Vol 1 | January 2018

Looking Back Looking Forward

CAPITAL MARKET REVIEW

Happy New Year.

Freezing temperatures in the Northeast dramatically contrast with 2017's heated equity markets, the trend has continued during the initial weeks of 2018. Anyone "misremember" the 50% peak-trough during the 2007-2009 downturn? However, long term investors accept the certainty of market cycles and that a well-structured investment policy offers a very strong probability of a successful financial outcome. The S&P 500 has increased approximately 300% since its March 2009 low, handsomely rewarding patient, long-term investors. However, the world and strong equity markets are not linear. The rise in capital markets has been accompanied by an increasing list of current risks or "fear factors" - the impact of tax reform without clarity on infrastructure, the medical and pension expense drag on Federal and State budgets, North Korea, Cybercrime, terrorism, and the lack of clarity regarding the Federal Reserve's policy.

Strong domestic equity markets have provided significant growth to many portfolios. Yet, our experience indicates that the ultimate success or failure of an investment portfolio is largely driven by emotion and attendant behavior.

"CYCLE OF INVESTOR EMOTIONS"

As illustrated above, one envisions how easily emotions guide our reactions to market movements. Exuberance or panic may cause us to buy high or sell low – potentially compromising or even derailing a well-structured long-term financial plan.

We believe that market timing is nearly impossible and are skeptical of those who try. Since 1926, the S&P 500 provided negative returns approximately 25% of the time; yet periodic market declines are a necessary and normal byproduct of successful investing and tend to provide a base for even longer term positive results. Without accepting such risk, returns might be severely limited.

Our role as Advisor is to guide you through markets with varying risk/reward profiles; we strive to help you maintain your focus on achieving your long-term goals.

Our disciplined investment process includes:

- Rebalancing your portfolio periodically; maintaining alignment with your goals
- Ensuring that emotions and short-term thinking don't compromise your future
- Planning for and anticipating adjustments required for liquidity events
- Adjusting and administering your plan when events dictate this course of action

LOOKING BACK

In many ways, the performance of last year's equity markets was one of the most unexpected in recent memory. During January 2017, the prevailing sentiment was for very moderate performance at best. The economic expansion and bull market had continued for almost nine years--one of the longest on record. Investors worried that a hard landing in China and attendant contagion would result from declining economic growth and accumulation of debt, much of it believed to be non-performing. The United Kingdom's "Brexit" unnerved many investors, pressuring international equities further after a number of years underperforming domestic markets. Perhaps the greatest source of doubt and stress for investors was the uncertainty of Donald Trump's presidency and its effect on financial markets and the global economy.

So It Goes (thank you Nick Lowe)...the year turned out better than almost everyone predicted:

- Domestic GDP growth finally reached 3% in both in the second and third quarters after being range-bound at 2% since the recession
- Inflation remained below 2% as measured by the Consumer Price Index
- The ten-year U.S. Treasury yield rose modestly to a 2.5% range
- Unemployment dropped to 4.1% and appeared to be heading to a "greater than full employment" 3 handle. However (it's never all roses), average hourly earnings increased by only 2.5%, representing very modest real wage growth
- Household net worth and major equity indices reached all-time highs.

The mood in Washington shifted to pro-business, leading to expectations of less regulation and lower taxes. China's economy grew impressively; Europe and Japan performed relatively well. The prospect of a conflict with North Korea simmered but did not materialize; perhaps we will enjoy celebratory fireworks at the Olympics. Long standing military conflicts in the Middle East and Africa did not derail the global rally. On balance (without political conclusion), it was a very good year for the capital markets.

