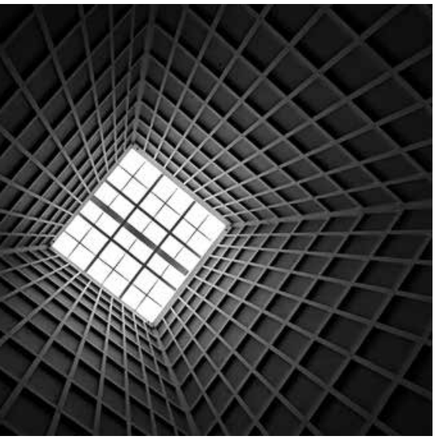
GUIDANCE

POINT OF VIEW

GREAT LAKES ADVISORS

A WINTRUST WEALTH MANAGEMENT COMPANY

MAY 2016



The U.S. equity market staged a substantial turnaround to end the first quarter of 2016 with positive returns of 2.2% for the Russell 2500 Mid Cap market and 1.4% for the S&P 500 broad domestic market, while the small cap Russell 2000 Index shed 1.5%. At the lows in early February, equity markets were down approximately 10%.

Manifold indicators at the beginning of the quarter had many thinking about a global recession. The rapid pace of economic deterioration in emerging markets and further plummeting of oil prices caught people off-guard. Uncertainty over the Federal Reserve's actions and the possibility of the Fed adopting the radical policy of negative rates added to market fear. However, what materialized was an economic slowdown, not a precipitous drop. After a steep decline, the price of oil rebounded more than 40% to $38/barrel, the 10-year Treasury note yield rose to 1.77% and equity markets, for the most part, erased their negative returns.

Investors continue to closely study every utterance of global monetary authorities in an effort to divine clues relating to the future path of interest rates. Markets around the world declined in the first six weeks of the year, fueled by fears that the Federal Reserve might tighten monetary policy too soon and too far, choking off what little economic growth might exist around the world. In March, the Fed reduced its growth forecast and suggested there may be fewer rate hikes in 2016 than previously expected. Clearly, Janet Yellen and her colleagues are factoring into their deliberations the fragile health of economies outside the U.S. As a result, we do not expect the next rate increase to occur prior to June, and current conditions suggest there may be only one or two such rate bumps through year-end.

We do not expect the next rate increase to occur prior to June, and current conditions suggest there may be only one or two such rate bumps through year-end.

Central bankers in Europe and Asia continue to promote easy monetary policy. Both the European Central Bank and the Bank of Japan have taken additional measures to promote lending and are discouraging saving by maintaining negative short-term interest rates. Indeed, more than $7 trillion of European debt now carries a negative yield. Despite these very unusual and somewhat troubling monetary conditions, and the low price of energy around the world, economic growth remains lethargic. Also troubling, business capital investment is slowing around the world as companies reset their future expectations. In the U.S., job growth continues apace, but wage growth remains somewhat anemic–though scattered evidence of some improvement has emerged. Although the daily headlines of volatility in the Chinese economy and its stock market have abated, the risks to global growth of slowing activity in that country have not.

In this environment we expect consumer spending to be guarded, capital investment to remain in the doldrums, and government spending to be constrained for the balance of the year. The strong U.S. dollar (a result of our relatively high and hence attractive interest rates) could restrict exports for the balance of the year. The result is likely to be continued sluggish U.S. economic growth and low single-digit growth in corporate profits, even after excluding the negative impact of the energy sector.

We continue to look for opportunities to improve even further the quality of the businesses (and management teams) in which we invest, and the expected portfolio returns that we hope to earn by investing in them. Recent results confirm our belief that our investment philosophy and process will yield investment results over the long-term that we believe should exceed broader market averages.