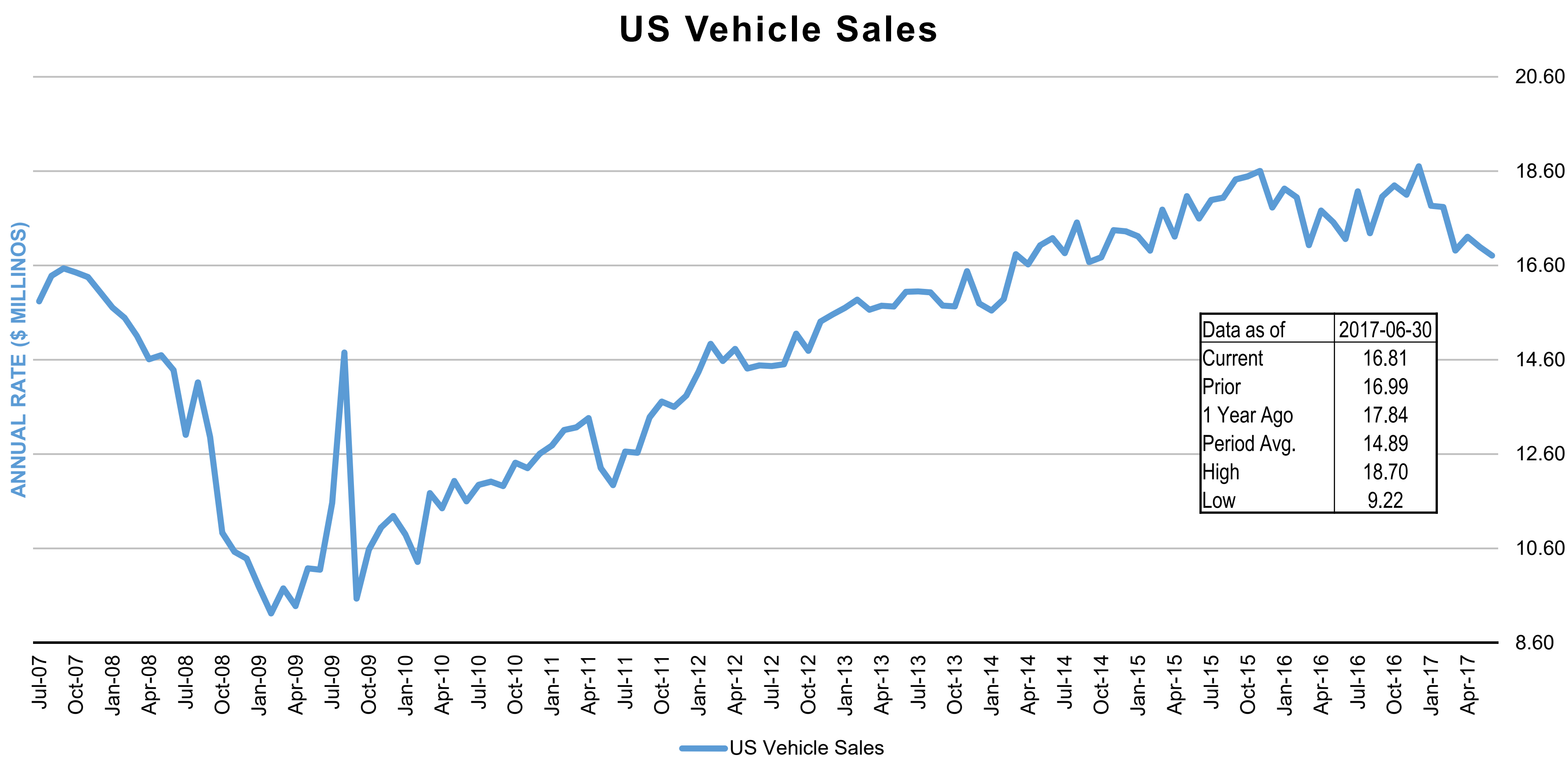
CAPSTONE™ FINANCIAL ADVISORS

Source: YCharts, Department of Commerce. Past performance is not a guarantee of future results.

