Economic and Market Overview

Make Earnings Great Again.

Fourth Quarter
2016

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UMB Investment Management appreciates this opportunity to present our information to you.

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Make Earnings Great Again…

The new president will inherit an improving economy. In the third quarter, real GDP grew at a 3.5% pace and Q4 is expected to post growth around 2.5%, driven by financially healthy consumers, a robust labor market, and low interest rates. We expect the momentum to continue in 2017 and coupled with anticipated fiscal stimulus, economic activity should accelerate to a 2.5% growth rate — notably faster than the 1.6% expected in 2016.

President-elect Trump has promised aggressive fiscal stimulus that includes lower individual and corporate tax rates, less regulation, and government spending on things like infrastructure. The government in general has three ways to impact the economy: monetary, fiscal, or exchange rate policy. For years we experienced stimulative monetary policy with little improvement in the economy. This year a more accommodative fiscal policy will be introduced. It is interesting to note that according to the Congressional Budget Office, the usefulness of fiscal stimulus on an economy lasts less than two years. Therefore, we expect a boost to GDP growth in 2017 and 2018, but after that the stimulus functions much like a sugar high…sooner or later you need more sugar.

The labor market has been a focal point and will continue to be in the spotlight as Trump pressures companies to create jobs in the U.S. The unemployment rate stands at 4.7%, and we think that is close to full employment. Job growth is robust with over two million net new jobs created in 2016. We expect job creation to be in the 2 million range in 2017. One concern worth watching is the participation rate, or the working age population currently working or looking for work. The participation rate stands at 62.7%. We expect this number to increase as workers are drawn back into the labor force. Unemployment should remain close to 5%.

The consumer continues to maintain a healthy financial state. Inflation-adjusted personal consumption expenditures (PCE) climbed at a 2.8% annual rate in November. Consumption data remains solid and may improve as consumer confidence levels hit 15-year highs, while potential fiscal policy changes may enhance discretionary income.

The housing market continues to support economic growth. Housing prices are up 5.1% year over year while single family housing starts are up 5.3%. The industrial side of the economy remains somewhat weak as low oil prices and a strong dollar negatively impact investment. Anemic productivity also limits the incentive for companies to invest in their business.

As always, there are risks. Potential risks to economic growth include trade protectionism, a stronger dollar, higher interest rates, and geopolitical risk.

We believe economic fundamentals will continue to improve and fiscal stimulus will boost the economy, at least in the next two years. The fundamentals — labor force growth and productivity — continue to suggest modest economic growth over the long term.

The table below summarizes our 2017 forecasts:

	2017 Year-End Target
U.S. Real GDP Growth Rate	2.4% – 2.8%
Global Real GDP Growth Rate	2.8%
S&P 500 Price Target	2440
S&P 500 Operating EPS Growth	9.00%
Projected 10-Year Treasury Rate	3.00%

Equity Markets

The S&P 500 rose by 3.8% in Q4 with sharp gains after the U.S. presidential election, which is in line with historical seasonal returns in an election year. For 2016, the S&P 500 Index increased by 11.95%. The market is anticipating a business-friendly operating environment going forward due to corporate and individual tax cuts, infrastructure spending, and reduced regulations. With a Republican-controlled Congress, we believe many of President-elect Trump's initiatives will be enacted. However, there remains a level of uncertainty in terms of the specifics. As this uncertainty begins to wane over the next 3-6 months, we believe the market will return its focus to the underlying improvement in earnings growth. In our view, accelerating earnings growth will propel the market higher in 2017.

Our theme "Make Earnings Great Again" is a reflection of our expectation that corporate earnings will increase significantly due to the momentum in the economy and the promise of fiscal stimulus. Significant valuation expansion from here is challenging as inflation and interest rates begin to increase. Typically, valuation contracts in a Fed tightening cycle and as interest rates rise.

There are some potential wildcards in 2017 that many are currently overlooking. We are concerned about President-elect Trump's rhetoric on trade and the potential for heightened trade tensions with China and/or Mexico, which could disrupt global economic growth. Moreover, military tensions could escalate around the world as the new leader is tested. Additionally, the stressed European banking system poses a risk to global markets. We view these as real risks but manageable.

