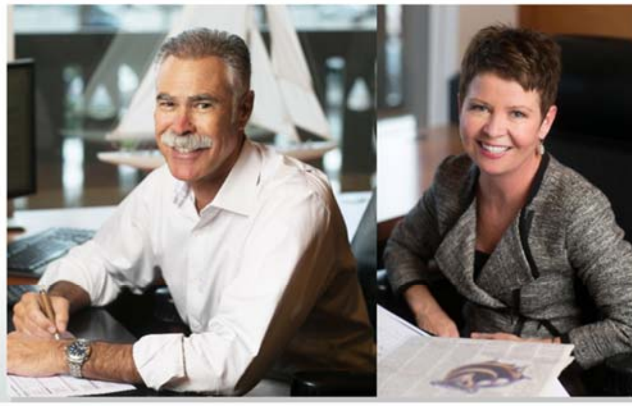
OPTIVEST
WEALTH MANAGEMENT

Turning Success into Peace of Mind.

FIRST QUARTER 2017

January 6, 2017



To Our Investors:

By: Mark Van Mourick, CEO
Leslie Calhoun, CIO/COO

Financial Markets Review by Mark:

Trump/Economy –

A large part of Trump's political capital will be used to rewrite the tax code to lower personal and corporate tax rates and limit deductions (besides replacing Obamacare, increasing infrastructure spending, rolling back excess government regulations and probably a little tightening on immigration and increased nationalism to give red meat to his constituents). Therefore, an initial assumption would be to expect lower tax receipts and rising government budget deficit after the proposed tax cuts.

However, upon reviewing the most recent large tax reductions in history (under President Kennedy, President Reagan and President Clinton specifically), it appears the opposite occurred. Under President Kennedy, tax revenues increased 62% from 1961 – 1968, unemployment went from 5.5% down to 3.9%, and the stock market doubled. Under President Reagan, tax revenues went up 99% throughout the 1980s, unemployment peaked at 10.8% in 1983 then dropped to about 5.8% in 1990, and the stock market tripled. Under President Clinton, tax cuts in 1997 led to a 59% gain in tax revenue, eventually producing a budget surplus of $198 billion by 2000, unemployment continued down from 5.8% to under 4%, and the stock market doubled from 1997 – 2000.

In all three of the above cases, citizens in the top income tax bracket felt an upsurge in their share of the tax burden (lower % but higher $) while real wages grew across the board. The heart of the problem is declining median income and this directly contributed to Trump's popularity in the recent election. The average U.S. median income of $57,423.00 in 2007 dropped down to $53,718.00 by 2014 while the top 10% of income earners grew. It is Main Street's hope to gain real wage increases again.

Will Trump's tax cuts produce the same results as past tax cuts? We expect that they will. Our forecast is for GDP growth to move from an average post-recession of about 2% up to 3%+ from 2017 – 2018. Judging by the rise in interest rates and the stock market since the election, we are not alone in this forecast.

However, as evidenced in the expanding economies of the 1960s, 1980s and 1990s, there was oversized market volatility along the way as expectations occasionally got ahead of actual results. We start 2017 in a similar place, with elevated stock and interest rates well ahead of the gains future legislation may bring. Hold on for a bumpy ride.

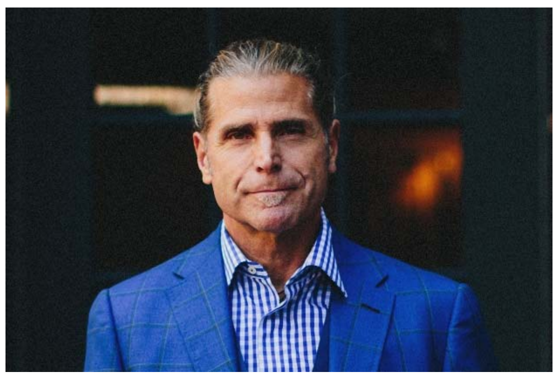
Portfolio Management by Leslie:

During Q4, we faced a U.S. Presidential election, a semi-annual OPEC meeting and the last Federal Reserve meeting of the calendar year. Our portfolios benefitted from our strategic allocations to multi-sector and floating rate bonds - which served as a hedge against rising interest rates - as well as from a non-correlated fund holding Longevity contracts. We also benefitted from our tactical moves to reduce European Equities during 2016 and to add to U.S. and Emerging Market equities on market dips. Furthermore, our shorter duration bond exposure protected from downside participation when interest rates shot up just before the Presidential election. However, our reduced equity exposure held back participation in the Trump rally for stocks. We did find an opportunity to add exposure to a favorite preferred stock while it traded at a discount to par near the end of the year, thus our dividend yield will be higher in the future.

