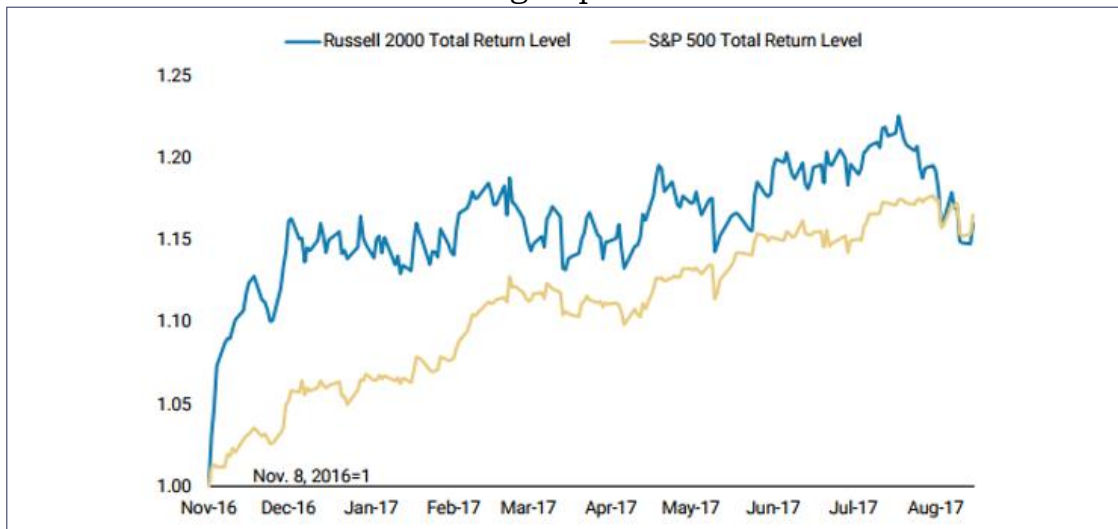


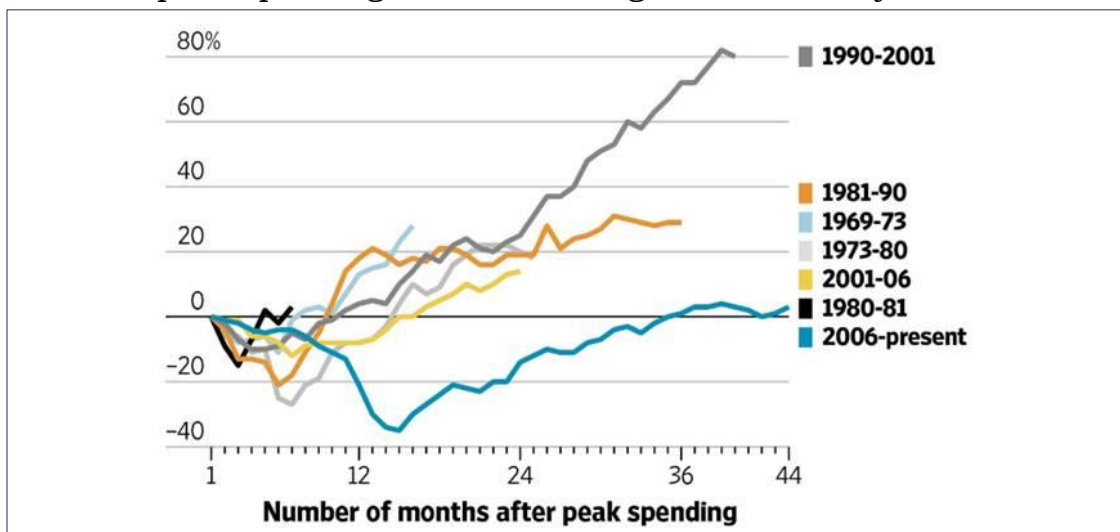
Market Recap

Resetting Expectations



Source: FactSet, Morgan Stanley

Capital Spending Remains a Drag on Productivity Growth



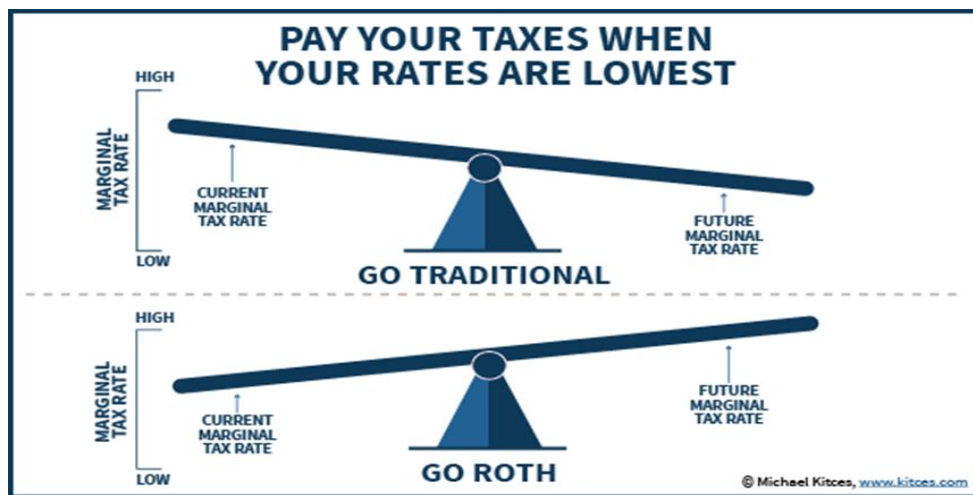
Source: Wall Street Journal, Commerce Dept.