We expect earnings to accelerate in 2017 as the economy improves and the energy sector becomes a tailwind to earnings growth. We are anticipating upper-single digit earnings growth in 2017. There is upside to our earnings forecast, assuming some corporate tax reform benefit. Until we get more clarity on corporate tax reform, our official year-end 2017 S&P 500 price target is 2440. This forecast assumes approximately 9% earnings growth and no change in valuation levels. This would generate low-double digit total returns from year-end 2016 with upside potential depending on fiscal policy developments.

Fixed Income Markets

Interest rates staged a dramatic reversal during Q4 '16, spiking sharply higher after the surprise election results. The presumption of increased economic activity due to lower taxes, less regulation and increased infrastructure spending switched the fixed income market into "inflation watch" mode. Additionally, renewed economic optimism was presumed to open the door for the FOMC to continue down its path of interest rate normalization. Consequently, interest rates shot up nearly 100 basis points during the quarter — and the FOMC came through with another increase in Fed Funds at the December meeting. This demarked an important potential "regime shift" — when the U.S. may have transitioned out of a decade-long (or longer) reliance on monetary stimulus (Quantitative Easing) and into a new era of Fiscal Stimulus. This has important consequences for the bond markets.

By year-end 2016, overnight rates had risen to 75 bps and the 10-year Treasury had moved back up to 2.44% from a low of 1.35% in mid-summer. This move wiped out most of the gains that had been accrued through mid year, but moved rates only back to the same level from the start of the year. Most broad fixed income indices lost 2-3% during the quarter, ending the year with total returns of roughly 2%.

We expect rates to drift slowly higher throughout 2017 as the economy experiences a phase of modest improvement. Fed Funds are expected to reach 1.5% and the 10-year Treasury should rise to 3%. Consequently, total return expectations for the year are moderate – rising rates will keep returns in the 1-2% range. Improving economics should be supportive of corporate bonds and high yield, as long as the new fiscal plans continue to keep the economy on strong footing.

Earnings

Policy Change	Potential Impact to S&P 500 Earnings
Corporate Tax Reform, Foreign Cash Repatriation	Adds $10 — $20
Fiscal Spending	Adds $2 — $3
Lower Individual Tax Rates	Adds $1 — $2
Reduce Regulatory Burden	Adds $1 — $2
Repeal of Affordable Care Act	Subtracts $1 — $2

Source: Bloomberg

- Potential shifts in fiscal and regulatory policy should support additional earnings growth, not currently in consensus estimates.
- Corporate tax reform represents the biggest potential impact to earnings as the S&P 500 effective tax rate is around 28% and the marginal tax rate is 35% — much higher than the 15-20% number being discussed.
- The impact of infrastructure spending could be a 2018 or 2019 event.
- A reduction in regulations could improve economic activity as corporate spending is redirected to value-increasing activities versus compliance costs.
- Repealing the Affordable Care Act could lead to less medical spending in the near term. However, if insurance premiums are reduced it could increase consumer discretionary spending in the longer term .
- Ultimately, the exact details of the enacted policy will determine the extent of earnings upside. Clearly, the market has already priced some earnings uplift resulting from changes in policy.
- We expect earnings to grow at approximately 9% in 2017, not factoring in significant policy changes. Policy changes could lead to upside in our earnings forecast.

