HORTER INVESTMENT MANAGEMENT, LLC

Weekly Commentary http://horterinvestment.com/ June 19, 2017

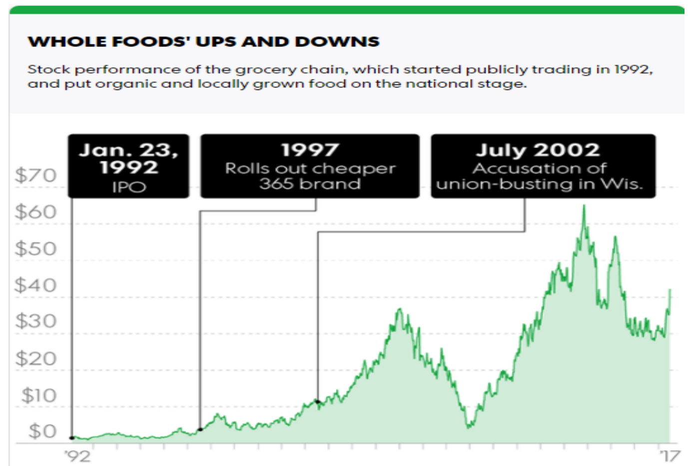
How Amazon could change your Whole Foods

There's one big question likely on your mind now that Amazon has rung up its largest purchase ever with the $13.7 billion acquisition of Whole Foods Market: How will CEO Jeff Bezos change my local Whole Foods store?

Just like Amazon.com's product offerings, the possibilities are limitless. Depending on how you shop, this deal could mean eventually you never have to set foot in a Whole Foods store again —- because you would order online, drive up to the store and have your groceries stuffed in the trunk, or have them delivered straight to your front door.

Or, you could make a Whole Foods your neighborhood hangout, where you come in, order a beer or glass of wine and sit down at a touchscreen display — and open your Amazon or Whole Foods app. After inputting your grocery list, someone gathers all your goodies up while you dine on pizza or a sandwich. Maybe even test the latest Alexa-powered devices.

"It can be more of an all-encompassing experience," said Karyl Leggio, a professor of finance at Loyola University's Sellinger School of Business

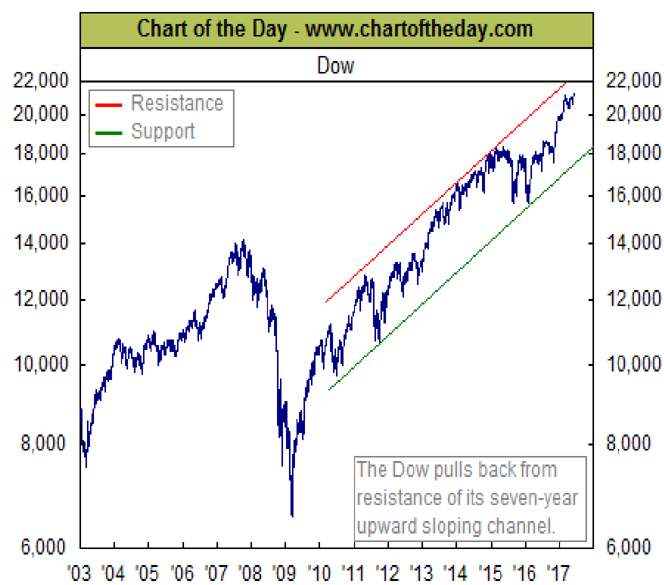


. "If you have a Whole Foods with a bar area you could have some computers, you could sit there and shop at Amazon and (see) some sample product they have there. That's a great extension for Amazon."

Click here to read more

Dow Jones Industrial Average (and the S&P 500) rallied and closed at all-time record highs.

On June 13, the Dow Jones Industrial Average (and the S&P 500) rallied and closed at all-time record highs. For some perspective, today's chart illustrates the overall trend of the Dow since 2003. As today's chart illustrates, the Dow has rallied sharply since early 2009. Over the past seven years, the Dow has maintained a trend that remained well within the confines of an upward sloping trend channel (see green and red trend lines). Following the presidential election, stocks rallied once again as investors anticipated legislation favorable to US corporations. With Tuesday's gains, however, the Dow is closing in on resistance of its seven-year trend channel.



"The nine year bull market in stocks will someday correct as much as 20%, 30% or 40% on average, we just don't know when."

-Drew

QUOTE OF THE WEEK

"What experience in history teaches this-that people in governments never have learned anything from history or acted on principles deduced from it."

- George Hegel

Taking a comprehensive look at the overall current stock market

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 June 16, 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 10.46% year to date.