On the heels of last year's U.S. presidential election, many cheered the prospect of tax reform as a welcome tailwind to corporate profits, with economists anticipating that reform could add more than 5% to 2017 earnings forecasts. Small Cap (i.e. smaller company) stocks – which tend to pay a higher average tax rate relative to larger U.S. multi-nationals – were expected to be an outsized beneficiary of lower tax rates, driving Small Caps to materially outperform their larger counterparts in the ensuing months. However, using Small Cap's more recent relative market performance as a proxy, investors' expectations for tax reform appear to have subsided. While this may not be surprising given ongoing political gridlock, market returns have nonetheless remained strong in 2017 thanks to resilient growth in corporate profits. It also serves as a reminder of some of the "upside risk" to current market levels should Congress begin to make more material progress on tax reform.

The current economic expansion has been characterized by its slow rate of growth, dragged down by the tepid pace of capital spending. Gross private domestic investment has been slow to rebound since the 2008-2009 recession, as compared to previous economic cycles. A more conservative approach to spending by corporate leaders (many of whom are resolved not to overextend their operations in the aftermath of the recession) is an undeniable factor underpinning the current environment. While caution is understandable, companies ultimately must reinvest (be it in new technology, inventory, or equipment) in order to sustainably grow their businesses. Growth in output per labor hour has averaged just 0.6% over the past five years, and until capital spending levels improve, significant progress in overall labor productivity seems unlikely.

Market Recap

Choosing Between a Traditional and Roth IRA

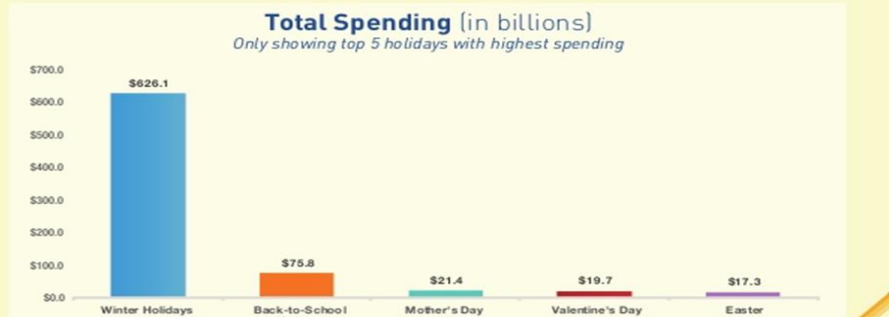


Source: Michael Kitces

The Surprising Importance of Back-to-School Spending

TOP FIVE SPENDING HOLIDAYS

Unlike Christmas or other gift-giving holidays, back-to-school and college spending are “needs-driven” and not discretionary. However, back-to-school and college is the second biggest consumer spending season for retailers online and in-store.



Source: 2016 NRF Back-to-School/College Spending Survey conducted by Prosper Insights & Analytics

Source: NRF.com

Given the different tax treatment of contributions and withdrawals for Traditional vs. Roth IRAs, evaluating the most tax-efficient savings strategy requires an investor to consider whether she expects to be in a higher or lower tax bracket in retirement than today. Traditional IRA contributions are made with pre-tax dollars, but withdrawals are taxed at the owner's marginal income tax rate at the time of withdrawal, making it an appealing choice for someone who expects his tax rate in retirement to be lower than his current tax rate. Conversely, contributions to a Roth IRA are taxed at the owner's current marginal tax rate, but withdrawals are tax-free, making it better-suited to an investor who expects to be in a higher tax bracket in retirement than today. Distribution requirements are another factor to consider. Traditional IRA owners must begin making withdrawals by age 70.5, whereas Roth IRAs carry no such requirement, often making them more attractive as a wealth transfer vehicle.

Consumer spending accounts for more than two-thirds of U.S. economic activity. This is a highly seasonal measure, due in large part to the fact that the winter holiday season represents the vast majority of total consumer spending. However, unlike holiday shopping, which is discretionary, back-to-school shopping is needs-driven, making the category more resilient to yearly fluctuations. At 10%, back-to-school shopping is the second largest contributor to consumer spending, generating \$75.8 billion in 2016. Although school supplies are the most widely-purchased back-to-school item, they represent the smallest line item within the broader back-to-school category. Shoes, clothing, and electronics each generate larger revenues, likely due to their larger price tags. On average, parents expect to spend roughly \$204 on electronics, \$139 on clothing, \$130 on shoes, and \$114 on school supplies in 2017.

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.