Independence Asset Advisors

2017 THIRD QUARTER
MARKET REVIEW & OUTLOOK

SEPTEMBER 30, 2017

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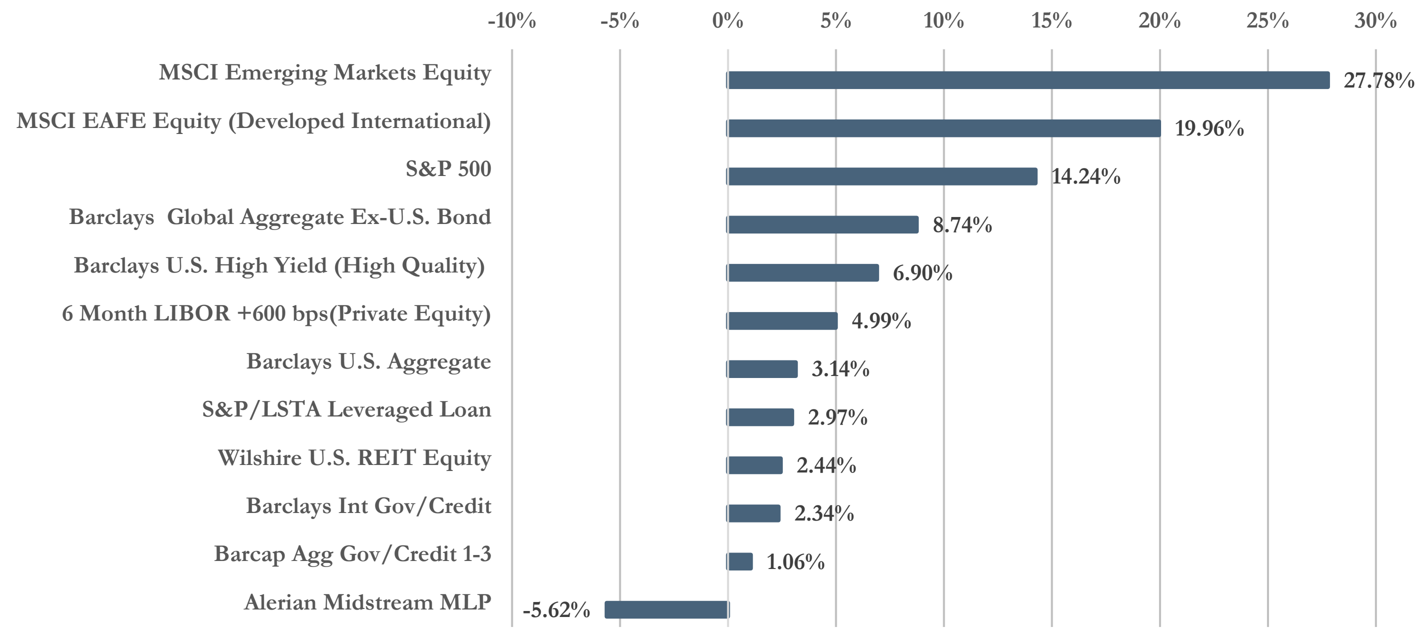
SELECT BENCHMARKS – YEAR TO DATE AT SEPTEMBER 30, 2017



Source: eVestment Analytics

*Core Benchmarks: 50% Barclays US Aggregate; 30% S&P 500; 10% MSCI EAFE; 10% 6-month LIBOR + 600 basis pts

AREAS OF OPPORTUNITY & FUTURE MARKET RETURN

Asset Class	View	Tailwinds	Headwinds
U.S. Equity	----------X------	Healthy growth, low recession risk, full employment (unemployment 4.4%).	Policy uncertainty, signs of maturing U.S. business cycle, international trade (China).
Europe ex.-UK Equity	-------------X---	Cyclical upswing, mid-cycle expansion continues, high consumer sentiments.	Brexit risk remains elevated, reduced monetary stimulus?
EM Equity	------------X----	Weaker U.S. dollar has driven return and fund flows, rising corporate earnings.	U.S. trade is critical, near all-time low volatility belies underlying risks.
REIT Equity	-------X---------	Full employment and higher wages should drive growth.	Rising interest rates and recent retail bankruptcies.
Midstream MLP	-----------X-----	High income, better coverage ratios, balance sheet improvement, room to run.	Oil price volatility, infrastructure regulation, headline risk.
U.S. Treasuries	--X--------------	Low Inflation, higher yields expected.	Appear overvalued, Fed policy dependent.
IG U.S. Bonds	-----X-----------	Low default rates, low volatility, ample new issuance.	Underwhelming yields, bonds trading at premium to par.
HY U.S. Bonds	--------X--------	Low default risk, improving fundamentals, spread pickup.	Repricing, bonds trading at a premium to par.
Floating Rate Bonds	-----------X-----	Trading at discount to par, high relative yields, and buffer against rising rates.	Susceptible to secondary price retreats, oil price volatility and supply surpluses.
Global ex.-U.S. Bonds	--------X--------	Mature USD bull market, accommodative monetary policy.	Uncertain interest rate environment, sensitivity to currency/sector rotation.

