Market Recap

Longest Bull Market in History

Source: Merrill Lynch

Revenue Growth Helps Propel Earnings Growth

Cyclical Breakdown:	Revenue Growth	EPS Growth
Technology	12.4%	31.5%
Cons Discretionary	9.7%	20.4%
Financials	5.9%	22.5%
Industrials	8.8%	17.4%
Energy	23.1%	129.8%
Materials	26.5%	51.8%
Non-Cyclical Breakdown:	**Revenue Growth**	**EPS Growth**
Utilities	0.1%	12.3%
Telecom	3.5%	21.9%
Cons Staples	4.5%	11.7%
REITs	12.1%	6.6%
Health Care	7.8%	15.3%

Source: Factset

Approximately 3,500 days have passed since the S&P 500 reached its low on March 9, 2009. As a result, the current bull market is now the longest bull market in the history. Since its low, the S&P 500 has returned an impressive 325%, but this figure is less than the 417% gain attributed to the technology-fueled bull market of the late 1990s. The most recent leg of this bull market has been powered by strong earnings growth, favorable macro-economic conditions characterized by robust economic growth and moderate inflation, accommodative monetary policy, tax reform and regulatory reform. In addition to its impressive length and return, the current bull market has also been extremely resilient, weathering two sovereign debt crises in Europe, a sovereign debt downgrade in the U.S., periods of weak global growth marked by excess industrial capacity, elevated geopolitical uncertainty, and profound election surprises.

Year over year earnings growth exceeded 20% for the second consecutive quarter, helping to guide the stock market higher despite lingering concerns over global trade policy and U.S. interest rate policy. While tax reform has contributed to these impressive “bottom line” earnings growth rates, “top line” revenue growth rates have been equally impressive, with aggregate year over year revenue growth of approximately 10% - the highest since the third quarter of 2011. Moreover, healthy revenue growth has been widespread; present in both cyclical sectors likes energy and information technology, as well as non-cyclical sectors like health care and real estate investment trusts (REITs). Overall, 72% of companies within the S&P 500 reported revenues above expectations. While earnings growth and revenue growth rates will invariably decelerate from current level, the outlook remains positiveEarlier

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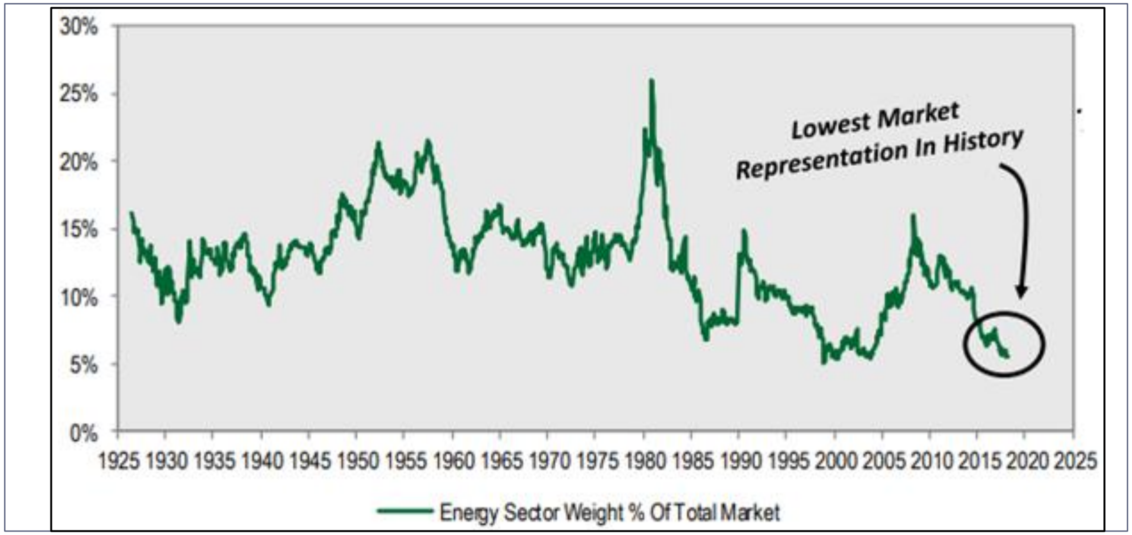
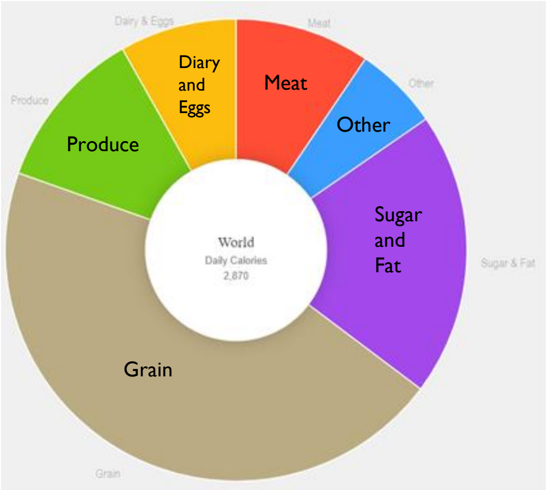
Energy Sector Representation of S&P 500 at All-Time Low



Source: Cornerstone Macro

While the Energy sector's weight in the S&P 500 has historically fluctuated throughout economic cycles, it's current index weight is at an all-time low. After spiking up in 2006-2008 timeframe - you may recall those gas prices - the Energy sector has resumed its longer-term decline. Attributable to a combination of factors, including the deflationary impact of fracking technology as well as the rise of other sectors in the index (most notably Technology).

Fan



Source: National Geographic

On a global basis, caloric intake has increased by ~30% over the past 50 years. This is good news - people are less hungry, living longer, and are healthier than they ever were. In the United States, with our advanced economy, we enjoy a variety of foods from around the world - curry, sushi, tacos. However, with change comes new challenges. The United States also consumes more sugar than any other country and this has contributed to a growing obesity epidemic. Developing economies tend to see increased consumption of protein as consumers become more wealthy. This is generally a positive trend and means a decrease of malnutrition. At the same time, such demands, especially from China, is likely to increase demand for beef, pork, and other proteins, driving prices higher.

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.

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