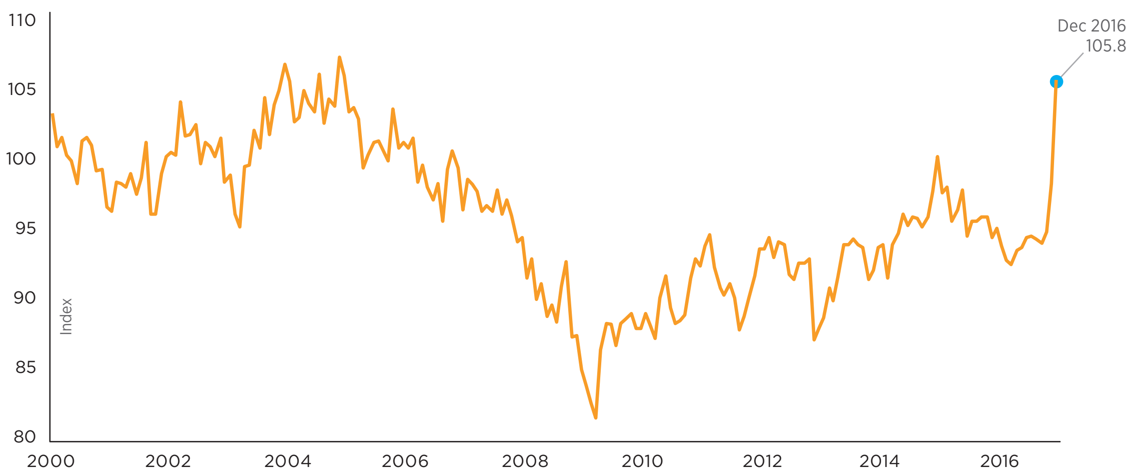
Confidence

Consumer Confidence

Source: Thomson Reuters Datastream; UMB Investment Management

- Consumer confidence has increased sharply following the U.S. presidential election, reaching a 15-year high.
- The recent surge in confidence has been driving strong returns in the stock market. Additionally, the prospect for increased discretionary income via lower individual tax rates has boosted confidence.
- The surge in consumer confidence supports our view that we will continue to see solid consumption growth. This supports our 2017 GDP forecast of 2.5% growth.

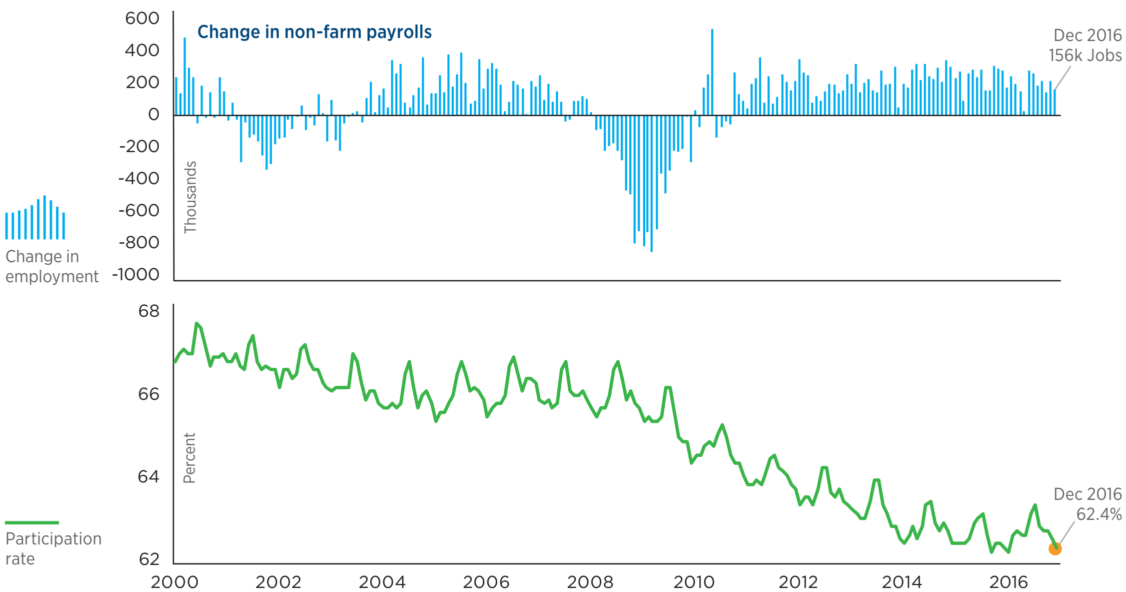
Small Business Optimism



Source: Thomson Reuters Datastream; UMB Investment Management

- The NFIB Small Business Optimism Index has surged to a 12-year high as businesses contemplate potential policy shifts and anticipate a more business friendly environment.
- Recently, the top three most important problems of small business were taxes, government regulations and labor quality. At least two of these problems should improve going forward.
- We expect investment spending to increase modestly in 2017 as we lapse easy comparisons. As corporate profit begins to improve, we could see a more meaningful pick up in investment spending.
- Current levels support accelerating GDP growth.

