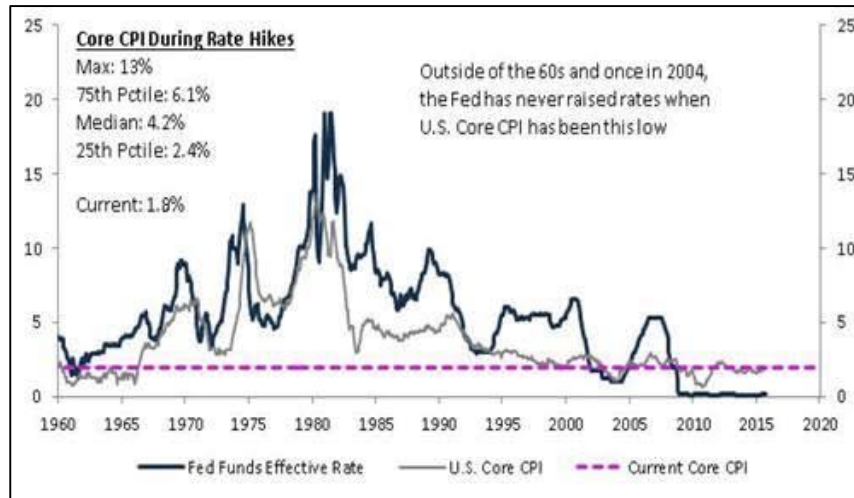


Market Recap

Raising Interest Rates With Low Inflation



Source: Evercore ISI

High Yield Bonds Spreads Widen



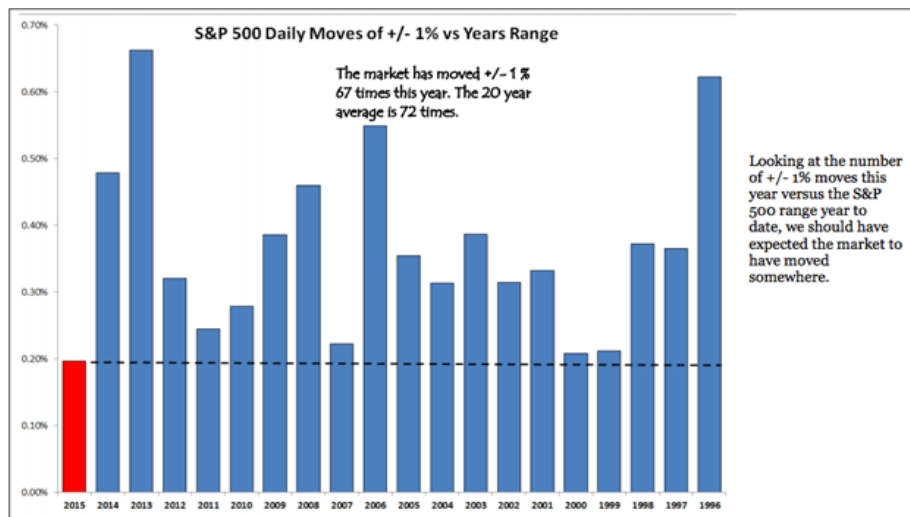
Source: Bloomberg, Bank of America, Haver, Goldman Sachs, JP Morgan

With the Fed raising rates on Wednesday for the first time in a decade, we can look back at historical data to see what differentiates this particular rate hike from those in past tightening cycles. The Fed generally raises rates in periods of strong economic growth AND higher inflation. Only once (2004) since the 1960s has the Fed raised interest rates when core inflation has been this low (1.9% YoY currently). Weak inflation makes company revenue and earnings growth more difficult to achieve, and is thus a headwind for many sectors that have outperformed during rate hike cycles over the past 25 years. In the past, Industrials, Materials, Financials, IT and Energy names have the strongest correlations to changing interest rates. Intuitively, this makes sense--Financial institutions are able to derive greater profit margins as interest rates rise, while the other aforementioned sectors all benefit from inflationary pressures (Materials and Energy are impacted by commodity prices, while Tech and Industrials benefit from increased capital expenditure) associated with a strong economy.