Economy: US Consumer

Vehicle Sales

- Vehicle sales are on the decline due to a decrease in demand. After reaching a record 17.55 million vehicles sold in 2016 due to low borrowing costs and pent-up demand, forecasters expect US sales to fall to about 17 million this year.



Data as of	2017-06-30
Current	16.81
Prior	16.99
1 Year Ago	17.84
Period Avg.	14.89
High	18.70
Low	9.22

- The vehicle sales metric is a seasonally adjusted annual rate of U.S. auto and light truck sales reported sales by individual manufacturers on the first business day of every month. Because motor vehicle sales are a large part of consumer spending in the U.S., the vehicle sales data can provide important information on consumer-spending trends and on the overall direction of the economy.

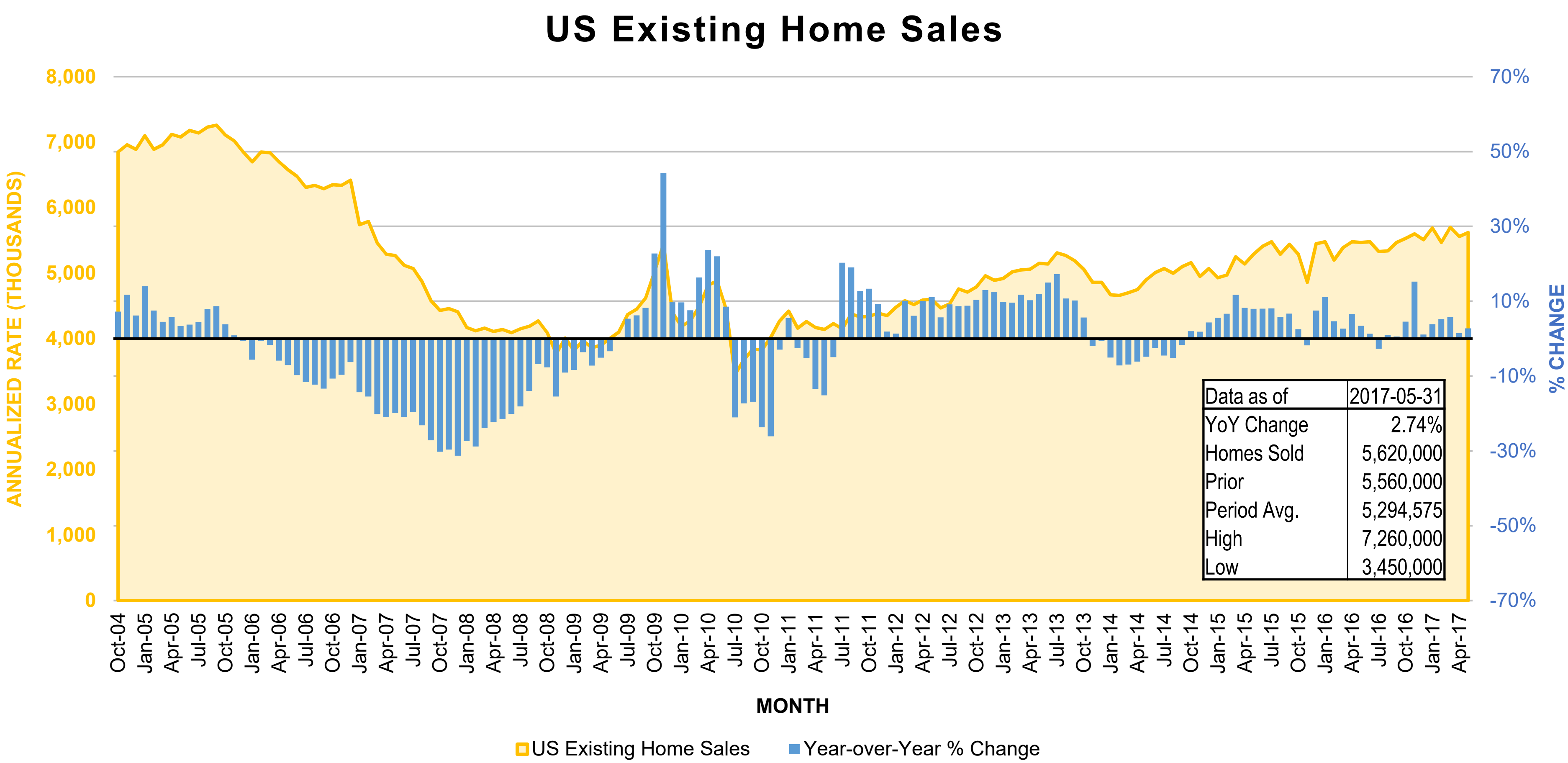
Source: YCharts, Department of Commerce. Past performance is not a guarantee of future results.