Quarter-over-Quarter Color Guide: Green = Positive / Black = Neutral (no change) / Red = Negative

II.GLOBAL ECONOMY – THIRD QUARTER 2017

Broad Returns

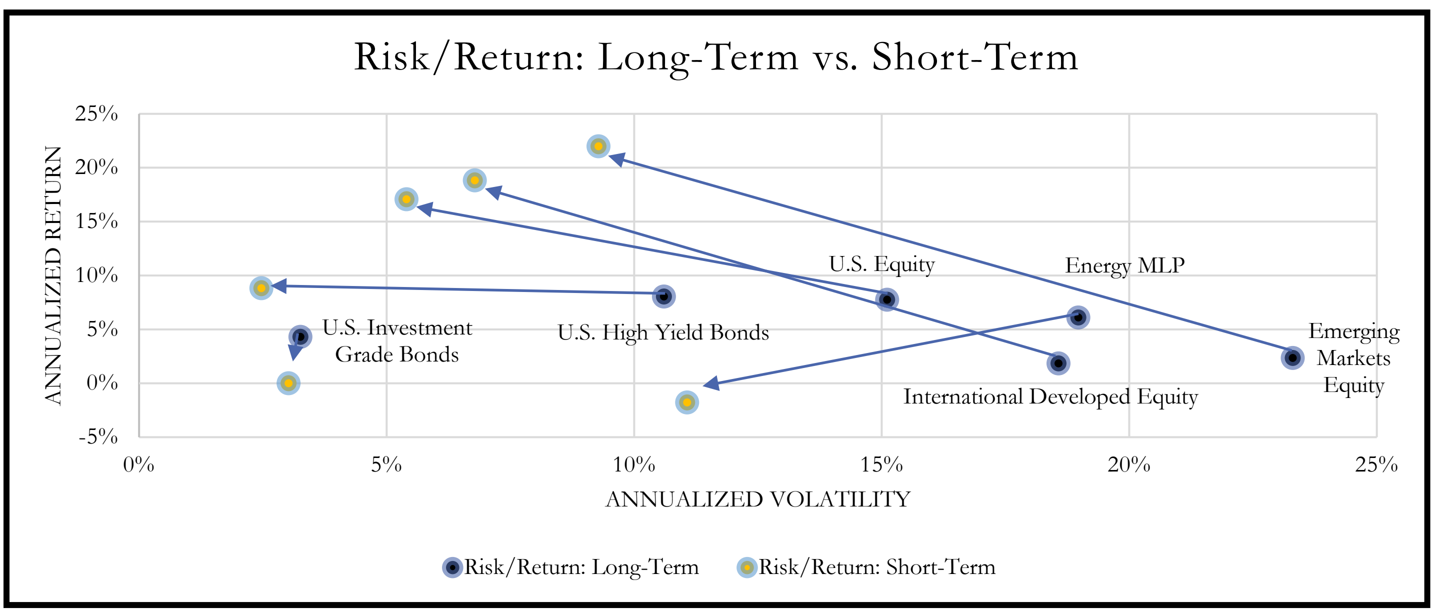
This was a solid quarter for global equity and fixed income markets, as generally positive economic data pointed to a healthier and growing global economy. U.S. equities have gained consistently throughout the year, losing less than 3% at any one time, and added another 4.5% during the third quarter. The strong U.S. equity gains and low volatility that investors have enjoyed this year are a testament to solid corporate earnings growth and low near-term recession risk.

Foreign equity markets outperformed their U.S. counterparts again this quarter. International developed equities gained 5.4% during the quarter, driven by strong corporate profits and improved consumer confidence. Emerging markets equities gained 7.9% over the same time period, as the U.S. dollar continued to fall and earnings rebounded. Our cautiously positive outlook for foreign equities is presented in Section V.

All major global bond indexes provided positive total return in the third quarter, despite a government bond sell-off in September as a result of tightening guidance. A "risk-on" sentiment during the quarter drove credit to outperform government bonds, as fund flows to high yield bonds and emerging markets debt increased.