LOOKING FORWARD

We carefully observe and incorporate many economic indicators into our strategies, but 3 key components currently hold special interest:

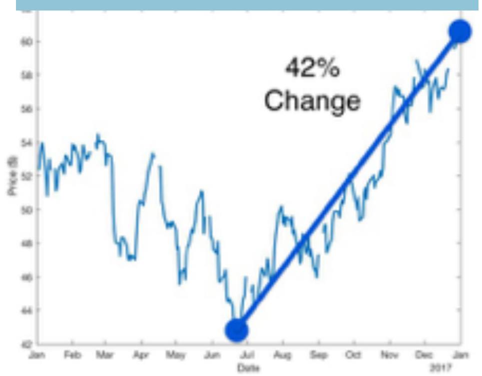
1. Inflation and interest rates;
2. Tax reform and equity valuations; and
3. Global trade policy.

1. INFLATION AND INTEREST RATES

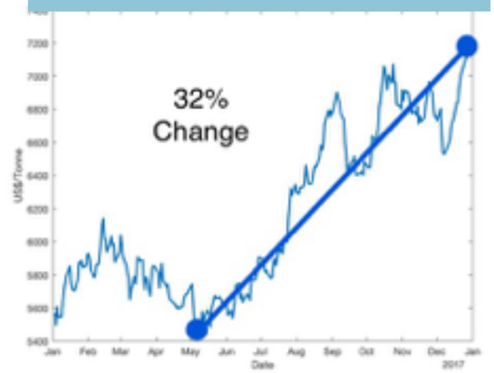
We have experienced a long and full cycle of low inflation and weak pricing pressure supported by a strong dollar and technological enhancements--the internet of things providing the foundation for the "Amazon" effect. However, the pendulum has swung far enough and we look for prices to begin rising in excess of the rate of inflation:

1. Oil has topped $60/Barrel (top left);
2. Copper as a measure of industrial metals (top right);
3. Accelerating wage growth and strong employment (bottom left);
4. During 2017, the US dollar weakened broadly, its first such decline in seven years
5. Potential trade wars given US trade policy may lead to weakness in US$.

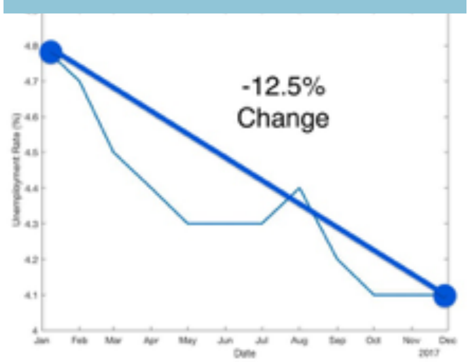
Price of Oil (WTI)



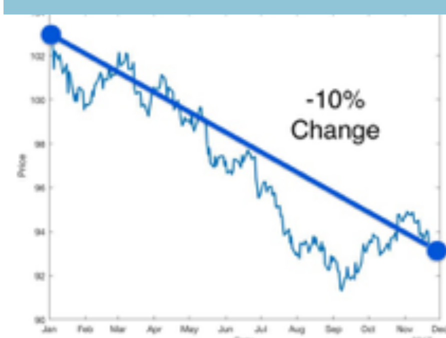
LME Copper



US Unemployment Rate



US Dollar Index(DXY)



Source: Bureau of Labor Statistics, bls.gov; Thompson Reuters CRB Index data.

As interest rates rise we will pay careful attention to our clients' exposure to yield securities. If spreads continue to tighten, we plan to moderate our exposure to High Yield fixed income and add to value based dividend yielding equities. A similar reduction awaits domestic and international REITs if a decline in yield warrant such action. US Treasuries offer a stark reminder of how flat the longer end of the yield curve has become and the struggle to find reasonable yield for maturities beyond 4-7 years. The pressure on short term cash management has eased given three-month treasuries yielding 1.4% and one-year securities at just under 2%. Cue the compression - two-years at 2.14%, five-years at 2.46% and the ten year bond topping out at 2.64%. For taxable portfolios, less than 20 basis points difference between 5 and 10 years continues to pressure the relative value of the longer end of the interest rate curve.

Accounts holding tax exempt securities have fared better. On a tax-adjusted basis, municipal securities (e.g. callables and 4-7 year bullets) have performed well in excess of comparable duration Treasury's and CD's. We expect this trend to continue given the Fed has not indicated movement required to raise the longer-end of the curve to historical norms and the perceived credit differential for municipal securities.