CAPSTONE FINANCIAL ADVISORS

Economy: US Housing Market

Home Sales

- Existing home sales have been choppy through the first few months of 2017 despite high demand for housing and affordable mortgage rates. Tight supply (4.2 months vs. 6 months in a balanced market) has pushed costs higher in many parts of the country potentially pricing out many would-be buyers.



- Existing home sales is an economic indicator of both the number and prices of existing single-family homes, condos and co-op sales (which is the vast majority of home sales) over a one-month period. The existing home sales report is released monthly. It is a lagging indicator as it tends to react after a change in mortgage rates.

Source: YCharts, U.S. National Association of Realtors. Past performance is not a guarantee of future results.

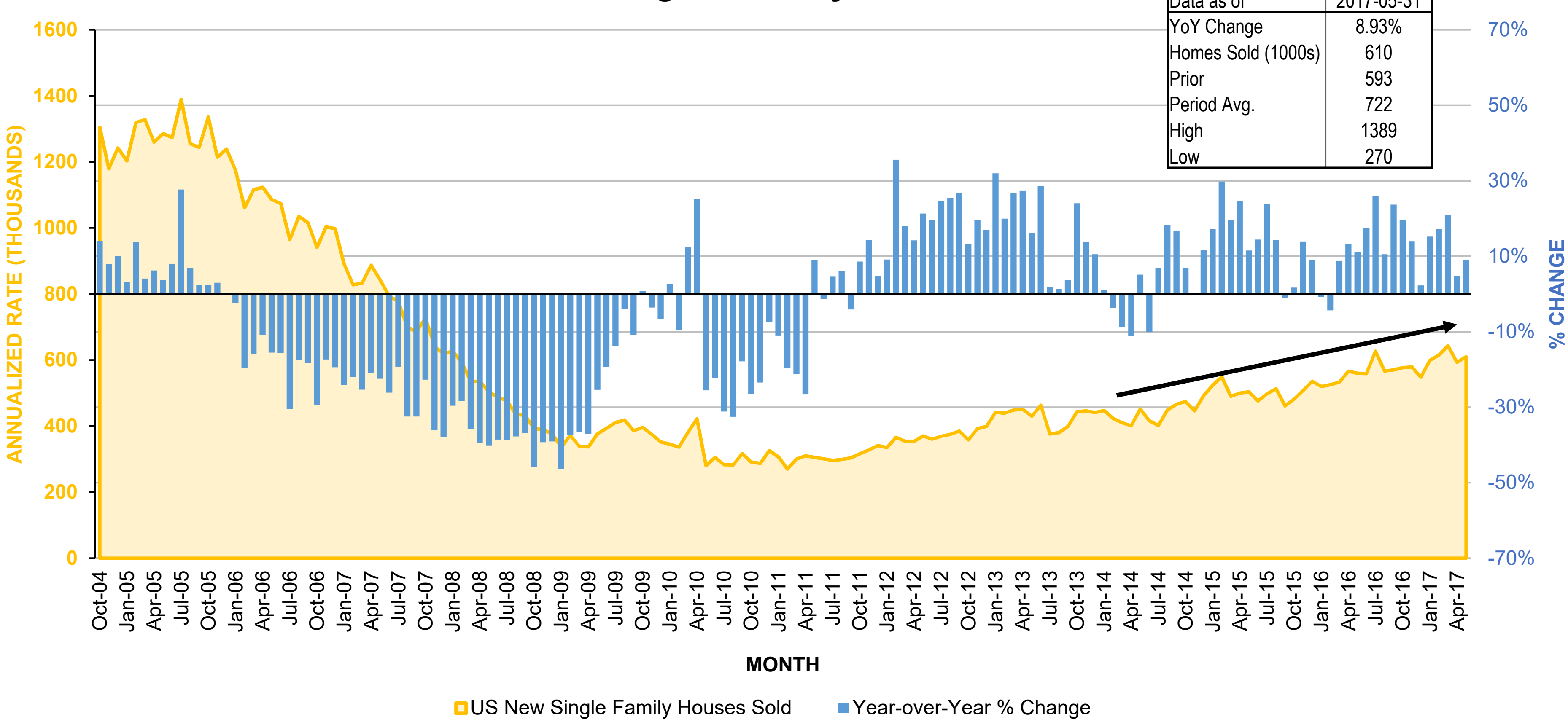
CAPSTONE™ FINANCIAL ADVISORS

Economy: US Housing Market

Home Sales

- New home sales growth remains in a slight uptrend on strong demand, reflecting a healthy labor market that has seen steady job gains. However, similar to existing home sales, the supply of affordable new homes has held back new home sales.

US New Single Family Houses Sold



Data as of	2017-05-31
YoY Change	8.93%
Homes Sold (1000s)	610
Prior	593
Period Avg.	722
High	1389
Low	270

- A measure of sales of newly built homes. A new home sale is considered to be any deposit or contract signing either in the year the house was built or the year after it was built.

