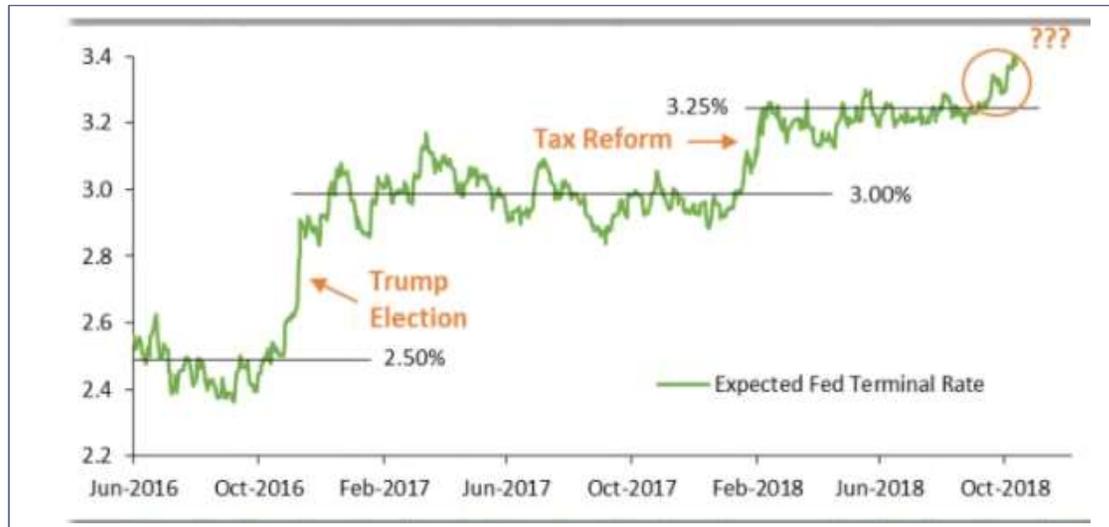


# Market Recap

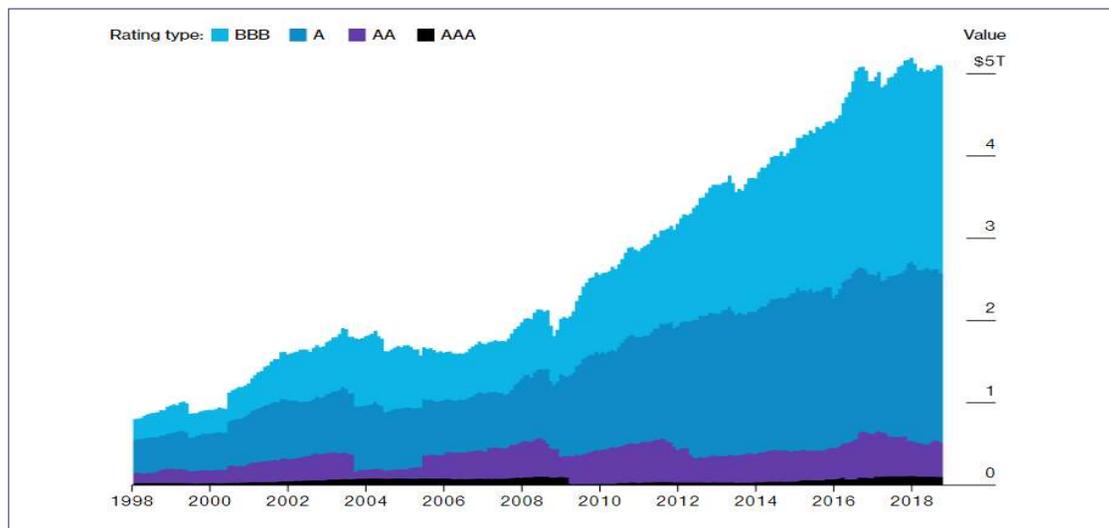
## Shifting Interest Rate Expectations



Source: Cornerstone Macro

Since interest rates began increasing three years ago, expectations for where they may eventually even out have moved steadily higher as the economy has continued to improve. Rising rates have also been a key driver behind the market's recent pullback, as investors worry that they may have underestimated the path of rate hikes and wonder whether the Fed may be tightening rates too aggressively. Although market participants are increasingly eager for clarity as to when the rate hike cycle will end, a clean answer is unlikely, as it takes roughly 18 months for a change in rates to show up in leading economic indicators. In the meantime, the Fed is likely to remain more dependent on soft data (e.g., survey-based inputs) as it strives to balance upside and downside risks to the economy.

## Corporate Debt



Source: Bloomberg, Barclays

Low rates have encouraged companies to increase their use of debt financing over the past eight years. One result is that more than half of the U.S. investment-grade index now sits in the lowest ratings tier. In many cases, the borrowings have been used to finance acquisitions in the hopes of bolstering growth and improved competitive positioning. While the ballooning debt is eye-popping, a parallel rise in corporate cash flows has largely supported firms' ability to service this increased debt load. That said, a faster than expected increase in interest rates could put profit margins at risk as some companies may struggle when they eventually have to roll over debt at higher prevailing rates.