Higher Returns with Less Volatility

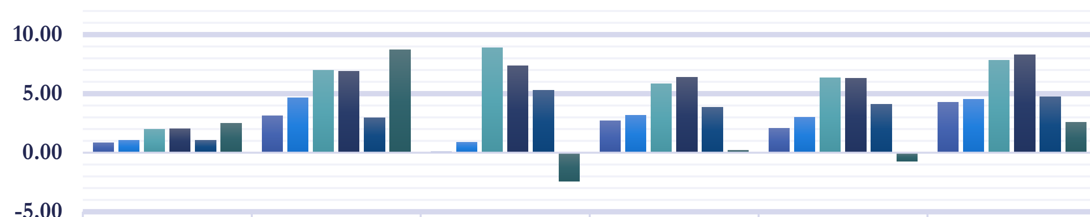
The chart below compares the volatility and return of the major global equity and fixed income asset class benchmarks from the 10-year return/volatility to the most recent 1-year return/volatility. After hitting a near-term bottom in the first half of 2016, global assets have registered tremendous returns, yet volatility has remained far below historical trends. When compared against historical averages, price fluctuations of riskier assets have remained extremely subdued over the past 12-months. This is surprising given the magnitude of political and economic uncertainty, natural disasters, and commodity and currency fluctuations. Even more defensive assets, such as investment grade bonds, have posted smaller gains but maintained unusually low volatility. We believe excess monetary accommodation (too much cash seeking yield) is the primary driver of unusually low volatility and are preparing for higher volatility as monetary policy tightens.



Source: eVestment Analytics (IAA Designed)

III. FIXED INCOME MARKETS

SELECT BENCHMARKS – GLOBAL FIXED INCOME MARKETS – **UPDATED SEPTEMBER 30, 2017**



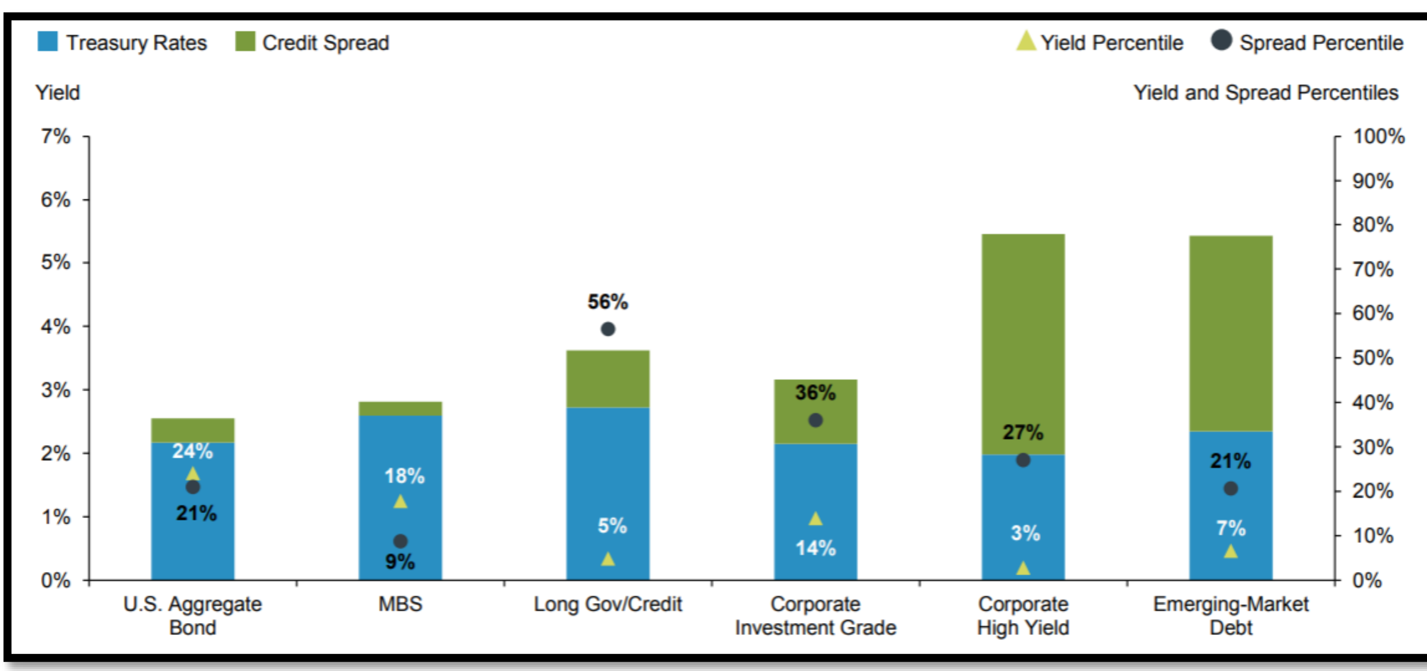
	3Q17	YTD	1-Year	3-Years	5-Yers	10-Years
US Aggregate Bond	0.85	3.14	0.07	2.71	2.06	4.27
US Municipal Bond	1.06	4.66	0.87	3.19	3.01	4.52
US Corporate High Yield	1.98	7.00	8.88	5.83	6.36	7.84
US High Quality High Yield	2.01	6.90	7.36	6.39	6.31	8.28
S&P/LSTA Leveraged Loans	1.04	2.97	5.30	3.87	4.09	4.72
Global Agg. Ex-U.S.	2.48	8.74	-2.41	0.20	-0.73	2.57