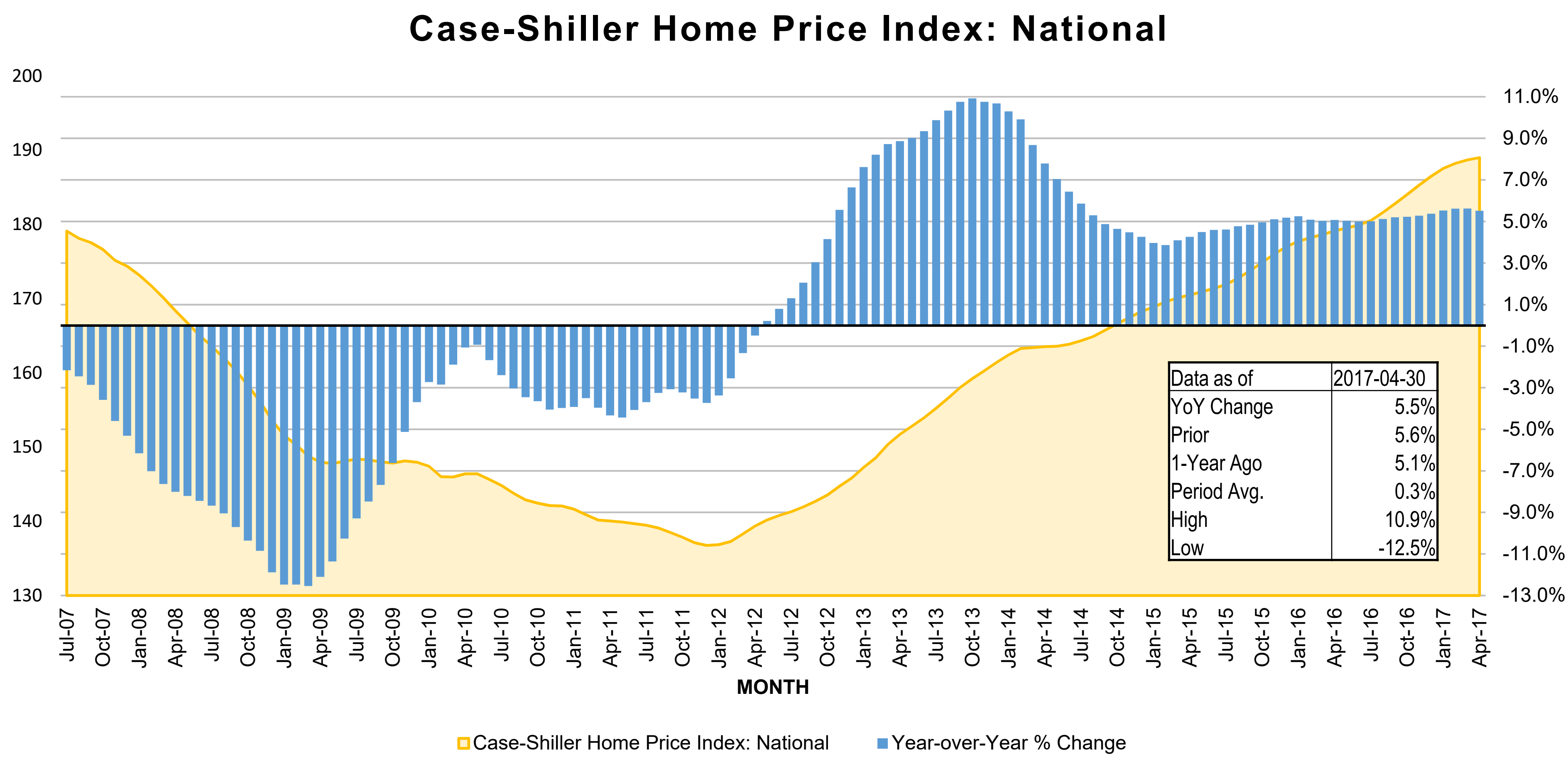
CAPSTONE FINANCIAL ADVISORS

Source: YCharts, U.S. Department of Commerce (Census Bureau). Past performance is not a guarantee of future results.

Economy: US Housing Market

Home Prices

- On a national level, single-family home prices have increased around 5.5% over the past year as of April. Low inventories have helped push prices higher as buyers compete over limited number of homes.



