INVESTMENT & WEALTH MANAGEMENT UPDATE

THE TRUST COMPANY

APRIL 11, 2017

FIRST QUARTER IN REVIEW

Overview

Riding the momentum following the presidential election, stocks surged for much of the first quarter of 2017. Buoyed by the anticipation of tax cuts and policies favorable to domestic businesses, the benchmark indexes listed here reached historic highs throughout the quarter. At the end of January, the Dow reached the magic 20000 mark for the first time, while the tech-heavy Nasdaq gained almost 4.50% for the month.

The trend continued in February, as stocks posted solid monthly gains. The Dow closed the month with a run of 12 consecutive daily closings that reached all-time highs. The S&P 500 also achieved a milestone — 50 consecutive trading sessions without a daily swing of more than 1.0%. At the close of trading in February, each of the benchmark indexes listed here posted year-to-date gains, led by the Nasdaq, which was up more than 8.0%.

March began with a bang but ended with a whimper. The Dow closed the first week of the month at over 21000, while the Nasdaq gained more than 9.0% year-to-date.

However, energy stocks slipped as the price of oil began to fall. Entering mid-March, investors exercised caution pending the potential Fed interest rate hike and the push for a new health-care law.

Following its mid-March meeting, the Fed raised interest rates 25 basis points, while the move to replace the ACA with a new health-care law failed for lack of congressional support.

Market/Index	2016 Close	As of March 31	Month Change	Quarter Change	YTD Change
DJIA	19762.60	20663.22	-0.72%	4.56%	4.56%
NASDAQ	5383.12	5911.74	1.48%	9.82%	9.82%
S&P 500	2238.83	2362.72	-0.04%	5.53%	5.53%
Russell 2000	1357.13	1385.92	-0.05%	2.12%	2.12%
Global Dow	2528.21	2691.45	1.36%	6.46%	6.46%
Fed. Funds	0.50%-0.75%	0.75%-1.00%	25 bps	25 bps	25 bps
10-year Treasuries	2.44%	2.38%	-1 bps	-6 bps	-6 bps

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For the quarter, each of the indexes listed here posted impressive gains over their fourth-quarter closing values. The Nasdaq climbed the most, posting quarterly gains of close to 10.0%, followed by the Global Dow and the S&P 500, which achieved its largest quarterly gain in almost two years. Long-term bond prices increased in the first quarter with the yield on 10-year Treasuries falling 6 basis points. Gold prices also climbed during the first three months of the year, closing the quarter at $1,251.60 — about 8.5% higher than its price at the end of the fourth quarter.

ECONOMIC NEWS

Employment

February's employment report showed continued strengthening in the labor sector with 235,000 new jobs added in the month, on the heels of 238,000 new jobs added in January. Job gains occurred in construction, private educational services, manufacturing, health care, and mining. The unemployment rate dipped to 4.7% — down from 4.9% a year earlier. There were 7.5 million unemployed persons in February. The labor participation rate inched up 0.1 percentage point to 63.0%.

FOMC/Interest Rates

Following its meeting in March, the Federal Open Market Committee raised the target range for the federal funds rate by 25 basis points to 0.75%-1.00%. This is the first interest rate change for 2017, although the FOMC projects that it will increase rates two more times this year. The Committee expects that economic activity will expand at a moderate pace, labor market conditions will strengthen somewhat further, and inflation will stabilize around 2% over the medium term. FOMC Chair Janet Yellen supported the current rate hike, cautioning that without gradual rate increases inflation could escalate, requiring the Committee to raise rates rapidly which, in turn, could risk disrupting financial markets and push the economy into recession.

GDP/Budget

Expansion of the U.S. economy slowed over the final three months of 2016. According to the Bureau of Economic Analysis, the fourth-quarter 2016 gross domestic product grew at an annualized rate of 2.1% compared to the third-quarter GDP, which grew at an annual rate of 3.5%. Growth in the GDP was slowed by downturns in exports, federal government spending, and business investment. A positive from the report is the rise in consumer spending, which increased 3.5% over the prior quarter. An indicator of inflationary trends, the price index for gross domestic purchases increased 2.0% in the fourth quarter, compared to an increase of 1.5% in the third quarter.

International Markets

A relatively positive stream of eurozone economic data helped international stocks post gains for February. Both manufacturing and service sectors accelerated during the month, while eurozone job creation reached a 10-year high. In Great Britain, Prime Minister May continued to push forward with Brexit amid pushback from Parliament and protestors. Nevertheless, the UK delivered written notice to the president of the European Union, formally beginning the process of leaving the EU.

