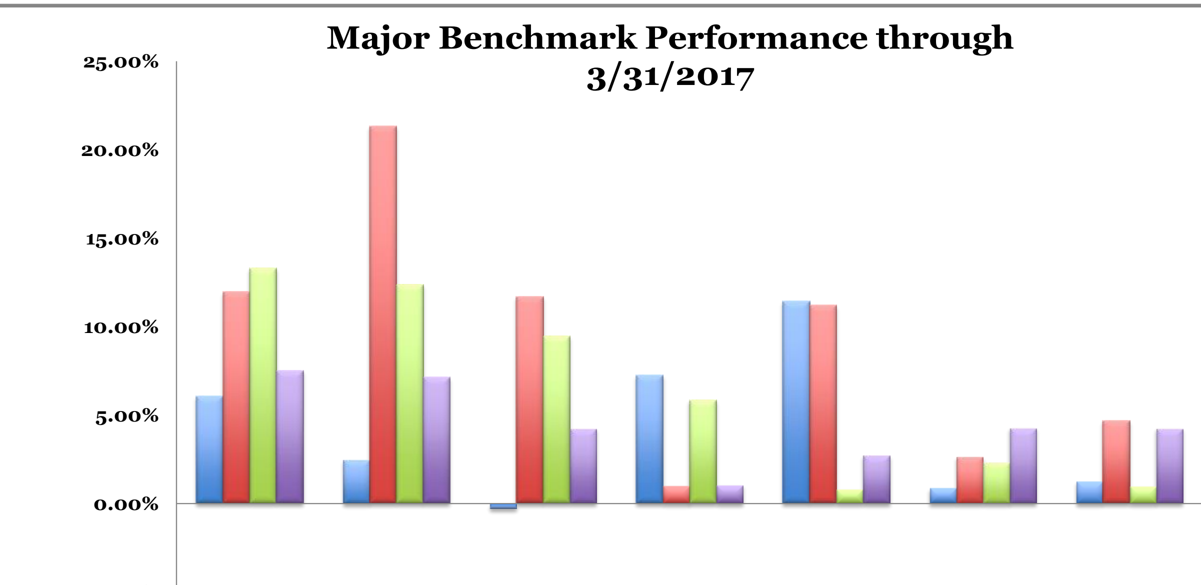
Of all of the momentous headlines of this quarter, the one affecting Americans the most was the inauguration of Donald Trump as President on January 21.

As expected, the President in short order signed several executive orders indicating significant plans during his tenure to deregulate industry. Equity markets reacted positively and consistently.

Trump's inauguration wasn't the only major headline; among the most significant (from an investment standpoint):

- U.K. Prime Minister Theresa May signed Article 50, officially starting the clock ticking on a two-year U.K. Brexit process, which will be complete by March 29, 2019.
- The Federal Reserve raised its overnight lending rate by a quarter-point in mid-March. Chairman Janet Yellen commented, "The simple message is - the economy is doing well."
- Conflicts all over the world, including North Korea and Syria, which could affect the US to varying degrees



	S&P 500	US Small Cap	US REITs	Foreign Developed	Emerging Markets	US High Quality Bonds	TIPS
1Q17	6.07%	2.47%	-0.27%	7.25%	11.44%	0.88%	1.26%
2016	11.96%	21.31%	11.68%	1.00%	11.19%	2.65%	4.68%
5 Year (ann.)	13.30%	12.35%	9.45%	5.83%	0.81%	2.34%	0.97%
10 Year (ann.)	7.51%	7.12%	4.22%	1.05%	2.72%	4.27%	4.24%

Source: DFA

Market Numbers: the markets marched onward

* The Dow Jones Industrial Average broke the 20,000 mark to considerable fanfare on January 25. It broke the 21,000 mark on March 1. The Dow ended the quarter at 20,663.