Commodities offer a potential bright patch. After almost a decade of weak results, the prospect of global growth has fueled rising prices in core holdings such as copper, oil and various natural resources; we look to add selectively to our investments in this sector.

2. TAX REFORM AND EQUITY VALUATIONS

Our analysis of market sectors and capital allocation continues during strong equity markets. We embrace the benefits of diversification, portfolio rebalancing and exploiting advantageous pricing in underperforming assets classes. For example, the current value/growth investment style dichotomy has widened significantly over that for longer time frames. (below).

	RUSSELL 1000 GROWTH	RUSSELL 1000 VALUE
1 YEAR RETURN	30.21%	13.66%
3 YEAR RETURN	13.79%	8.65%
5 YEAR RETURN	17.33%	14.04%
10 YEAR RETURN	10.00%	7.10%

Source: Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2018, all rights reserved.

We also see opportunities outside the United States as investors recognize attractive earnings growth rates and valuations within developed European/Asian and certain Developing Markets:

REGION	P/E
UNITED STATES	23
DEVELOPED ASIA PACIFIC	16
DEVELOPED EUROPE	21
DEVELOPED MARKETS	20
EMERGING MARKETS	16

Price earnings ratios above represent valuations based on 12/31/2017 market value and full year trailing earnings. Source: Thompson Reuters (IBES).

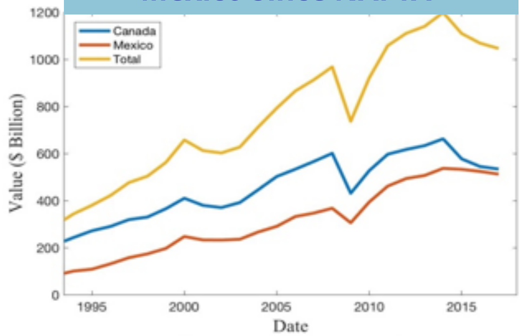
3. GLOBAL TRADE POLICY

According to The World Trade Organization, the United States ranks as the world's top importer--less well known is our standing as the second largest global exporter (ranked first in commercial services). Our concern is the adverse effect of overly protectionist legislation and enactment of similar policies by our trading partners, which limits our ability to effectively compete against foreign multinationals backed by their respective governments. We are patriots, but "America First" should make economic sense.

Foreign Currencies and the United States Dollar

Since its 14 year high during early 2017, the U.S. Dollar Index - which measures the dollar's value against a six-currency weighted basket of our largest trading partners, has declined over 10%. For our investors, it's critical to maintain non-US dollar exposure in a diversified portfolio to moderate currency based volatility.

US Trade wih Canada and Mexico Since NAFTA



(Source: U.S. Census Bureau)

Bitcoin & Cryptocurrency

Currently, the lack of relative availability, technological barriers, cost structure and significant volatility of cryptocurrencies has prevented their acceptance as an ideal store of value. However, there are many applications (growing daily) where blockchain technology and decentralized ledger systems may allow for more seamless transactions across many industries. Although the elimination of intermediaries pose obvious security and compliance risks – the rapidly advancing technology portends for eventual mainstream acceptance (pure currency may very well not be one of them!).

Eliminating the "middle man" has a myriad of transactional benefits: speed, pricing and potentially secure information sharing. With a nod to your time and patience we keep the sector/subject matter list modest: transportation, cross border transactions, healthcare, financial recording, personal records, and supply chain management. The Chicago Board Options Exchange and Chicago Mercantile Exchange have launched Bitcoin futures contracts.

During the past year, the cryptocurrency market capitalization expanded from $17.7 billion to $613 billion. The number of cryptocurrencies listed on Coin Market Cap has nearly doubled from 717 to 1394 - over time we expect the vast majority of these will be rendered valueless as their utility and acceptance is eliminated by market forces. However, we expect a few surviving "coins" to make significant long-term contributions to the global economy - whether as actual currency or an integral part of next generation logistics.