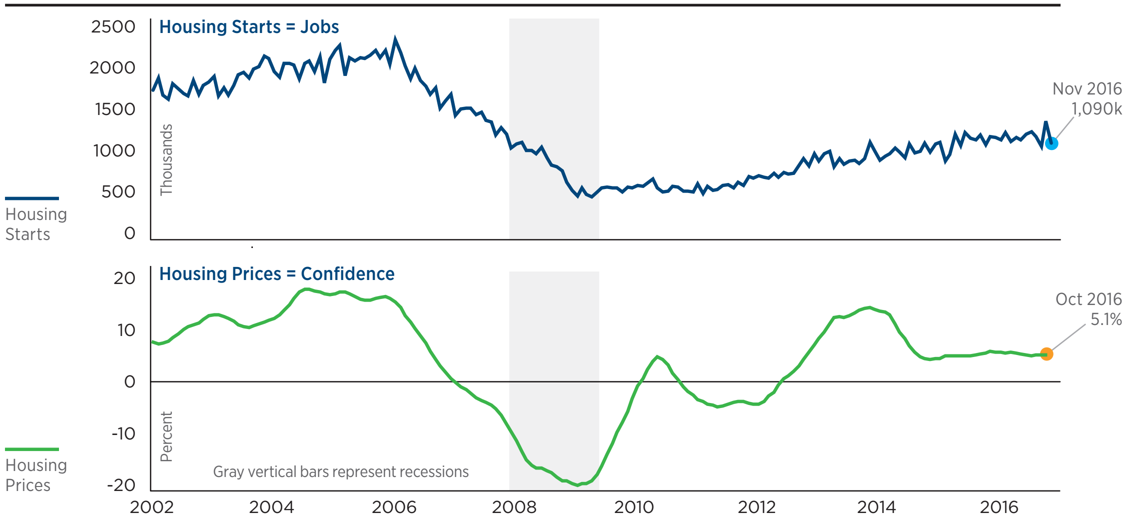
Labor Markets



Source: Thomson Reuters Datastream; UMB Investment Management

- The unemployment rate stands at 4.7%. In addition to solid job gains, the historically-low participation rate is contributing to low unemployment rates.
- Job gains have averaged 180,000 per month over the trailing 12 months. Historically, job growth of this magnitude has indicated moderate GDP growth.
- We expect payroll growth will average 160,000 jobs per month in 2017. While job growth has slowed, this is still a healthy level. Job gains since WWII have averaged approximately 120,000 per month.
- Our forecast indicates an unemployment rate of 4.8% by the end of 2017, driven by continued job gains and a slightly improving participation rate.
- The healthy labor market will support consumer confidence and in turn, consumer spending.

