CALDER INVESTMENT ADVISORS

October 2017

Quarterly Update

CALDER'S COMMENTS

The bull market that started in 2009 continued its upward move in the third quarter. We are approaching the longest bull market, not in the last 20, 30, 40, or even 50 years, but EVER.

We, like every investor, would love to see the stock markets continue to go nowhere but up. But you've hired us to help you manage your investments. You count on us to objectively study what's happening in the market, make sense of the messages in the media, monitor each investment, and make the necessary risk/reward decisions to help you meet your financial goals.

Forward looking risk/reward decisions can be aided by examining measures of where the market is currently. These numbers have not been good for a while and are not getting any better. Here are a few.

- Shiller P/E Ratio: The Shiller P/E Ratio is currently at 31.1. The Schiller P/E Ratio can be calculated back to 1881 and has only been over 30 three times: 1929, 1997 and 2001. The higher the ratio, the more downside risk is in the equity market.

- GMO Forecast: Grantham, Mayo and Overbeek publishes a seven year return forecast for the U.S. stock market. After an adjustment for inflation, their prediction is for a negative 2% annualized return for the next seven years.

- Warren Buffet Market Indicator: This indicator currently predicts a negative 1.3% annualized return for stocks over the next 10 years.

Investor Optimism: Investor optimism is as high as it's been in the last 15 years. When investors are overly optimistic, that generally means there is also a high level of downside risk. The University of Michigan survey of investors shows that 65% believe stocks are going higher. Doug Parker, CEO of American Airlines, recently said on CNBC, "I don't think we're ever going to lose money again. The old world was darkness, but now it's light. I know. I sound like an evangelist talking about this." (Sept. 27, 2017)

So what do these indicators tell you? They tell us to invest cautiously. While nothing can accurately predict the future, this information can guide us when selecting the proper investments and risk level that should be in your account at this time. Some of you are aggressive investors and some are conservative. Age, type of account, risk tolerance and time horizon are also factors. But whatever type of investment you have with us, there are still ways we can help you achieve your investment goals with the proper investment allocation and risk mitigation, doing our best to protect you from significant losses in a prolonged bear market.

Index Returns
as of Sept. 30, 2017

Index	2017 YTD
All World Stock Index	17.3%
S&P 500 Index	14.2%
Dow Jones Ind'l Index	15.5%
Barclays US Aggregate Bond Index	3.1%
MSCI EAFE Index (Int'l)	20.5%

Past performance is no guarantee of future results. Individual returns will vary due to account balance, timing of deposits & withdrawals, and size of deposits & withdrawals during the given time period.

CALDER'S COMMENTS - CONTINUED

Michael Hartnett, strategist at Bank of America Merrill Lynch, was asked what he thought we should be worried about in the fourth quarter of this year. In a note he sent to his clients last week, he wrote, "The best reason to be bearish in Q4 is there is no reason to be bearish." The lack of fear in markets, in other words, is something to fear.

These are some of the things we worry about. Our job is to take on that worry so that you can worry less.
It is a privilege to work with you and help you achieve your financial goals. We look forward to hearing from you, to sitting down to review your current investments with us or to review other investments you may have, and to make sure your overall level of investment risk is proper for you. Thanks you for your continued faith in our firm. We seek to earn your trust every day.

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Referrals are an important part of our success. Let a friend or colleague know how the staff at Calder has assisted you.