- The S&P/Case–Shiller U.S. National Home Price Index is a composite of single-family home price indices for the nine U.S. Census divisions. It is calculated monthly, using a three-month moving average. The S&P national index is normalized to have a value of 100 in the January 2000.

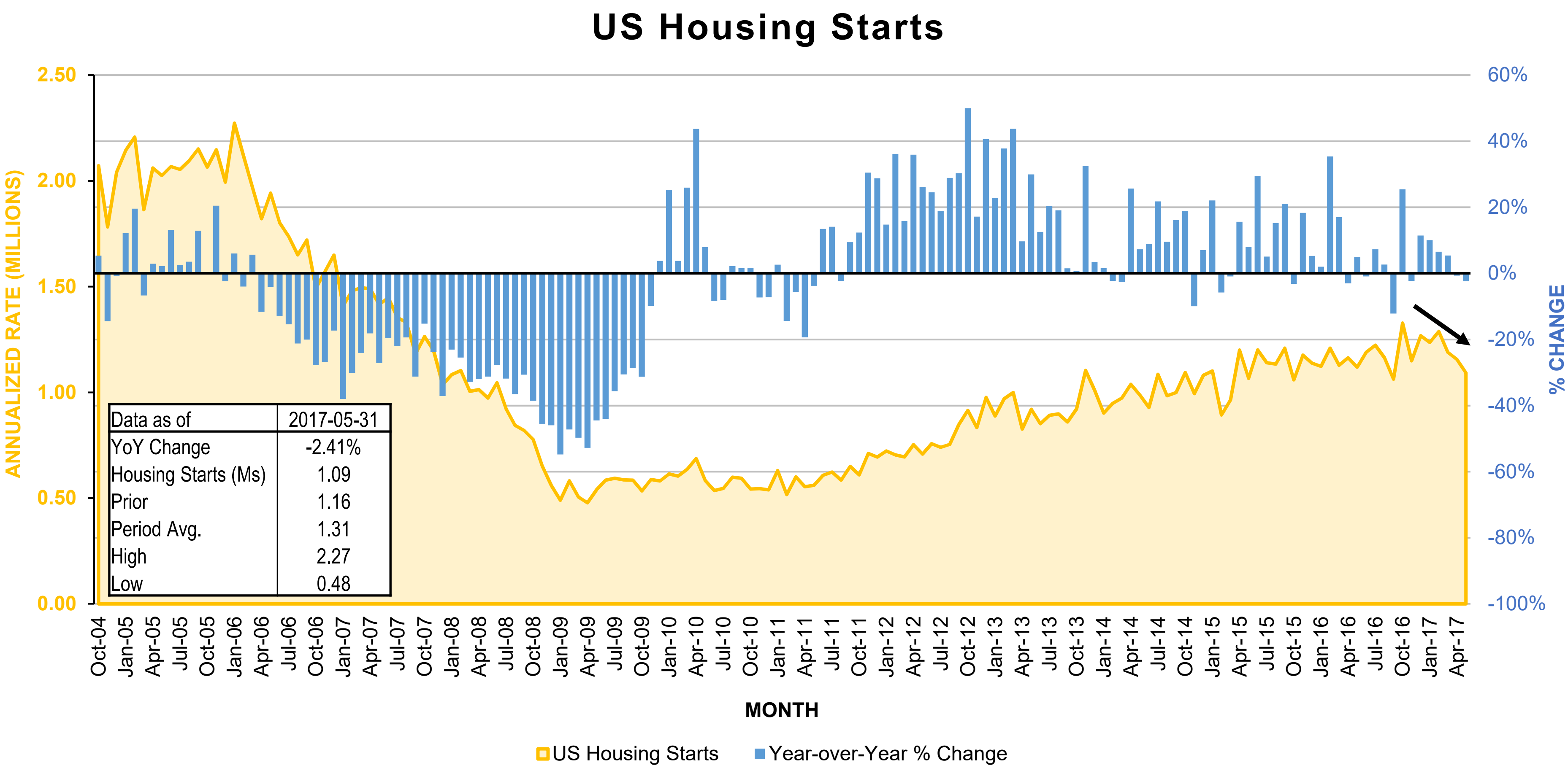
Source: YCharts, Standard and Poor's. Past performance is not a guarantee of future results.