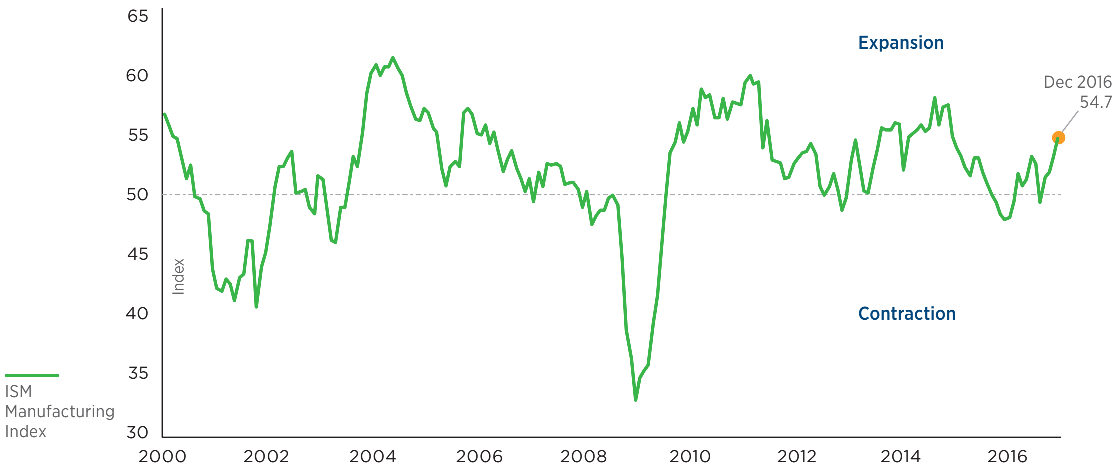
Housing Market Remains Solid



Source: Thomson Reuters Datastream; UMB Investment Management

- The housing market continues to improve at a moderate pace. We believe the fundamentals of the housing market remain sound. We are watching mortgage rates closely.
- Housing starts remain below normal levels of approximately 1.4 million per year. We estimate 1.25 million starts in 2017, up from around 1.15 million in 2016.
- Housing starts are being driven by an increase in household formations as a result of the strong labor market and increasing wages.
- Home prices continue to increase at a moderate pace, which supports consumer confidence and spending.
- We believe the state of the housing market continues to support a moderate growth economy.

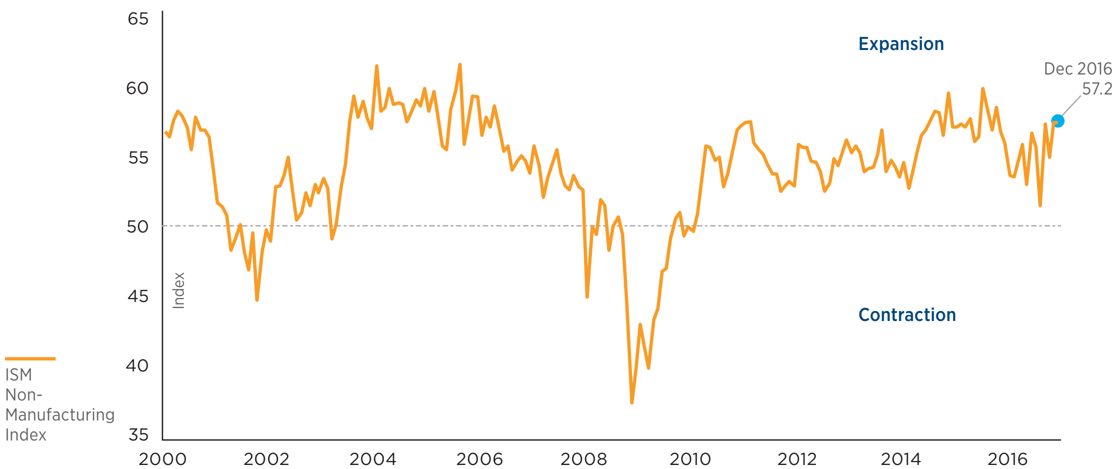
Manufacturing



Source: Thomson Reuters Datastream; UMB Investment Management

- The ISM Manufacturing Index rebounded strongly over the last few months after contracting in August.
- The sharp rebound in the ISM Index reinforces our view that the economy remains on a solid foundation and will likely accelerate in 2017.
- Importantly, the forward-looking new orders component of the index reached 60.2, the highest level in over two years.
- The improvement in oil and commodity prices should help trends in the manufacturing and industrial sectors of the economy.
- The current readings are consistent with GDP growth close to 2.5%.