The multi-year rally in high yield bonds may soon be coming to an end. The spread, or difference in yield that investors demand for holding U.S. high yield debt over comparable U.S. Treasuries, is at a multi-year high. This has led to a greater than 5% decline in the ML High Yield index for 2015. This negative return is largely due to exposure to the energy and commodity sectors which have come under significant pressure in 2015. In addition, high yield bonds are less liquid as banks have paired down their balance sheets following the last recession. Unfortunately, many analysts are predicting defaults will accelerate in 2016. However, unlike prior instances in which higher spreads preceded recessions, there is little to indicate that a recession may follow this time as U.S. economic conditions continue to improve and equity markets are less impacted by these factors.

Market Recap

Market Volatility With Little To Show

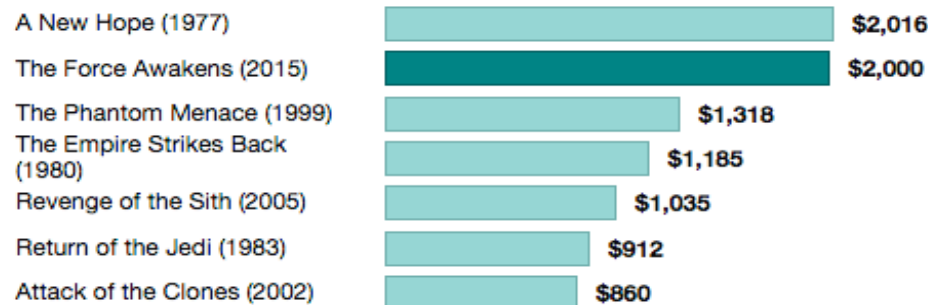


Source: FBN

Star Wars Revenues Expected to Enter Hyperdrive

Star Wars: Worldwide gross box office sales, millions

All numbers have been adjusted for inflation to 2015 dollars.



Source: Rentrak; Morgan Stanley

FORTUNE

At the highest level, 2015 has been a relatively flat year for the S&P 500. The index opened the year at a level of 2058.90 and, through 12/16/15, closed at 2075 for a marginal YTD increase of 0.82%. Looking deeper into the details, the market has seen fairly significant moves and frequent volatility during portions of the year. On average, the S&P 500 records 72 days each year during which the index moves up or down by 1% or more. This year will be average or better, reaching this 72-day level by mid-December. On an even more granular level, however, the market has seen a significantly lower ratio of gaining to losing stocks on days recording a market increase. A small number of stocks leveraging impressive gains have driven the market into slightly positive territory, while the vast majority of stocks have performed poorly this year. Quoting JC O'Hara at FBN Securities, "If we take [the number of 1% moves] and put it in context of a market's trading range for that year, we conclude that the S&P 500 has traveled 'extremely fast to go nowhere.'"

This week brought about two things that we have not seen in nearly a decade: a Fed rate hike, and a new *Star Wars* film – both of which bode well for the economy. Before its release on Thursday, *The Force Awakens* already had amassed over \$100 million in ticket presales, quadrupling the previous record of \$25 million (*The Dark Knight Rises*). This pace is expected to continue, with ticket sales projected to reach \$2 billion, falling just short of the 1977 original (adjusted for inflation). The franchise is expected to gross \$9.6 billion in its first year (including \$5 billion in merchandise). Given that Disney bought the rights to *Star Wars* for \$4 billion in 2012, the studio is poised to recoup their investment from merchandise sales alone – not to mention the three more *Star Wars* episodes already set for production. After a series of disappointing *Star Wars* films, *The Force Awakens* certainly appears to be "A New Hope" for the franchise and its fans.

Source: Fortune

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.

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.