Weekly Market Commentary
February 21, 2017

HORTER Investment Management, LLC

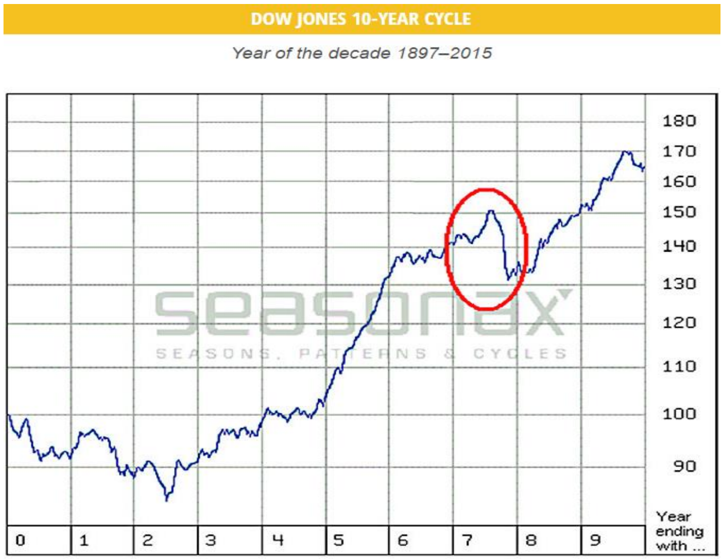
The Dow Jones Industrial Average added 355 points to end the week up 1.8% at 20,624. The S&P 500 Index gained 1.5% to finish the week up 35 points at 2,351. The Nasdaq Composite gained 1.8% to end the week at 5,839. The S&P MidCap 400 Index rose 0.8% to close the week at 1,735. The Russell 2000 finished up 0.8%, ending the week at 1,400. The ETF "EFA", the proxy for developed international equity markets, finished the week up 0.6%. Emerging markets, as represented by the ETF "EEM", gained 0.4%. Domestic high yield corporate bonds were up 0.2% during the week, as measured by the Markit iBoxx USD Liquid High Yield Index.

Domestic stocks continued to trend higher in weekly trading before pulling back slightly in advance of the holiday weekend. Bond yields were relatively unchanged during the week, with the benchmark 10-Year US Treasury note still yielding around 2.41%. Crude oil prices retreated slightly to $53.37 for US West Texas Intermediate (WTI) and $55.74 for international Brent Crude. Prices have been remarkably flat since December 2016 with US WTI trading in a tight band between $52 and $55 per barrel. US inventories continue to rise, up 9.5 million barrels in the week ended February 10th, bringing domestic stockpiles up to 518 million barrels, the highest level on record going back to 1982.

Domestic high yield bonds treaded water, largely unchanged in weekly trading. Spreads over Treasuries eased during the week, at one point touching 3.77%, the lowest level since August of 2014. CCC-rated bonds once again outperformed B and BB-rated high yield bonds, continuing the "risk-on" theme. Flows to high yield bond mutual funds and ETFs were positive at $158 million in the weekly period ended February 15th. Issuance has been robust thus far in 2017, with $35.8 billion in new high yield debt hitting the market, roughly triple 2016's issuance during the same time period.

In US economic news, Fed Chair Janet Yellen held her first congressional testimony since the inauguration of President Trump, sounding a bit more hawkish but still leaving room to maneuver on rate hikes. Ms. Yellen cited "considerable uncertainty" for the economic outlook in light of President Trump's planned policy changes but also stressed the Fed's desire to maintain a measured pace in hiking rates. Inflation data has continued to cooperate with the Fed's timeline, as evidenced by a 0.6% rise in Consumer Prices during January, the strongest showing in nearly 4 years. Producer prices also increased 0.6% during the month. Retail sales data was strong, with January up 0.4% and December's gain revised upward from 0.6% to 1%. Markets fully anticipate a June rate hike, although the odds of a surprise March announcement ticked up slightly.

In international economic news, fourth quarter GDP for the 19-country Eurozone was revised downward from 0.5% to 0.4%, dragged down by weaker exports. Meanwhile, the Greek debt crisis continues to play out with 7 billion Euros ($7.4 billion USD) in debt due to be repaid in July. Representatives from the International Monetary Fund (IMF), the Greek government, and Eurozone finance ministers convened February 20th to discuss a path forward for Greece. The IMF wishes for Eurozone countries to lessen austerity measures which were part of the terms of the Greek bailout; however, with 2017 elections looming in several key European countries, most nations are hesitant to embrace such a politically unpopular stance.



