March 21, 2018

SAGE Investment Committee

As we enter 2018 with a reformed tax code, the impacts are widely discussed, but far from realized. Although we remain constructive on broad global expansion and the potential for continued appreciation in equities, there are economic factors that we are monitoring that could disrupt price momentum as well as reverse the +30 year trend of declining interest rates.

When assessing the value of the US equity market, it is clear that the price in which investors pay for this exposure is rich. Although valuations have extended past their historical average, it is not uncommon for this trend to continue, especially during periods of low interest rates and low inflation. We believe that a steadily improving U.S. economy, earnings growth due to increased revenue and tax savings, and relatively low interest rates and inflation provide significant tailwinds to keep our investment committee optimistic on U.S. equities. Furthermore, attractive valuations abroad support our overweight recommendation to international equities, however, we do see risks to this exposure due increased competitiveness of U.S. companies benefiting from a weaker U.S. dollar and a reduced tax burden.

As for fixed income, we believe that it remains the best hedge for equity risk, however, we continue to recommend an underweight allocation considering the recent flattening of the yield curve and the potential for rising rates. Spreads between long- and short-term Treasury yields are thin and continued demand for long duration bonds reflects a lack of concern regarding inflation. We remain conservative in terms of bond exposure by maintaining an intermediate duration profile and we are closely monitoring economic data for signs of inflation as we have recently witnessed meaningful increases in cost of services and employee wages.

We believe that reforms here and abroad have the potential to make 2018 another noteworthy year for capital markets. The overhaul to the U.S. tax code promises to make domestic businesses more competitive, but central bank accommodation abroad should keep the cost of capital low, incentivizing foreign businesses to expand. Regardless of which businesses prevail, increased economic activity should have a positive impact on all market participants. It is our investment committees' belief that baring escalated geo-political tensions, rampant inflation spurred by increased input costs, and/or global monetary policy divergence, that the current economic conditions should remain favorable for investors.

We act with purpose, are intentional with our advice, and serve as a catalyst to help you create your lasting legacy.

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