Most importantly, in the 4th quarter we took a significant step for the benefit of our clients to grow our portfolio management division to assist in asset allocation and risk modeling. We are delighted with the results of our push in the 4th quarter to build out our advisory team, expertise and level of sophistication. We have engaged Stella Choi, CFA, to lead Portfolio Management and to join our Investment Committee. Additionally, Stella will work toward her CFP status by developing financial plans for clients. Stella brings close to 20 years of institutional portfolio management experience to Optivest, having served as Investment Manager from 1998 to 2006 at Fidelity Investments where she managed over $700 million in client portfolios. She left Fidelity in 2006 to take on the role of Director of Portfolio Management at Lattice Strategies, LLC. At Lattice, Stella was responsible for research and the day-to-day management of over 200 portfolios as well as the design and implementation of a proprietary portfolio management platform adopted company wide. Alongside Stella and our full Investment Committee, we are busy designing, stress testing and efficiently migrating our client portfolios to best benefit from a Trump economy.

Bart Zandbergen Joins Optivest:

One of South Orange County's most prominent investment advisors, Bart Zandbergen, has joined Optivest as a Senior Wealth Advisor. Bart brings 25 years of experience as a Certified Financial Planner (CFP) focusing on private business owners and will be a key addition to our Investment Committee. Glori Crumpley accompanies Bart with her 16 years of experience as a licensed assistant. I, Mark, have known Bart for over 20 years and have courted him to join our team for the last 10 years. His high level of integrity, financial wisdom and long-term wealth management clients will assimilate nicely into the Optivest family.



Financial Planning Tips by Bart:

First, I would like to say how excited and proud I am to be here are Optivest. It has long been my dream to work alongside Mark, Leslie and the Optivest team, for whom I have an incredible amount of respect. I look forward to meeting some of you at the Optivest Open House on January 31st or in the coming weeks.

Allow me to share some Financial Planning Tips for 2017 to consider:

- If you are still working, maximize your retirement savings plan, and don't forget about ROTH IRAs.
- Consider reallocating your investments. With the new Trump economy and the recent surge in equity values, remember that long-term performance is better when the stock allocation is returned to target allocation on a regular basis.

- Don't forget your estate plan. Remember, "true wealth" is something money can't buy and death cannot take away.
- Invest for the long term. "Success" with investments is a marathon and not a sprint. Develop an investment strategy and stick with it. The average investor earns only 55% of what a managed portfolio returns due to self-destructive trading behavior.
- ROTH Conversion: Are you in a lower tax bracket this year? Consider using the "ROTH Corridor" to convert all or part of your IRA or qualified plan to a ROTH IRA. You will never pay another dollar of tax on the growth or distribution and there are no Required Minimum Distributions (RMDs).
- Gift highly appreciated assets. If you have charitable intent, consider gifting a highly-appreciated asset vs. cash. You get the deduction without paying capital gains tax and the charity can sell the asset tax free.

Summary:

Optivest Wealth Management has significantly increased in breadth and depth of expertise. Our team now has six in-house licensed professionals with over 150 years of combined experience! In addition, we often draw upon the experienced teams at Optivest Investment Banking and Optivest Properties. Together, we are excited to work for you in (a very interesting) 2017!

We will be holding an **Open House at Optivest on Tuesday, January 31st from 4pm – 7pm** to introduce Bart, Glori and Stella. Please join us! Please RSVP to Shannon@optivestinc.com or call 949-363-8686 for event details.

Until next time,

Mark Van Mourick
Leslie Calhoun
Bart Zandbergen