Source: eVestment Analytics

FIXED INCOME YIELDS AND SPREADS (1993 – 2017)

The chart below shows the percentile ranks of yield and credit spreads for the major global bond markets from 1993 to 2017. A credit spread is the difference in yield between two bonds of similar maturities but different credit quality. This is a helpful tool in analyzing the risk premium of the global bond market against U.S. Treasuries, with the 3-month T-bill serving as the benchmark risk-free rate of return.

Bond yields changed little, quarter-over-quarter, and remained low compared to historical rates. Corporate high yield bond yields approached all-time lows by quarter-end, with the yield percentile hovering at 3%, while a broad narrowing of credit spreads during the quarter made all credit sectors more expensive on a relative basis.



Source: Fidelity

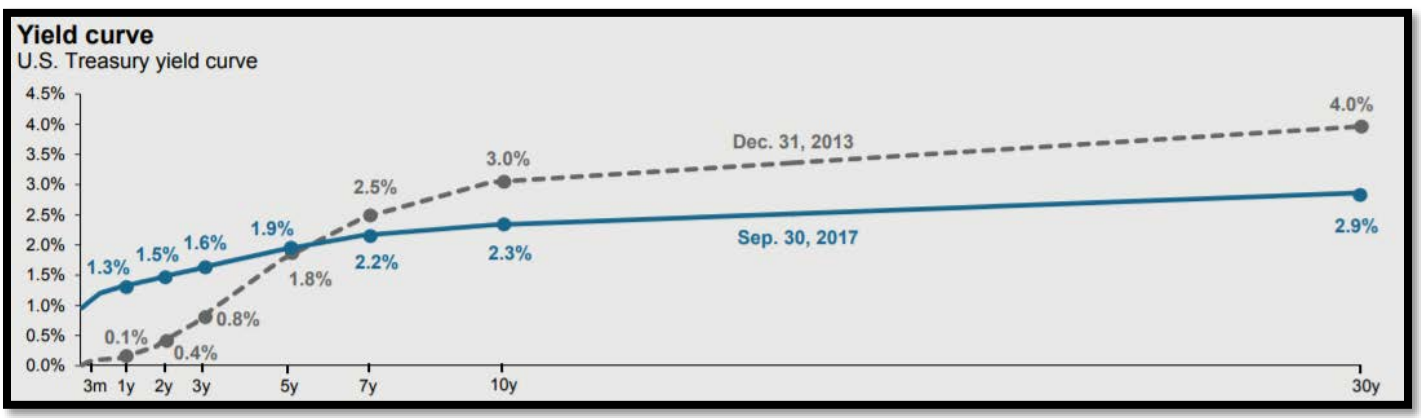
TAXABLE BONDS

U.S. Investment Grade Taxable Bonds

U.S. investment grade bonds posted a 0.9% total return in the third quarter. The positive returns were supported by stronger demand for longer-duration securities. U.S. Investment Grade Corporate bonds provided the majority of the quarterly total return, gaining 1.3% and offering a yield to worst of 3.16%. The Barclays U.S. Aggregate Index ended the quarter trading at a $3.50 premium to par, with a six year duration and a 2.55% yield to worst. We view this as a poor return per unit of interest rate risk and do not favor buying at a significant premium.

Credit returns were bar-belled during the third quarter, with AAA and BBB gaining 1.6% and 1.5%, respectively, while AA and A-rated bonds returned 1.1% and 1.2%, respectively. The premium for BB-rated bonds was $5.80 to par at quarter-end, but the spread far exceeded that of the higher-rated credit at 128 basis points.

U.S. Treasuries also performed well, having gained 0.38% during the quarter, but lagged riskier assets that benefited from the "risk-on" environment. The yield curve, which shows the graphical relationship amongst bond yields across the maturity spectrum, flattened slightly during the quarter (see chart below). The Fed last raised rates in June of this year, and longer term yields fell consistently until the last few weeks of the quarter; the 10-Year U.S. Treasury yield hit a year-to-date low of 2.04% on September 7th. Yield pressure intensified at quarter-end after the Fed reaffirmed its positive outlook for the U.S. economy, despite weak inflation data, which was compounded by the unveiling of the Administration's tax reform proposal.