Inflation/Consumer Spending

Inflation, as measured by personal consumption expenditures (PCE), reached the Fed's 2.0% annual target in February. For the 12 months ended February 2017, PCE expanded at a rate of 2.1%. Core PCE (excluding energy and food) increased 1.8%. Personal income (pre-tax earnings) rose 0.4% for the month, and disposable personal income (income less taxes) enjoyed a 0.3% increase over January. For the 2016 calendar year, personal income increased 3.6% from the 2015 annual level, compared with an increase of 4.4% in 2015. Disposable personal income increased 3.9% in 2016, compared with an increase of 3.8% in 2015. In 2016, PCE increased 3.9% compared with an increase of 3.5% in 2015.

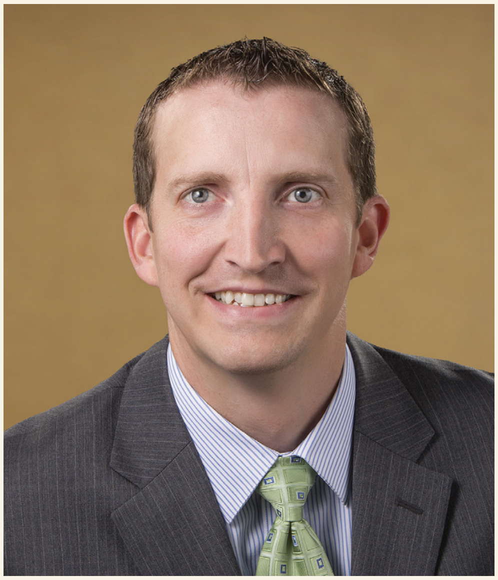
This action now opens a two-year window for Britain to negotiate the terms of its exit. One of the potentially contentious issues that will be addressed is whether, and how much, Britain will pay to leave the bloc. In Japan, retail sales increased 1.0% for the month, although the fourth-quarter GDP growth slowed from the previous quarter.

Eye on the Month Ahead

The first quarter of 2017 proved to be a banner three months for equities. The FOMC next meets during the first week of May, when it will consider another interest rate hike. If employment remains strong and consumer prices trend higher, the Fed may raise the target range rate to 1.25% following their next meeting, with at least one more rate increase likely before the end of the year.

TAKING DOUBLE BOGEY OUT OF PLAY

By Michal Emory, CFA



I love golf. That is why I love the beginning of spring because it means I can dust off my clubs and finally get back out on the course. There are so many intricacies to the game of golf that you can never really feel like you have mastered it. There is always something new to learn and something to improve on. Your swing can feel great one day and the next it can feel like you have never swung a golf club in your life. Golf is as much, if not more, a mental game as it is a physical game. It is, also, a PhD level course in taking smart risks and minimizing risks.

In golf parlance, par is the goal score, and birdie is the ideal score. Par means that it took you the planned amount of strokes to get the ball into the hole. Birdie means that it took you one less stroke to get the ball into the hole. Conversely, double bogey means that it took you two more strokes than it should have to get the ball into the hole. Therefore, if it should have taken you four strokes, a double bogey means it took you six strokes to get the ball into the hole. Double bogeys can kill your round of golf (and your confidence) very quickly. Personally, I have found there are two main causes for my double bogeys on the golf course: One, loss of focus; Two, not taking smart risks or minimizing risks.

In investing, the same two things can hurt your investment portfolio. At times, individuals can lose focus on what their objectives are, as well as the best way to reach those objectives. They may be investing to reach retirement or for life in retirement but make decisions based on the next week. Or maybe the talking heads on television are extremely optimistic or pessimistic and they make large changes to their portfolio because of what they hear. At other times, individuals will have only stocks with high volatility or be over concentrated in one area of the stock market. They end up with a portfolio that is much riskier than they intended or can handle.

> Success in this game depends less on strength of body than strength of mind and character.
>
> -Arnold Palmer

At The Trust Company, we put a very large emphasis on staying focused on your goals and in minimizing risks through taking smart risks. To stay with the golf parlance, we are not trying to hit the ball the furthest. We want to stay in the fairway and give ourselves the best chance at a birdie.