CAPSTONE™ FINANCIAL ADVISORS

Economy: US Housing Market

Housing Starts

- Homebuilders slowed down the pace of construction for the third straight month in May, a possible sign that the shortage of houses for sale might worsen. Shortages of skilled workers and available lots have weighed on the industry even as home-buying demand remains strong.



Data as of	2017-05-31
YoY Change	-2.41%
Housing Starts (Ms)	1.09
Prior	1.16
Period Avg.	1.31
High	2.27
Low	0.48

- Housing starts are the number of new residential construction projects that have begun during any particular month. .

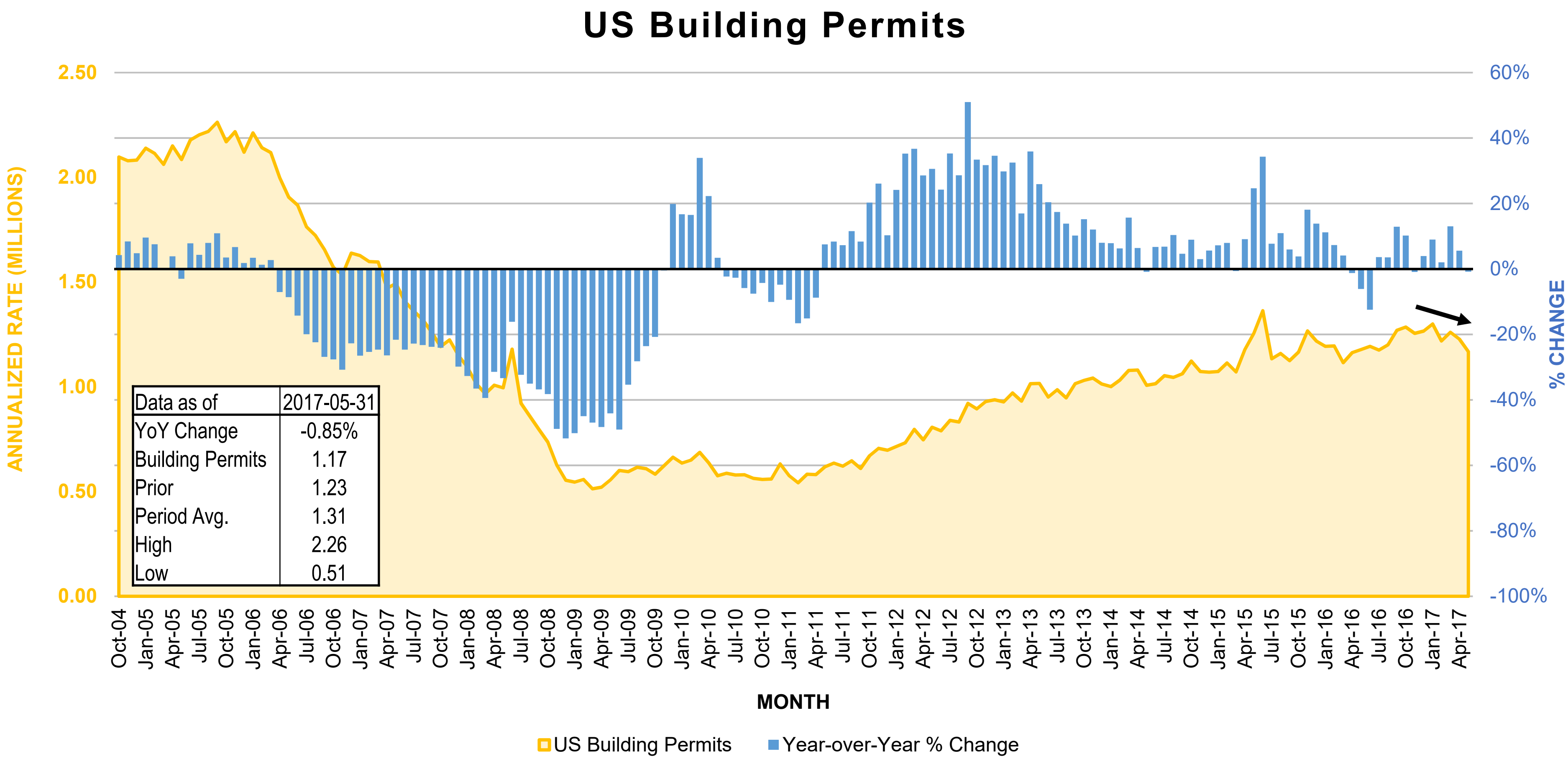
Source: Census Bureau, YCharts. Past performance is not a guarantee of future results.

CAPSTONE™ FINANCIAL ADVISORS

Economy: US Housing Market

Housing Starts

- Building permits, a harbinger of future new housing starts, have fallen to the lowest level in 13 months. Many economists predict that the recent slowdown in home constructions will impact second quarter GDP.



- Building permit statistics are an estimate of the number of new housing units that have been issued a permit during a given month. Building permits are a leading indicator of new housing starts.