Source: JP Morgan

TAX-EXEMPT BONDS

U.S. Municipal Bonds

U.S. investment grade municipal bonds gained 1.1% during the third quarter, outperforming both U.S. Treasuries and U.S. investment grade bonds. Cash flows into the sector remained solidly positive, despite a number of credit rating downgrades and natural disasters. Prices firmed with positive inflows and declining new issuance - off 16% year-to-date. The Barclays U.S. Municipal Index ended the quarter trading at a $9.30 premium to par, with a 6.3 year duration and a 2.23% yield to worst. While the premium is off-putting, investment grade municipal bonds still offer a better after-tax yield and lower default rate relative to their taxable equivalents. In terms of credit defaults, investors can take some comfort knowing that, according to Moody's, natural disasters (such as Hurricanes Katrina or Harvey) have not caused any defaults in its rating history.

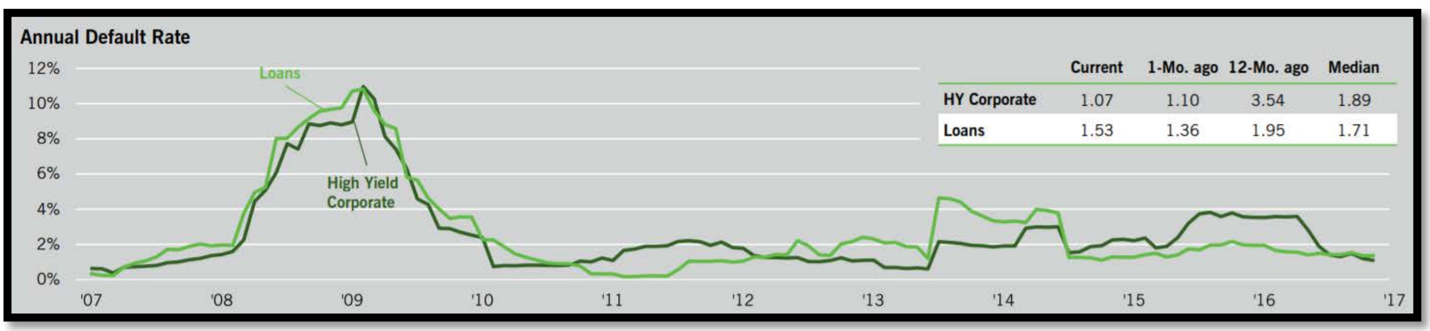
HIGH YIELD & FLOATING RATE

High Yield

The Barclays Corporate High Yield Index gained 2.0% during the quarter and generated an impressive 7.0% total return year-to-date. U.S. high yield bonds have benefitted from higher oil prices and generally favorable corporate earnings results, while default rates have remained historically low at 1.1% compared to the median rate of 1.9%. The rebound in oil prices propelled the energy sector to become the top performing industry for the third quarter with a return of 4.5%, but a difficult first half of the year kept the sector as the second worst performer year-to-date. An Index yield to worst of 5.47% continues to provide an attractive buffer against rising interest rates. With a 4-year duration, Upper Tier High Yield bonds provide the best expected return per unit of risk in fixed income.

Floating Rate

The floating rate loan market experienced limited price volatility during the third quarter, and the S&P/LSTA Leveraged Loan Index returned 1.0% for the period. The healthy return was well earned, as new-issue loan supply was robust and investors had to contend with a multitude of risk factors. For the year, the Index has gained 3.0%, which is in line with U.S. investment grade bonds, but falls short of U.S. high yield bonds. However, the sector is positioned to benefit from a groundswell of new-issue paper in what has become a refinancing-dominated market. Floating rate loans offer an attractive (resetting) buffer against rising rates. At quarter-end, the Index offered a coupon of LIBOR+3.46%, equating to a 5.19% yield to worst. Furthermore, the Index is relatively cheap, pricing at a -$2.00 discount to par, compared to many bond issues trading at a premium.



