Well, this has certainly been a most interesting quarter. In my third quarter commentary, I highlighted two events that were sure to impact the financial markets….the presidential election and rising interest rates. Both events initially shook the markets, but eventually, the markets recovered and looked to the future.

On election night, when it was becoming clear that Donald Trump would likely win the election, the stock market futures, as measured by the Dow Jones Industrial Average (DJIA), plunged nearly 1000 points before trading for the day began…..but, by the end of trading on November 8th, the DJIA was up over 250 points. Since then, it has continued marching upward, eventually closing the year up 1460 points higher than where it closed on November 7th, the day before the election.

Why would the election of Mr. Trump bode well for the markets? Currently the economy is struggling under the weight of high taxation, bloated government spending, and debilitating regulations. The economy will benefit first from reduced corporate and personal tax rates, freeing up capital to spur economic activity, just as it did back in the 1980s under President Reagan. Arthur Laffer, one of President Reagan's economic policy advisors, was the keynote speaker at a conference I attended in the mid-1980s. Dr. Laffer is considered the father of supply-side economics. The Laffer Curve shows how tax rates affect actual tax revenues. He shared how lower tax rates actually increase tax revenue by spurring on economic activity. He explained how a dollar turns more rapidly (is spent more frequently) in a lower tax period than it does in a higher tax period. The higher turn rate, even though taxed at a lower rate, will generate more revenue for the government's coffers. Back then, the media portrayed this as Voodoo Economics. They just could not get passed the fact that lower tax rates benefit everyone, not just those at the top. A rising tide lifts all boats, not just the big ones!

With less suffocating corporate regulations, we should see fewer companies relocating work outside this country. It would mean more jobs staying here and a strong chance of jobs returning. Reducing government spending and having the government operating within its budget is another goal for the coming administration.

The second item mentioned in last quarter's commentary was the fact the Federal Reserve (the Fed) would continue raising interest rates. December's rate increase initially rocked the markets. It is expected the Fed will increase rates two or three more times during 2017. Each will rattle the markets short-term, but they will recover once the rate increase is digested.

Some of our dividend paying stocks, especially our real estate investment trusts (REITs) have been hurt due to fear of higher than expected rate increases. Since our management style is dividend focused, it explains why our fourth quarter performance lagged the stock market for the quarter. In spite of the soft quarter, the one year performance has been quite respectable. Most of you had a nice double digit return for the past year.

But fear not, our REITs and other dividend paying stocks should rally nicely over the coming months. In the meantime, you will be collecting very handsome dividends on these assets.

In closing, following is a recent quote from our favorite economist, Brian Wesbury of First Trust Advisors:

> *"For the past several years, we have been telling many investors that even though public policy isn't great, there are reasons for optimism, including the entrepreneurial spirit, which remains alive and well. Now we can look forward to tax cuts, a freer market in health care, less regulation, and more energy production than ever before. As we've been saying since 2009, and say even more emphatically now, those who stay optimistic will be richly rewarded. Stay optimistic and stay invested."*
>
> *--Brian Wesbury, Monday Morning Outlook, 12/27/2016*

Both Margo and I thank you for entrusting your investment portfolios and financial well-being to us. It is a privilege to be of service to you. We count you not just as advisory clients, but rather, part of our larger family. We appreciate you and the trust you place in us.

When you need us, our door is always open to you. Any time you have questions or concerns, please contact us.