We do this by constantly focusing on the amount of risk that we are taking and if those risks align with your objectives. We have daily, internal discussions on matters such as asset allocation, security selection, and time horizons. We want to focus on taking smart risks when and where it makes sense and being more conservative when it does not. We believe that by working to take "double bogey" out of play with your portfolio, you will have smoother returns and a better chance at reaching your objectives. Just as no one can dictate the conditions of the golf

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course on any given day, no one can dictate the conditions of the market. What we can control is our focus on our plan and what small adaptations we make as conditions change.

One of the changes to "the course" that we are seeing is the U.S. stock market vs. the International stock market. Over the last three years, we have seen a very large outperformance by U.S. stocks relative to International stocks. This is why we have been over-weight U.S. stocks and under-weight International stocks. The conditions on "the course" look to be changing and, thus, we are increasing our allocation to International stocks to take advantage to this change. While we rarely expect to time the change exactly right, we are looking to be "roughly right rather than precisely wrong." We are lightening up on our Fixed Income allocations in light of the Federal Reserve's commitment to raising interest rates and the negative impact that can have on a Fixed Income portfolio.

At The Trust Company, we are privileged to partner with you to help your financial goals become a reality. This is an honor we take very seriously. We take pride in offering a team that is able to help you build a comprehensive financial plan.

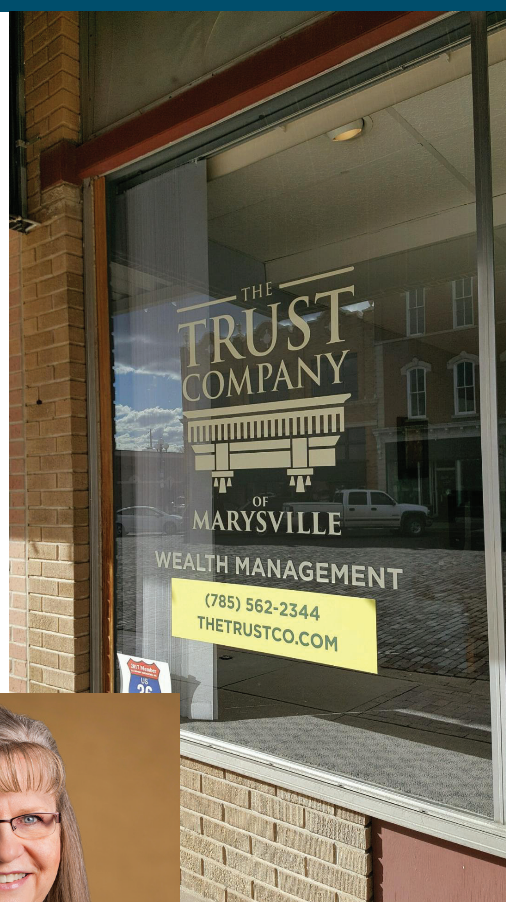
COMPANY NEWS

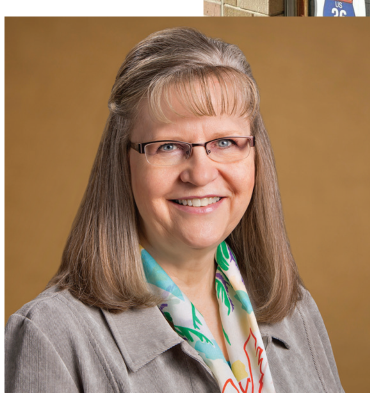
Marysville Branch Office Open!

February 6, 2017 marked the opening of our branch office at 908 Broadway, in Marysville, Kansas. The office occupies a historic building recently purchased and renovated by Sink, Gordon & Associates, a Manhattan-based public accounting firm, which has also established a new Marysville office.

Kathy Weyer, longtime Trust Officer of BOK Financial and its predecessors, has joined The Trust Company as Assistant Vice President and Trust Officer. Cindy Allerheiligen, whose services are shared with Sink Gordon, is the office's Administrative Assistant.

Kathy has more than 30 years of experience in banking, operations, and trust administration. She is extremely pleased to be able to continue her longtime client relationships and to provide them enhanced services through the full resources of the Manhattan home office. Kathy and her husband, Ed, live in Oketo, KS, and have three grown children. Kathy can be reached at (785) 562-2344.





The Trust CompanyMarysville at 908 Broadway (above), and Kathy Weyer, Assistant Vice President & Trust Officer (left).

A joint ribbon cutting ceremony is planned for Wednesday, May 3, at 9:00 a.m. in cooperation with Sink, Gordon & Associates. Clients, friends, community members and business neighbors are welcome to attend! Coffee and pastries will be served. Additional open houses will be held in the coming months. Please join us in welcoming Kathy to The Trust Company family.

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