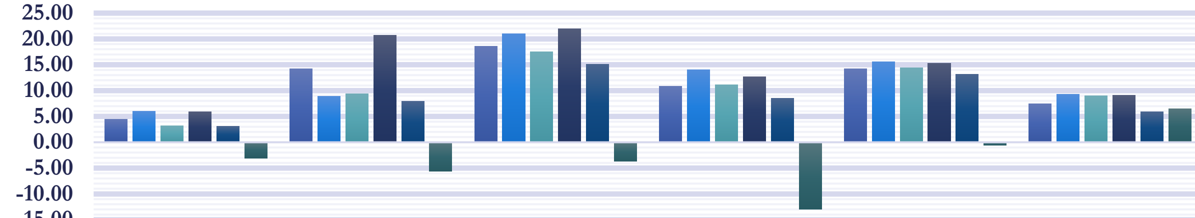
Source: Eaton Vance

OUTLOOK

Guidance from our global fixed income managers reflects an outlook for stable global growth, low near-term recession risk, and inflation indicators below Fed and consensus expectations. These trends support the Fed's intention to gradually shift to a less accommodating monetary policy. Our outlook for steady economic growth, which is supported by solid corporate earnings growth and low volatility, favors a continuation of the "risk-on" environment that persisted throughout the third quarter. Despite tighter bond spreads and lower risk premiums for investment grade and high yield bond markets (increased downside risk), we suggest maintaining exposure to corporate bonds. Our expectation for a continuation of strong corporate profits and low default rates leads us to believe there is time to harvest interest yield and reinvest at higher yields as rates rise even if spreads have little room to contract. We will continue to rely on our managers to identify areas with undervalued issues. However, at this stage in the credit cycle, we are actively working to diversify our bond portfolios and lower overall interest rate sensitivity.

IV. U.S. EQUITY MARKET

SELECT BENCHMARKS – U.S. EQUITY MARKETS – **UPDATED SEPTEMBER 30, 2017**



	3Q17	YTD	1-Year	3-Years	5-Yers	10-Years
S&P 500	4.48	14.24	18.61	10.81	14.22	7.44
S&P Mid Cap 400	5.96	8.92	21.05	14.07	15.60	9.27
S&P Small Cap 600	3.22	9.40	17.52	11.18	14.43	9.00
Russell 1000 Value	5.90	20.72	21.94	12.69	15.26	9.08
Russell 1000 Growth	3.11	7.92	15.12	8.53	13.20	5.92
Alerian MLP	-3.05	-5.62	-3.70	-12.93	-0.57	6.49

U.S. Large Cap

Earnings-fueled U.S. stock market momentum continued in the third quarter, with the S&P 500 reaching all-time highs just as it did during the first and second quarters. Growth stocks once again beat Value, supported by tremendous returns in the Technology sector. As the global economy has heated up, investors have gravitated towards the riskier side of the market, which has made it difficult for Value-oriented, High Quality and Low Volatility managers to keep up on a year-to-date basis. These managers tend to perform best during down market periods, losing less and providing a higher launching pad for disciplined investors who appreciate the superior mathematics behind compounding modestly lower returns in good times from a higher asset base achieved by not losing as much in bad times (Protecting & Participating, or Winning by Not Losing).

In terms of valuation, on a one-year-trailing earnings basis, and relative to history, U.S. price-to-earnings ratios are higher than average, and have continued to rise substantially over the past two years. Dividend yields are also lower, ending the third quarter at 1.8% versus 2.2% at the beginning of the year. The chart below shows the dispersion between Growth and Value stocks over the past three years. Note that Value outperformed Growth in September, as the Technology sector cooled off and Financials/Energy surged. While not shown below, on a year-to-date basis, Growth has outperformed Value by 12.8% (20.7 vs. 7.9%), with approximately 30% of the S&P 500 Index return attributable to Technology sector gains.

1-Month Returns	Value	Core	Growth
Large Cap	2.96	2.13	1.30
Mid Cap	2.73	2.77	2.83
Small Cap	7.08	6.24	5.45

1-Year Returns	Value	Core	Growth
Large Cap	15.12	18.54	21.94
Mid Cap	13.37	15.32	17.82
Small Cap	20.55	20.74	20.98

3-Year Returns	Value	Core	Growth
Large Cap	8.53	10.63	12.69
Mid Cap	9.19	9.54	9.96
Small Cap	12.12	12.18	12.17

Source: Eaton Vance

MASTER LIMITED PARTNERSHIPS (MIDSTREAM MLPS)

Master Limited Partnerships

The Alerian MLP Index decreased by 3.1% in the third quarter. Year-to-date the Index was down 5.6%, which compares similarly to the 3.8% decline in the price of oil. In addition to oil price volatility, the MLP sector has also contended with natural events, including Hurricane Harvey, which directly impacted Houston and the surrounding Gulf region. Over the last several months, negative sentiment, sector rotation and certain technicals have outweighed improving fundamentals in the MLP space. Specifically, a disconnect exists today between distribution growth and equity performance. It seems few investors are focused on the MLP space, which our managers believe will reverse. In addition, these managers forecast that over time, sector rotation will reverse and share prices will catch up to distribution growth as investors re-appreciate a less levered asset class with stable and growing dividends.

The guidance we are receiving from our MLP managers is that their holdings continue to increase distributions based on cash flow growth, better distribution coverage, and balance sheet improvements- changes they believe are not reflected in current valuations. As a result, MLPs today are trading below historic average multiples with current Enterprise Value/EBITDA and Price/Distributable Cash Flow multiples both close to 12x compared to historic averages of 13x and 13.3x respectively. Energy, and Mid-Stream Energy Infrastructure in particular, is the cheapest U.S. equity sector.