Stock market years ending in '7'

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Current Model Allocations

Low Risk

HIM Model #7	100% short and intermediate-term treasury bonds
HIM Model #2	25% municipal bonds/75% ATMSX
HIM Model #1	15% high yield/85% ATCSX
HIM Model #6	10% short duration/80% high yield/10% strategic income
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Moderate Risk

HIM Model #12	100% mid-cap
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Taking a comprehensive look at the overall current stock market, you can see the chart below representing eight major indices and their returns through the week ending February 17, 2017. In a truly diversified portfolio, the portfolio's total return is determined by the performance of all of the individual positions in combination – not individually.

So, understanding the combined overall performance of the indices below, simply average the 8 indices (excluding the BofA Merrill Lynch US High Yield Master II Index) to get a better overall picture of the market. The combined average of all 8 indices is 5.66 % year to date.

Market Perspectives **(through 02/17/2017)**

60/40 Allocation: 3.19 % YTD
(60% S&P 500/40% Barclays US Aggregate Bond Index)

S&P 500: 5.02% YTD **Barclays Agg:** 0.44% YTD

Weekly Update for the Week Ending February 17, 2017

Index	Last Week			One Month		Year-to-Date	
	Close	Net Change	% Change	Net Change	% Change	Net Change	% Change
Dow Jones Global Index	343.56	3.86	1.14%	11.02	3.31%	17.51	5.37%
Dow Jones Industrial Average	20624.05	354.68	1.75%	797.28	4.02%	861.45	4.36%
S&P 500 Index	2351.16	35.06	1.51%	83.27	3.67%	112.33	5.02%
Nasdaq Composite Index	5838.58	104.45	1.82%	299.85	5.41%	455.46	8.46%
S&P MidCap 400 Index	1734.76	13.92	0.81%	62.03	3.71%	74.18	4.47%
Russell 2000 Index	1399.86	11.02	0.79%	47.54	3.52%	42.73	3.15%
MSCI EAFE Index (EFA)	60.50	0.36	0.60%	1.13	1.90%	2.77	4.80%
MSCI Emerging Markets Index (EEM)	38.39	0.17	0.44%	1.73	4.72%	3.38	9.65%
Markit iBoxx USD Liquid High Yield Index*	257.73	0.49	0.19%	2.08	0.81%	4.60	1.82%

**Above returns include dividends*
Data Source: Investors FastTrack

QUOTE OF THE WEEK

You don't need a parachute to go skydiving. You need a parachute to go skydiving twice. Allocate assets accordingly.
-Anonymous

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Summary

In utilizing an approach that seeks to limit volatility, it is important to keep perspective of the activity in multiple asset classes. At Horter Investment Management we seek to achieve lower risk with higher returns. More specifically, we seek to achieve superior risk-adjusted returns over a full market cycle to a traditional 60% equities / 40% bonds asset allocation. We do this by implementing global mandates of several tactical managers within different risk buckets.

For those investors who are unwilling to stomach anything more than minimal downside risk, our goal is to provide a satisfying return over a full market cycle compared to the Barclays Aggregate Bond Index.

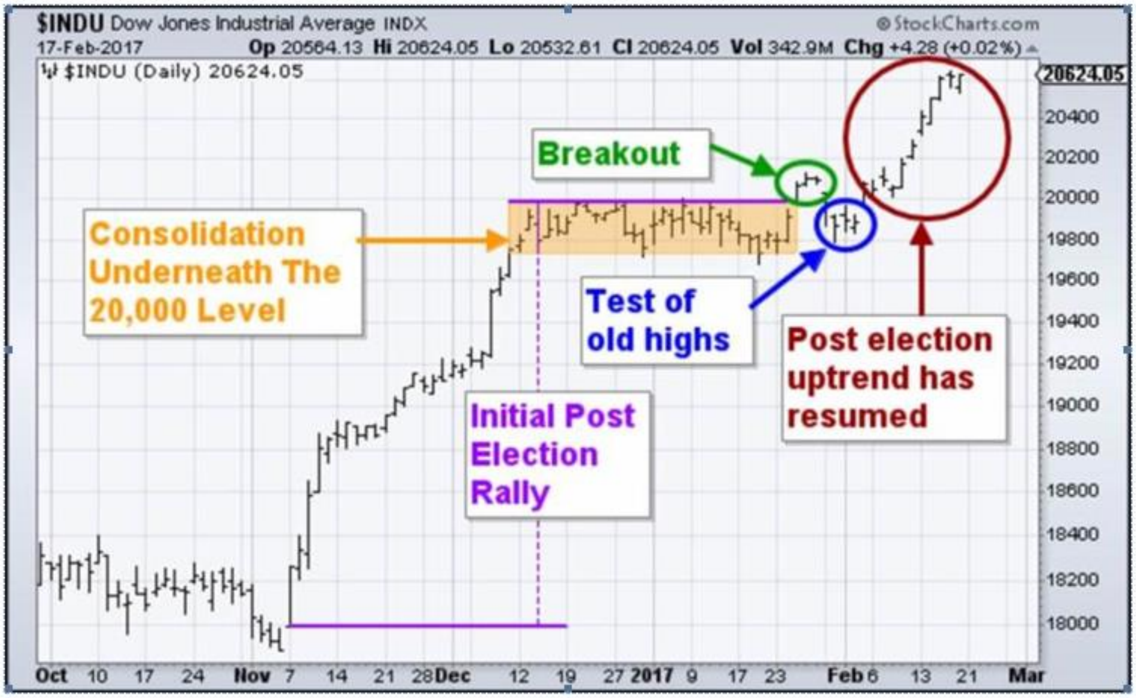
At Horter Investment Management we realize how confusing the financial markets can be. It is important to keep our clients up-to-date on what it all means, especially with how it relates to our private wealth managers and their models.

