

{Equity Market Outlook}

Quarterly Update

30-Year Analysis

S&P 500 Comp-LTD			Bond Yields		
Level	2362.72	31-Mar-17	30-Year U.S. Treasury Yield	3.03%	31-Mar-17
EPS [^]	111.34	31-Mar-17	30-Year BBB Bond Yield	4.74%	31-Mar-17
Sales [^]	1170.38	31-Mar-17	30-Year BB Bond Yield	6.93%	31-Mar-17
Dividend Yield*	1.98%	31-Mar-17			
Current PE	21.22				
Profit Margin	9.51%				

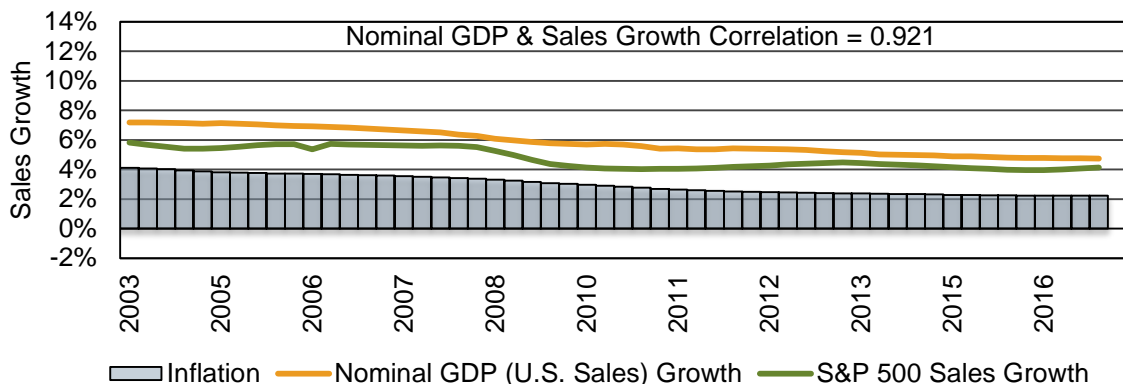
ESTIMATED ANNUALIZED TOTAL RETURNS FOR 30 YEARS ENDING 03/31/2047												
30-Year Annualized S&P 500 Sales Growth	Ending P/E Ratio: 11				Ending P/E Ratio: 16				Ending P/E Ratio: 21			
	S&P 500 Profit Margin				S&P 500 Profit Margin				S&P 500 Profit Margin			
	4.0%	6.0%	8.0%	10.0%	4.0%	6.0%	8.0%	10.0%	4.0%	6.0%	8.0%	10.0%
	2.0%	-1.1%	0.3%	1.2%	1.9%	0.2%	1.5%	2.4%	3.2%	1.0%	2.4%	3.4%
4.0%	0.8%	2.2%	3.1%	3.9%	2.1%	3.4%	4.4%	5.2%	3.0%	4.4%	5.3%	6.1%
6.0%	2.7%	4.1%	5.1%	5.9%	4.0%	5.4%	6.4%	7.2%	4.9%	6.3%	7.3%	8.1%
8.0%	4.6%	6.0%	7.0%	7.8%	5.9%	7.3%	8.4%	9.2%	6.9%	8.3%	9.3%	10.1%

*Dividend yield does not include share buyback yield

[^]EPS and sales for Q1 2017 are consensus estimates based on 64% of companies reporting (data as of 4/28/2017)

Source: PMFA, Standard & Poor's, Federal Reserve

Nominal GDP & Sales Growth (30-Year Annualized)