OUTLOOK

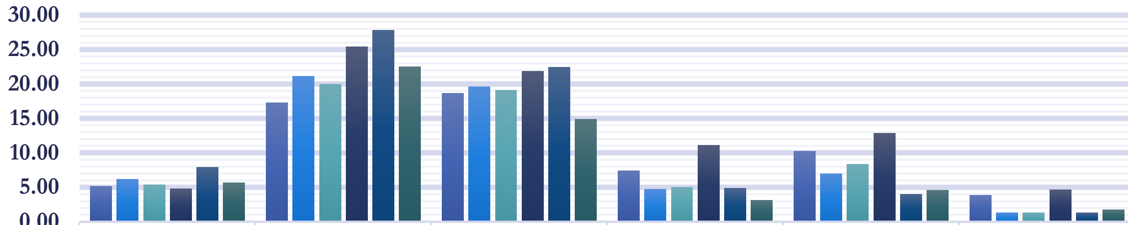
Despite seemingly unfavorable valuation statistics, a negative dividend trajectory and a multitude of geopolitical/macroeconomic headwinds, U.S. stocks remain an attractive asset class for global investors over the intermediate-term. This is attributable to the combination of an improving global economic picture, strong and consistent corporate earnings growth, sustainable GDP growth and the potential for lower corporate tax rates. Individually, each of these factors would be considered a positive for U.S. equity prices, but collectively they are a formula for sustainable, albeit modestly lower, U.S. economic growth over the next 12- to 18-months.

While we prefer U.S. common stocks of businesses that have demonstrated high quality and sustainable earnings over multiple market cycles, at a fair price, the numbers tell us the best value may be found in Mid-stream Energy Infrastructure assets. On a macro level, we remain confident that demand for energy, in particular natural gas, will continue to grow domestically and globally. We also see extensive midstream opportunity ties to the U.S. continuing its path as a major energy export powerhouse.

In September, private equity giant The Blackstone Group announced a big bet on MLPs and energy infrastructure with the purchase of Harvest, a $10 billion AUM (assets under management) midstream MLP manager. In July, the Blackstone Group also announced a $1.6 billion investment in Energy Transfer's Rover Pipeline. Under the Blackstone umbrella, our managers expect the AUM at Harvest to grow, particularly from institutional investors, which is a positive for the MLP market. In buying Harvest, Blackstone Group is betting that demand will keep rising for midstream infrastructure and that interest in midstream MLPs will rebound. The "smart money" recognizes value in MLPs as cash flows continue to grow even as share prices have pulled back. We agree and believe this this is an opportune time to rebalance or top off investment in this sector.

V. FOREIGN EQUITY MARKETS

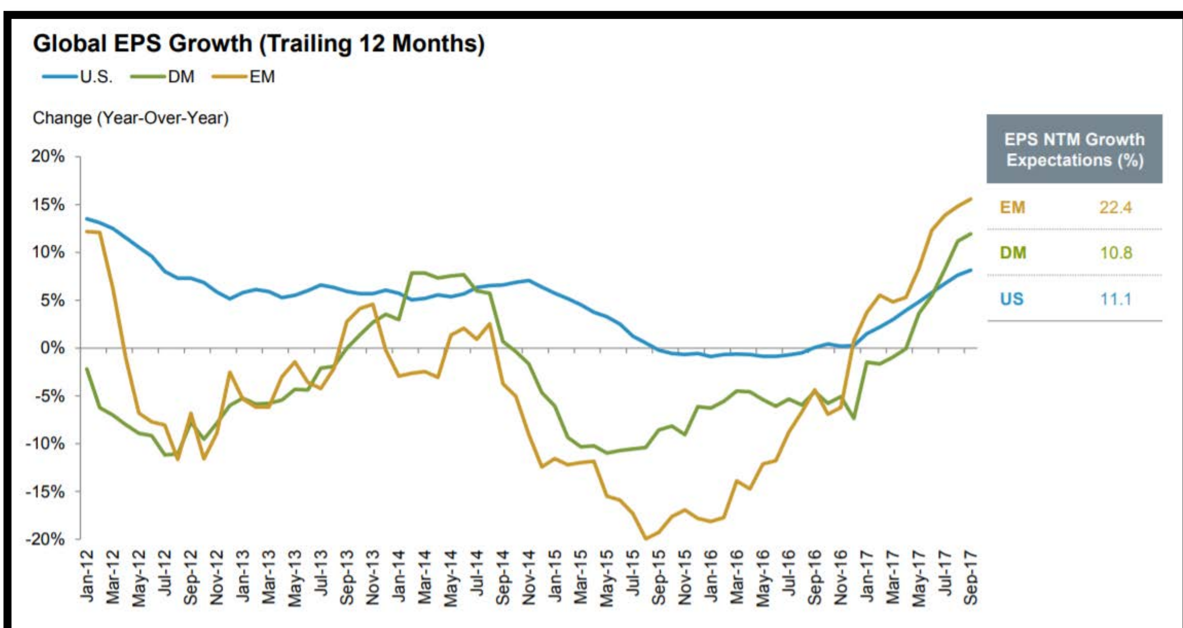
SELECT BENCHMARKS – NON-U.S. EQUITY MARKETS **– UPDATED SEPTEMBER 30, 2017**