Market Perspectives (through 06/16/2017)

60/40 Allocation: 6.18 % YTD
(60% S&P 500/40% Barclays US Aggregate Bond Index)

S&P 500: 8.68% YTD **Barclays Agg:** 2.38% YTD

Weekly Update for the Week Ending June 16, 2017

Index	Last Week			One Month		Year-to-Date	
	Close	Net Change	% Change	Net Change	% Change	Net Change	% Change
Dow Jones Global Index	360.41	-0.58	-0.16%	2.49	0.70%	34.36	10.54%
Dow Jones Industrial Average	21384.28	112.31	0.53%	404.53	1.93%	1621.68	8.21%
S&P 500 Index	2433.15	1.38	0.06%	32.48	1.35%	194.32	8.68%
Nasdaq Composite Index	6151.76	-56.16	-0.90%	-18.11	-0.29%	768.64	14.28%
S&P MidCap 400 Index	1753.46	-4.08	-0.23%	23.94	1.38%	92.88	5.59%
Russell 2000 Index	1406.73	-14.98	-1.05%	12.05	0.86%	49.60	3.65%
MSCI EAFE Index (EFA)	66.39	0.08	0.12%	0.40	0.61%	8.66	15.00%
MSCI Emerging Markets Index (EEM)	41.22	-0.39	-0.94%	-0.46	-1.10%	6.21	17.74%
Markit iBoxx USD Liquid High Yield Index*	264.46	0.14	0.05%	1.75	0.67%	11.33	4.48%

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

TERM OF THE DAY

Value At Risk - VaR

Value at risk (VaR) is a statistical technique used to measure and quantify the level of financial risk within a firm or investment portfolio over a specific time frame. This metric is most commonly used by investment and commercial banks to determine the extent and occurrence ratio of potential losses in their institutional portfolios. VaR calculations can be applied to specific positions or portfolios as a whole or to measure firm-wide risk exposure.

Dow Jones - Week Ending

The Dow Jones Industrial Average gained 112 points, ending the week up 0.5% at 21,384. The S&P 500 Index added 0.1% to finish the week 1 point at 2,433.

The Nasdaq Composite fell -0.9% to end the week at 6,152. The S&P MidCap 400 Index slipped -0.2% to close the week at 1,753. The Russell 2000 was down -1.1%, ending the week at 1,407.

The ETF "EFA", the proxy for developed international equity markets, was up 0.1%. Emerging markets, as represented by the ETF "EEM", ended the week -0.9% lower.

Domestic high yield corporate bonds were up 0.1% during the week, as measured by the Markit iBoxx USD Liquid High Yield Index.

US and developed international markets were relatively flat for the week, while emerging markets dipped slightly. Treasury yields edged lower, bringing the 10-Year US Treasury Note yield down to 2.15%. US West Texas Intermediate Crude oil prices desperately tried to hold at the $45 mark, ending the week lower at $44.73. International Brent Crude prices slipped to $47.37 per barrel. US oil inventories fell by 1.7 million barrels but gasoline stockpiles rose by 2.1 million barrels, driving crude oil prices lower.

Domestic high yield bond spreads tightened to 3.72% from 3.76% the prior week. Children's clothing retailer Gymboree was the latest victim from the struggling retail sector, defaulting on its debt and filing for bankruptcy early in the week. As online retailers increasingly claim market share, traditional brick-and-mortar stores are struggling as mall traffic declines. Credit Suisse forecasts that up to 25% of US malls could close by 2022. High yield bond mutual funds and ETFs reported net inflows of $198 million during the weekly period ended June 14th.

In US economic news, the Federal Reserve raised interest rates by a quarter point and offered more details on the plan to unwind its $4.5 trillion balance sheet. The Fed plans to begin reducing its bond holdings later this year, on a gradual basis by allowing a limited number of bonds to mature each month without reinvesting the proceeds.

Producer prices for May were unchanged, largely due to a 3% decline in energy prices. Consumer price inflation data was also soft, at -0.1% month-over-month. The housing sector, which had been a source of economic strength thus far in 2017, is showing signs of weakness as well. Housing starts slipped -5.5% in May to an annualized rate of 1.092 million.

In international economic news, Greece received another $9.5 billion bailout from its Eurozone neighbors, narrowly avoiding default on next month's repayments. The International Monetary Fund, which has been hesitant to participate in the Greek debt relief during the past two years, also agreed to contribute funds towards future bailouts, albeit on a limited basis. In Asian markets, data suggested that Chinese government reforms to reduce debt may finally be taking hold. The M2 money supply growth rate fell to its lowest rate in over two decades, at 9.6% in May.