We are now in year nine of the most recent bull market, one of the longest bull markets in U.S. history. At this late stage of the market cycle, it is extremely common for hedged managers to underperform, as they are seeking to limit risk. While none of us know when a market correction will come, even though the movement and volatility sure are starting to act like a correction, our managers have been hired based on our belief that they can accomplish a satisfying return over a full market cycle, -- while limiting risk in comparison to a traditional asset allocation approach.

At Horter we continue to monitor all of the markets and how our managers are actively managing their portfolios. We remind you there are opportunities to consider with all of our managers. Hopefully this recent market commentary is helpful and thanks for your continued trust and loyalty.

Chart of the Week:

The Chart of the Week below shows the Dow Jones Industrial Average (DJIA). After a lengthy consolidation just underneath the 20,000 level the DJIA broke out above the 20,000 level, then immediately pulled back to test its old highs. After successfully testing its old highs the DJIA, along with other domestic equity markets, has moved briskly higher resuming its uptrend that formed right after the November Presidential Election, boding well for markets. The next psychological barrier will most likely be the 21,000 level for the DJIA.



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America's Biggest Creditors Dump Treasuries in Warning to Trump

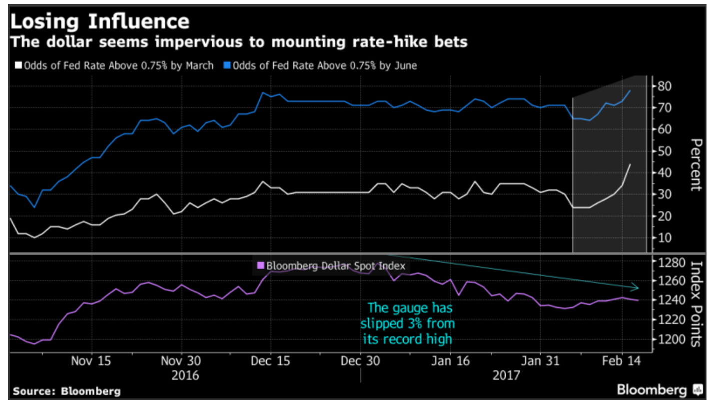
In the age of Trump, America's biggest foreign creditors are suddenly having second thoughts about financing the U.S. government.

In Japan, the largest holder of Treasuries, investors culled their stakes in December by the most in almost four years, the Ministry of Finance's most recent figures show. What's striking is the selling has persisted at a time when going abroad has rarely been so attractive. And it's not just the Japanese. Across the world, foreigners are pulling back from U.S. debt like never before.

From Tokyo to Beijing and London, the consensus is clear: few overseas investors want to step into the $13.9 trillion U.S. Treasury market right now. Whether it's the prospect of bigger deficits and more inflation under President Donald Trump or higher interest rates from the Federal Reserve, the world's safest debt market seems less of a sure thing -- particularly after the upswing in yields since November. And then there is Trump's penchant for saber rattling, which has made staying home that much easier.

[Click here to read more]

The Buck Stops Listening Until the Fed Walks the Talk on Rates



By rights, this week should have been a bullish one for the dollar.

Federal Reserve Chair Janet Yellen's more hawkish tone bumped up bets on a March interest-rate hike, and the steeper-than-forecast increase in U.S. consumer prices -- they rose the most in almost four years in January -- signaled inflation in the world's largest economy is right where the central bank wants it. Despite all this, the greenback is on track for losses this week versus the Korean won to the Australian dollar and is flat against a basket of its 10 most-traded peers.

According to Chris Weston, chief markets strategist at IG Ltd. in Melbourne, the "tepid, slow and gradual" dollar moves are a sign of investor contentment.

"They've taken so long to hike and banged on about it so much that markets feel very comfortable now with the Fed raising rates," Weston said. "As long as the underlying theme is reflation, the market is happy for the Fed to be hiking."

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