	3Q17	YTD	1-Year	3-Years	5-Yers	10-Years
MSCI ACWI	5.18	17.25	18.65	7.43	10.20	3.88
MSCI ACWI ex-U.S.	6.16	21.13	19.61	4.70	6.97	1.28
MSCI EAFE	5.40	19.96	19.10	5.04	8.38	1.34
MSCI EAFE Small Cap	4.76	25.42	21.84	11.13	12.85	4.63
MSCI Emerging Markets	7.89	27.78	22.46	4.90	3.99	1.32
MSCI EM Small Cap	5.64	22.53	14.89	3.14	4.60	1.74

International Developed

International developed equities registered positive returns across the board in the third quarter, with the MSCI EAFE Index up 20% year-to-date. This Index is also offering an attractive 3.0% dividend yield to U.S. investors. The macro backdrop is positive overall, with inflation, wage growth, household debt and the housing market reporting at reasonable levels and at steady and attainable growth projection rates. These factors are supported by low interest rates and energy prices. The strength of the economic recovery was maintained with second quarter real GDP for the Euro area growing at a sustainable 0.6% quarter-over-quarter. Politically, the Eurozone is better positioned following the fourth-term victory of German chancellor Angela Merkel. Brexit negotiations, which have served as a headwind for some time now, continued during the quarter and a resolution seems years away. In terms of valuations, developed international corporate earnings have accelerated for several quarters and have surpassed U.S. corporate profit growth.



Emerging Markets

Emerging markets equities continued their bull run in the third quarter, outpacing their developed market counterparts by 2.5%. The MSCI Emerging Markets Index gained nearly 8.0% during the third quarter, which bolstered an already strong year-to-date return; the Index was up 27.8% through September 30th. Specific quarterly drivers of return included Chinese e-commerce growth and a strengthened Brazilian banking system, the weaker U.S. dollar, positive consumer sentiment, continued international inflows and rising corporate earnings. Overall, fundamentals across emerging markets economies are solid. While emerging markets stock valuations have increased, they remain only modestly ahead of their historical averages and are now supported by an improved economic backdrop. The anticipation of U.S. Fed tightening (rate increases and balance sheet reductions) should be viewed as a potential headwind, but improvements in the emerging markets macro fundamentals should absorb some of the negative pressures that could be associated with gradually tightening monetary policy.

OUTLOOK

Foreign equity markets have experienced unusually high growth accompanied by near historical lows in market volatility in 2017. Earnings growth has been sustained despite substantial geopolitical and macroeconomic risks. While we acknowledge that the macro environment across the major global economies has improved and remains supportive of additional growth, we see a number of risks that could alter investor sentiment and derail a lower-for-longer growth outlook. These include monetary policy normalizations (tightening) both domestically and in Europe, Brexit stagnation in the U.K., a breakdown in NAFTA negotiations, a Chinese/U.S. trade war, or heightened discord between the U.S. and North Korea.

Even though there are few economists or strategies predicting a recession, markets are generally underpricing risk. With high valuations and historically low market volatility, markets are susceptible to correction. We expect that central bank policies will garner more attention over the next 12 to 18 months, and that monetary policy normalization could have a depressurizing effect on markets. Foreign equities remain a crucial component of a properly diversified portfolio, and we reiterate the importance of working directly with managers that can identify quality businesses.

On that note, we wanted to share a direct quotation from one of our international managers on investing in non-U.S. equity markets:

> "No matter what country or sector we are investing in… we continue to be extremely selective in owning what we believe are only the best businesses we can find in terms of quality. Quality to us means sustainably high profitability, assured by an enduring competitive advantage, which, coupled with some visible business specific or overall end market drivers, all tends to lead to sustainable earnings growth over a long period of years. Our stocks could still see pullbacks in the event of a general market sell-off, but we have confidence that their underlying profit growth will ultimately come through and justify the current multiples that they are trading at. In spite of market gyrations and geopolitical turmoil, we still believe that, over the long run, the search for good quality businesses at an appropriate price will never be out of favor…" – Vontobel