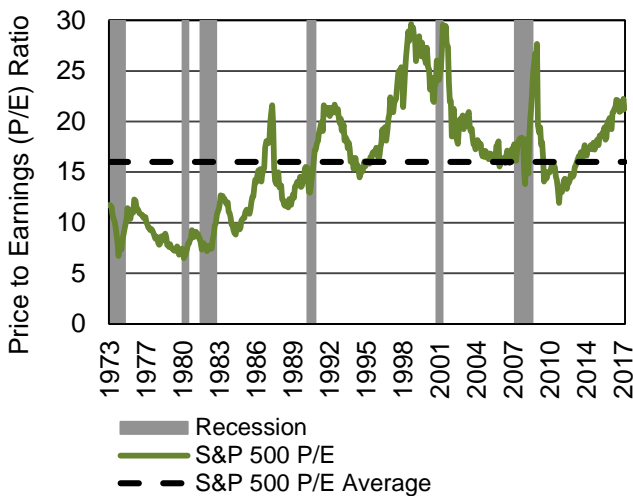


Source: PMFA, Standard & Poor's

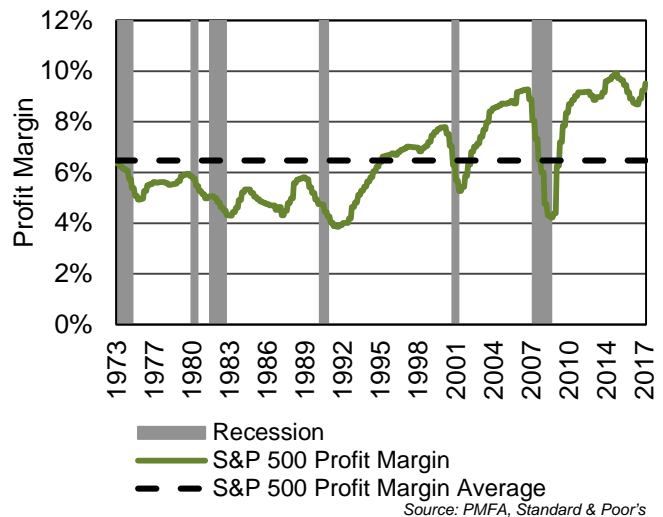
S&P 500 TOTAL RETURN (ENDED MARCH 31, 2017)

	1 Year	30 Year
Average Dividend Yield	2.10%	2.23%
Annualized Earnings Growth (M) x (S)	12.91%	6.65%
Change in Profit Margin (M)	8.82%	2.42%
Change in Sales (S)	3.76%	4.13%
Annualized P/E Expansion (Contraction)	1.59%	0.54%
Other	0.36%	0.22%
Annualized Total Return	17.17%	9.67%

S&P 500 Price to Earnings (P/E) Ratio



S&P 500 Profit Margin



- The S&P 500 returned 17.17% over the past year and 9.67% over the past 30 years, on an annualized basis. During the last 30 years, earnings growth and dividend yield were the primary drivers of the S&P 500's total return, although an increase in P/E multiples contributed as well. Over very long-term periods, dividend yield and sales growth tend to account for a majority of total return, while expansion or contraction in both the P/E ratio and profit margins have less of an impact.
- Earnings growth is affected by both sales growth and overall profit margins. Sales growth has historically been highly correlated with nominal growth of gross domestic product (GDP) on a 30-year annualized basis. Over the long-term, corporate profit margins tend to revert to their mean. S&P 500 net profit margins rose on a quarter-over-quarter basis and still remain well above their post-1973 average of 6.47%.
- Based on earnings of \$111.34, the S&P 500's P/E ratio on March 31, 2017 was 21.22, above its long-term average of 16.01. Future P/E ratios may be affected by many factors, including anticipated growth rates, inflation and interest rates.
- As of March 31, 2017, the price level of the S&P 500 was approximately 2363. In order for the S&P 500 to generate returns in excess of 10%, profit margins or P/E ratios or both would need to be supported at levels above their long-term averages. If the next 30 years produce sales growth, profit margins and P/E ratios that are similar to long-term averages, then it is reasonable to expect that the total return for the S&P 500 could be below average. While equity returns are likely to be highly variable over such an extended period, investors are likely to achieve positive returns even if profit margins, sales growth and/or P/E multiples fall short of their long-term averages.

Past performance does not guarantee future results.

All investments include risk and have the potential for loss as well as gain.

Data sources for peer group comparisons, returns, and standard statistical data are provided by the sources referenced and are based on data obtained from recognized statistical services or other sources believed to be reliable. However, some or all information has not been verified prior to the analysis, and we do not make any representations as to its accuracy or completeness. Any analysis non-factual in nature constitutes only current opinions, which are subject to change. Benchmarks or indices are included for information purposes only to reflect the current market environment; no index is a directly tradable investment. There may be instances when consultant opinions regarding any fundamental or quantitative analysis may not agree.

The "Estimated Earnings" and "Estimated 30-Year Annualized Total Returns for the S&P 500" charts indicate expected levels based on estimated various sales growth, profit margins, and price/earnings ratio combinations. Also incorporated is the estimated dividend yield based on the current dividend yield. To calculate current dividend yield, actual monthly dividends for the most recent quarter were annualized and taken as a percentage of the level of the S&P 500 Index for the most recent quarter end. The estimated dividend yield assumes that current dividend rates will remain unchanged during the 30-year period. No guarantee is made or should be implied that such levels and returns can be achieved. The expected returns are hypothetical.

As such, any performance results have many inherent limitations. No representation is being made that any account will or is likely to achieve performance similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical performance does not involve financial risk, and no hypothetical calculation can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses (and incur account drawdowns) or to adhere to a particular investment position in spite of trading losses are important issues which can also adversely affect actual results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program, method, or system, which cannot be completely taken into consideration with hypothetical performance results.

The average dividend yield was calculated using actual monthly dividend yields for the time periods specified. "Other" includes the affect of reinvestment of dividends and compounding of this reinvestment.

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