* Unexpectedly, The Wall Street Journal (WSJ) also reported the Dow's "quietest quarter" in 51 years. As BPS and Pieces blogger Phil Huber points out: "Milestones and large, round numbers are two things that human beings are predisposed to get really excited about." But the Dow's average daily movement during the first quarter was actually a scant 0.3185% - its lowest quarterly swing since 1965. Stated another way, the bigger the numbers become, the less the raw point swings really matter.

* While U.S. stocks have been popular in recent years, emerging markets have become the trendy asset choice of late, particularly for those attempting to time the market. WSJ columnist Jason Zweig noted that emerging markets are up 12% this year and that 1/12th of all the money of these [emerging market ETF] funds has come in over the past 90 days. That sounds like market timing to us, and while we don't recommend timing, we do advocate emerging markets exposure as part of a diversified portfolio.

Boring but Important: the Economy

There has been reference to the "Trump trade", which is better defined as the equity markets' upward push since the election, largely driven by consumer confidence based on the market's expectation that this administration will be very business-friendly.

The markets dipped slightly after Congress failed to repeal Affordable Care Act (also known as Obamacare) in late March, but they soon resumed their upward trend. Investors are now concerned about whether a divided Congress will deliver the support the Administration needs to implement the business-friendly changes.

Recently, focus has been on the underlying economic numbers, and rightfully so; investors should focus on this and not speculate on political activities. Based the uncertainty of what strategies the Trump administration may attempt to enact, combined with the uncertainty of how much support he will receive from Congress, it clearly makes sense for investors to focus on the economic numbers.

What is interesting is that although the markets have appreciated since the election, the economic numbers aren't much different than they were before the election. Unemployment numbers continue to be strong, and GDP growth is about the same - muted but positive.

The markets (and we) expect the Fed to raise rates another two times in 2017. However, for the markets to continue their upward trajectory with low volatility there will have to be more emphasis on the numbers, and not just soft data points such as consumer confidence going forward.

Chasing Trends

Warren Buffett published his annual Berkshire Hathaway shareholder letter, as he's been doing for more than 50 years. He made two salient points which help to put this quarter's market moves into perspective:

1. **Chasing trends**: "This year the magic potion may be hedge funds, next year something else. The likely result from this parade of promises is predicted in an adage: 'When a person with money meets a person with experience, the one with experience ends up with the money and the one with money leaves with experience.'"

2. **Following forecasts**: "If 1,000 managers make a market prediction at the beginning of a year, it's very likely that the calls of at least one will be correct for nine consecutive years. Of course, 1,000 monkeys would be just as likely to produce a seemingly all-wise prophet. But there would remain a difference: The lucky monkey would not find people standing in line to invest with him."

We've said it before - unless your own life's personal circumstances have changed, ***stay the course as planned***. Regardless of your political or world views, please don't make a statement with your nest egg. There are better ways to express yourself politically (and financially).

Fiduciary Standard
This simple concept of putting the client's best interests first is still (surprisingly) being debated. Under Obama, the Department of Labor introduced a consistent fiduciary standard to **all** financial services professionals. This is now being challenged and will likely no longer be mandated by law, due to the Administration's "business-friendly", anti-regulation approach.

While we were not enamored with this poorly written regulation, we wholeheartedly agreed with the spirit of it. Creating a business-friendly environment should never be at the expense of the individual investor. Investors need to know their financial professional is representing their best interests.

Our concern is that after 8 years of fairly consistent equity market increases, investors have forgotten that 2008 was a perfect storm of factors that resulted in the most severe downturn since the Great Depression. Such forgetfulness does NOT bode well for the imprudent, and they will be likely to make the same wealth and savings destroying mistakes all over again.

Please be assured that regardless of what happens in the regulatory community, we at IFS remain committed to following the fiduciary standard and putting our clients' best interests first. For more color on what the fiduciary standard is and why it is relevant for all of us, please click HERE:

Sincerely,
Janet & Barry