# Market Recap

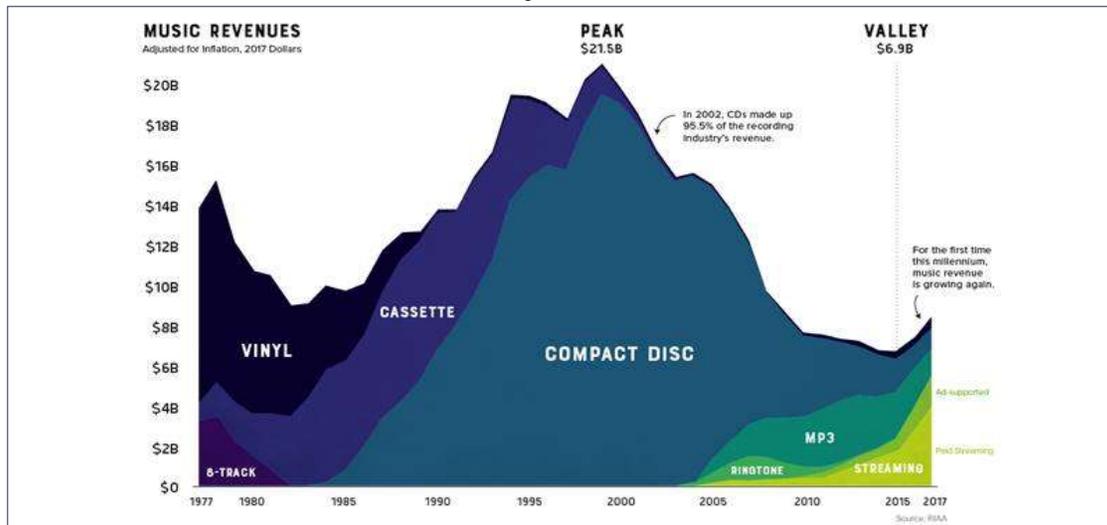
## 529 Plans – What’s In and What’s Out

529 Plan Expenses for Fulltime College Students	
Item	Qualified Expense
Computer & Accessories	Yes
Internet Service	Yes
Education-Related Software	Yes
Vocational School Tuition	Yes
Special-Needs Equipment	Yes
Student Loan Payments	No
Transportation Costs	No
Insurance Payments	No

Source: Harbour Capital Advisors

A 529 plan acts as a tax-advantaged saving vehicle for future, qualified tuition expenses. Earnings in a 529 plan grow tax free at the federal level when funds are withdrawn for qualified expenses. Although these features make the program attractive, it is important to be mindful of what expenses are (and are not) covered under the plan. Typical qualified postsecondary expenses consist of tuition and fees charged by an eligible university, room and board expenses (limitations exist), supplies and materials required by a specific course. Examples of nonqualified expenses include student loan payments, transportation costs, university club and fitness dues, and health insurance premiums.

## An Industry in Transition



Source: Visual Capitalist

After peaking in the late 1990s, music industry sales have plummeted over the past 20 years. The substantial decline in revenues is not attributable to a change in consumer demand, but rather to a technology-driven shift in how consumers acquire and consume music. The digitalization of music has been a particularly disruptive force, making it easier and cheaper for consumers to listen to favorite songs. At the same time, album sales tumbled due to the introduction of ala carte digital song purchases (not to mention the increased prevalence of pirated content). While monetization remains difficult, industry consolidation and the rising popularity of subscription-based streaming services (provided by Spotify, Apple, Pandora, etc.) suggest that a recent return to growth may be sustainable.

**Contact:** If you have any questions or comments, please do not hesitate to contact us at 703.992.6164. For more information about Harbour Capital Advisors, please visit our website at [www.harbourcapitaladvisors.com](http://www.harbourcapitaladvisors.com).

**Disclosure:** Harbour Capital Advisors, LLC (“HCA”) is an SEC-registered investment adviser located in McLean, Virginia. HCA and its representatives are in compliance with the current filing requirements imposed upon SEC-registered investment advisers by those states in which HCA maintains clients. HCA may only transact business in those states in which it is registered or qualifies for an exemption or exclusion from registration requirements. A direct communication by HCA with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For information pertaining to the registration status of HCA, please contact the SEC or the state securities regulators for those states in which HCA maintains a notice filing. A copy of HCA’s current written disclosure statement discussing HCA’s business operations, services, and fees is available from HCA upon written request. HCA does not make any representations or warranties as to the accuracy, timeliness, suitability, completeness, or relevance of any information prepared by any unaffiliated third party and takes no responsibility therefor. All such information is provided solely for convenience purposes only and all users thereof should be guided accordingly. Past performance may not be indicative of future results. Therefore, there can be no assurance (and no current or prospective client should assume) that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by HCA) made reference to directly or indirectly by HCA will (i) be suitable or profitable for a client or prospective client’s investment portfolio or (ii) equal the corresponding indicated historical performance level(s). Different types of investments involve varying degrees of risk. Historical performance results for investment indices and/or categories generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, or the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. The material contained herein is provided for informational purposes only and does not constitute an offer to buy or sell or a solicitation of an offer to buy or sell any option or any other security or other financial instruments. Certain content provided herein may contain a discussion of, and/or provide access to, HCA’s (and those of other investment and non-investment professionals) positions and/or recommendations as of a specific prior date. Due to various factors, including changing market conditions, such discussion may no longer be reflective of current position(s) and/or recommendation(s). Moreover, no client or prospective client should assume that any such discussion serves as the receipt of, or a substitute for, personalized advice from HCA, or from any other investment professional. HCA is neither an attorney nor an accountant, and no portion of the content provided herein should be interpreted as legal, accounting, or tax advice. The tax information contained herein is general in nature and is provided for informational purposes only. HCA does not provide legal, tax, or accounting advice. HCA cannot guarantee that such information is accurate, complete, or timely. Laws of a particular state or laws which may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Federal and state laws and regulations are complex and are subject to change. Changes in such laws and regulations may have a material impact on pre- and/or after-tax investment results. Rankings and/or recognition by unaffiliated rating services and/or publications should not be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if HCA is engaged, or continues to be engaged, to provide investment advisory services, nor should it be construed as a current or past endorsement of HCA by any of its clients. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized adviser.