In corporate news, Amazon (AMZN) announced it would acquire Whole Foods Markets (WFM) in a deal worth $13.7 billion. The news sent Whole Foods shares up nearly 30% while pushing down shares of rivals Kroger (KR), Wal-Mart (WMT), Target (TGT), and Costco (COST).

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/75% high yield/10% strat inc/5% deb
HIM Model #3
29% convertibles /43% dividend equities/

14% Income builder fund/14% cash
HIM Model #20
5% cash/ 95% high yield
HIM Model #19
50% MBS/50% real estate mutual fund
HIM Model #23
100% high yield

Moderate Risk

HIM Model #12
100% long treasuries
HIM Model #9
20% long S&P /80% alternative equity mutual fund
HIM Model #8
100% cash
HIM Model #22
100% S&P 500
HIM Model #14
50% cash/50% long treasuries
HIM Model #10
100% invested
HIM Model #15
100% invested
HIM Model #11
55% (11) stocks/45% cash
HIM Model #21
15% long real est/75% real estate mutual fund/10% cash

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.

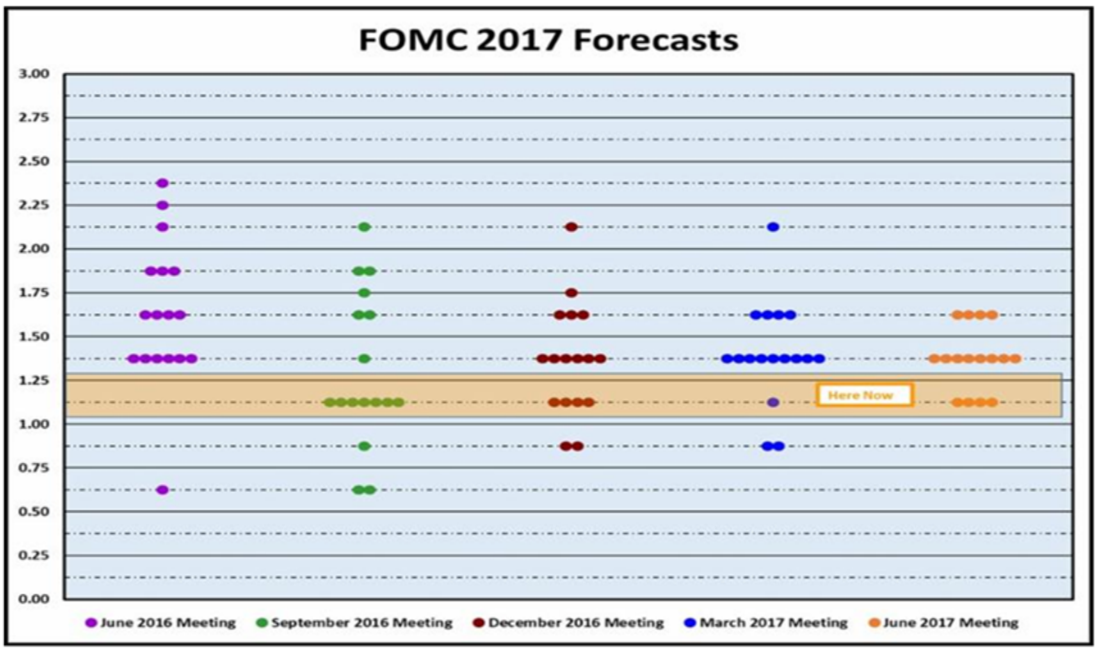
At Horter Investment Management we realize how confusing the financial markets can be. It is important to keep our clients up-to-date on what it all means, especially with how it relates to our private wealth managers and their models.

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:

Chart of the Week: The Federal Reserve Open Market Committee (FOMC) increased Fed Funds target rates by a 0.25%, moving the range from 0.75%-1.00% to 1.00% to 1.25%. The Chart of the Week below shows the Fed's "Dot Plot" interest rate projections for 2017. We can see 2017 Dot Plot forecast shows interest rate expectations for 2017 continue to rise, as a higher stock market and good economic numbers have given the Federal Reserve room to continue its rising interest rate regime after almost a decade of flat rates.



Data from the Federal Reserve. Commentary and opinions are those of Hanlon Investment Management.

National Headquarters | 11726 Seven Gables Road | Symmes Township | Cincinnati | OH | 45249

P: (513) 984-9933 | F: (513) 984-5219

W: www.horterinvestment.com