We continue to monitor and research the merits of Cryptocurrency investments. Currently, we consider investments in Bitcoin and its brethren to be more speculation then investment – no regulatory oversight, inconsistent compliance and safety measures, no recourse for errors, lack of insurability and high cyber risk. Note the recent trading/sales ban by some financial institutions and foreign governments.

A major risk to the global economy and all of us continues to be Cyberattacks. Their prevalence and increasing complexity often affects consumer confidence and related decisions. A breach experienced by a major money center bank may drive panicked reactions and the suspension of system access. Numerous retail organizations report that personal data has been obtained by hackers and distributed through the "dark web". We believe that increasing resources are being devoted to protect this sensitive data and urge everyone to take necessary steps to keep their personal information protected. We continue to be diligent in monitoring/upgrading our systems and providing for the security of your data.

"Trust is the glue to life. It's the most effective ingredient to successful communication. It's the foundational principle that holds all relationships".

– Stephen Covey

As we complete our first full year as 5C Capital Management, LLC, we are thankful for the trust and confidence our clients and strategic partners have placed in us. Our team communicates with one purpose—to provide timely, accurate and reliable service. We encourage our clients and team members to ask more questions. Please let us know if circumstances have changed within your financial situation.

Sincerely,

Michael R. Sanders
Chief Investment Officer

Craig R. Marson, JD, CPA
Director of Financial Planning

There is a pattern in nature that portrays ongoing growth. Known as the Fibonacci sequence, it is seen most clearly in the intriguing spiral form of the Nautilus shell. From a mathematical standpoint, it is startlingly simple: each number in order is the sum of the two previous numbers: 0,1,1,2,3,5,8,13,21,34 and so on. Yet in terms of structure, it is sturdy, strong and reliable.

For 5C Capital Management, this unique combination of growth and stability is a powerful representation of our approach. The focus of our cumulative experience is to establish goals and implement strategies that support current financial stability while consistently building toward the long-term financial growth you aspire to for your own lifetime and for future generations, as well.

Much like the Nautilus is built on an unfolding and interwoven series of C shapes, so is the core of 5C Capital Management. Our clients rely on us to provide an exceptional level of:

- **Communication** - We listen attentively, share ideas clearly, operate transparently and maintain connectivity.
- **Collaboration** - We work together with you and the professionals that comprise your advisory team to ensure that your concerns are addressed as they arise and your strategy adapts to changes in circumstance warranting such adjustment.
- **Critical thinking** – By incorporating independent fundamental analysis, we maintain the objectivity needed to provide a full spectrum of unbiased solutions. We plan for a range of potential scenarios; develop a structured, flexible strategy, and take timely action.
- **Creativity** - Every client has a unique set of circumstances and goals. Our experience and common sense approach results in solutions that are customized for each client's circumstance.
- **Community** - This cornerstone of our approach refers both to 5C's access to and use of a wide community of tax experts, attorneys, business consultants, and other specialists, as well as our dedication to understanding our clients' special commitments to community through philanthropy and support of cultural and educational initiatives and institutions.

We embrace our fiduciary obligation to clients and invite you to discover how 5C Capital Management, LLC is highly qualified to guide and advise you through this complex process.

YOUR NEEDS, OUR INSIGHTS

5C Capital Management staunchly maintains its independence and is not affiliated with any mutual fund family or similar investment pool; we are not required to commit client capital to any specific strategy or product. Therefore, we are free to choose from a broad array of money managers and asset classes to implement strategy, while limiting transaction expenses and management fees.

We are experienced in assisting clients in all the following matters:

INVESTMENT MANAGEMENT

CHARITABLE GIVING

TAX PLANNING

MANAGING SPECIAL NEEDS

RETIREMENT PLANNING

ESTATE AND TRUST PLANNING

SUCCESSION PLANNING

HIGHER EDUCATION PLANNING

LIFE TRANSITIONS

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