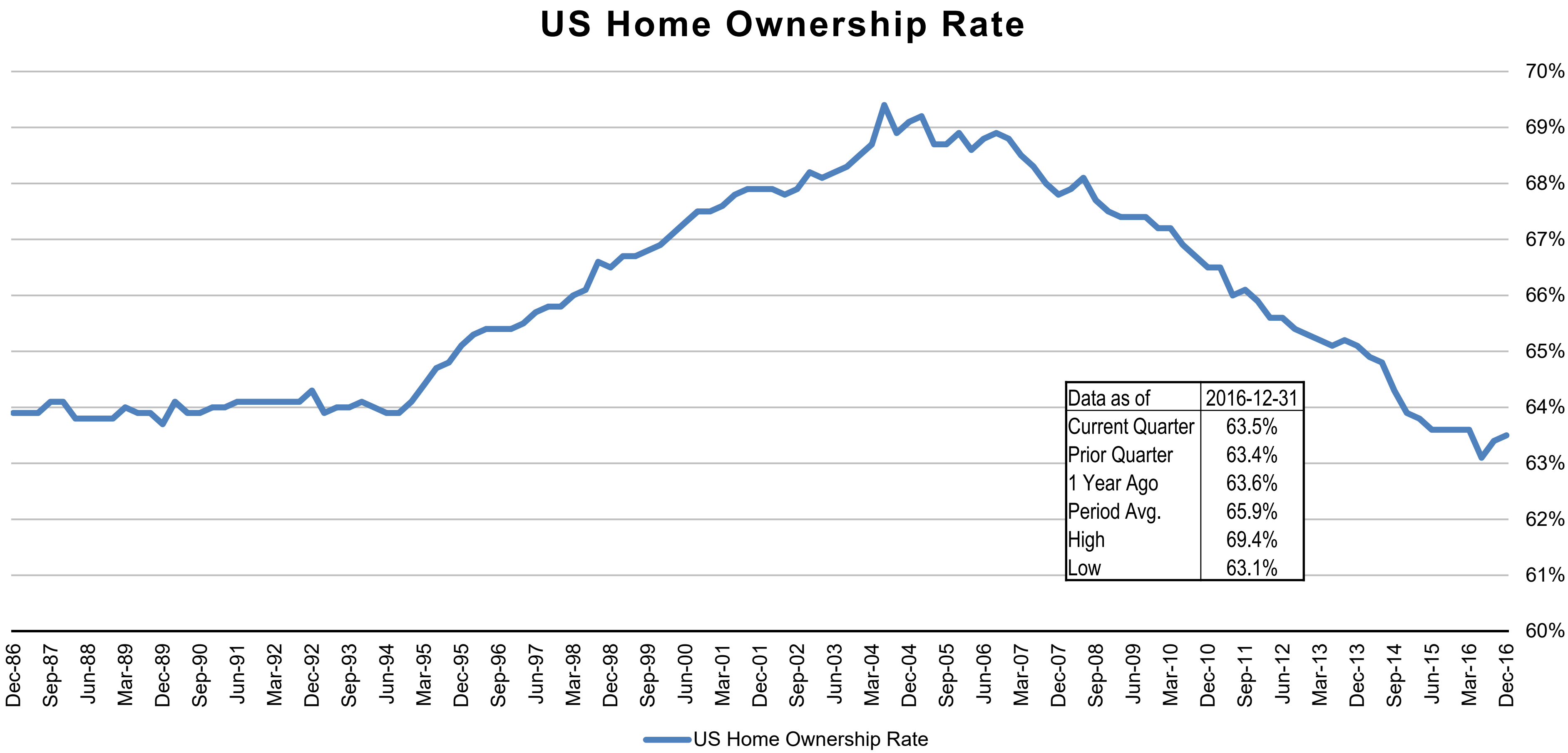
CAPSTONE™ FINANCIAL ADVISORS

Source: Census Bureau, YCharts. Past performance is not a guarantee of future results.

Economy: US Housing Market

Homeownership Rate

- Homeownership remains at 50-year low. Although mortgage rates have remained affordable, many economists believe the main reason for falling homeownership is mortgage availability due to tough lending standards.



- The homeownership rate is the percentage of homes that are owned by their occupants; it is not the percentage of adults that own their own home. The homeownership rate is computed by dividing the number of owner-occupied housing units by the total number of occupied housing units

Source: Census Bureau, YCharts. Past performance is not a guarantee of future results.

CAPSTONE™
FINANCIAL ADVISORS

Important Disclosure Information

Please remember that different types of investments involve varying degrees of risk, including the loss of money invested. Past performance may not be indicative of future results. Therefore, it should not be assumed that future performance of any specific investment or investment strategy, including the investments or investment strategies recommended or undertaken by Capstone Financial Advisors, Inc. (“Capstone”) will be profitable. Definitions of any indices listed herein are available upon request. Please remember to contact Capstone if there are any changes in your personal or financial situation or investment objectives for the purpose of reviewing our previous recommendations and services, or if you wish to impose, add, or modify any reasonable restrictions to our investment management services. This article is not a substitute for personalized advice from Capstone and nothing contained in this presentation 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. Investment decisions should always be based on the investor’s specific financial needs, objectives, goals, time horizon, and risk tolerance. This article is current only as of the date on which it was sent. The statements and opinions expressed are, however, subject to change without notice based on market and other conditions and may differ from opinions expressed by other businesses and activities of Capstone. Descriptions of Capstone’s process and strategies are based on general practice, and we may make exceptions in specific cases. A copy of our current written disclosure statement discussing our advisory services and fees is available for your review upon request.