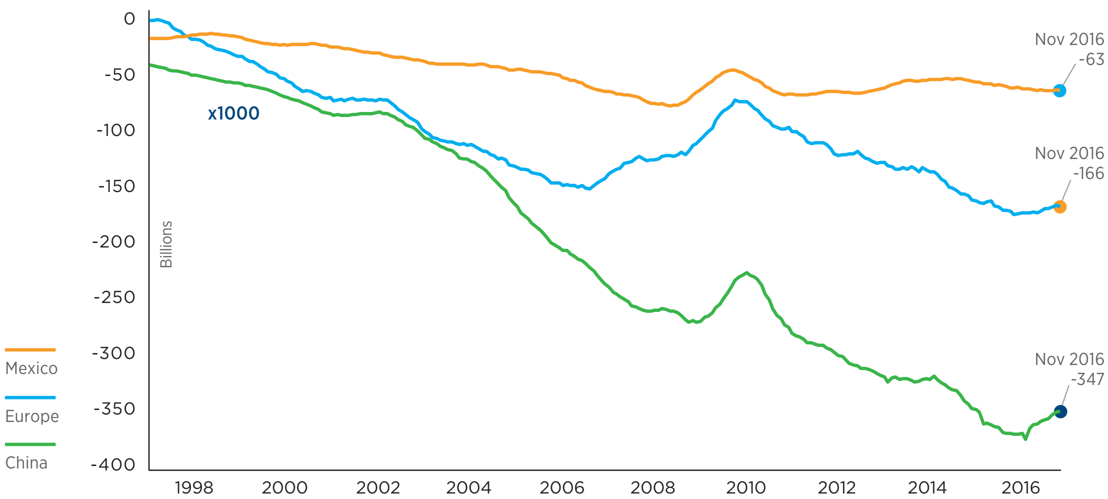
Services



Source: Thomson Reuters Datastream; UMB Investment Management

- The ISM Non-manufacturing Index rebounded to a year-to-date high of 57.2 in December.
- Given strong consumer confidence and a robust labor market, we expect continued strength in the service sector.
- As the service sector represents nearly 50% of economic activity in the U.S., we have a high degree of confidence in our 2017 GDP growth forecast of 2.5%.

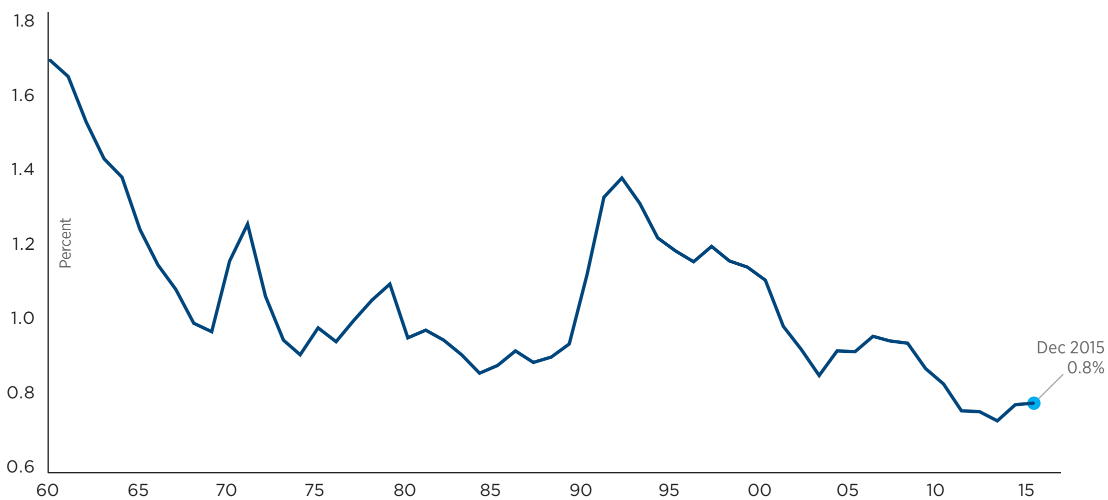
US Trade Balance



Source: Thomson Reuters Datastream

- Trade reform was one of President-elect Trump's central issues in his presidential campaign, highlighting the significant deficit with foreign countries.
- Trump has talked tough regarding foreign imported goods and companies moving plants to foreign countries.
- He has suggested he would restructure NAFTA and impose a "big border tax" to discourage companies from relocating abroad.
- A trade war would be detrimental to economic growth and markets. However, we think the probability of a trade war is relatively low as President-elect Trump will negotiate. Still, this represents one of the biggest risks to markets.

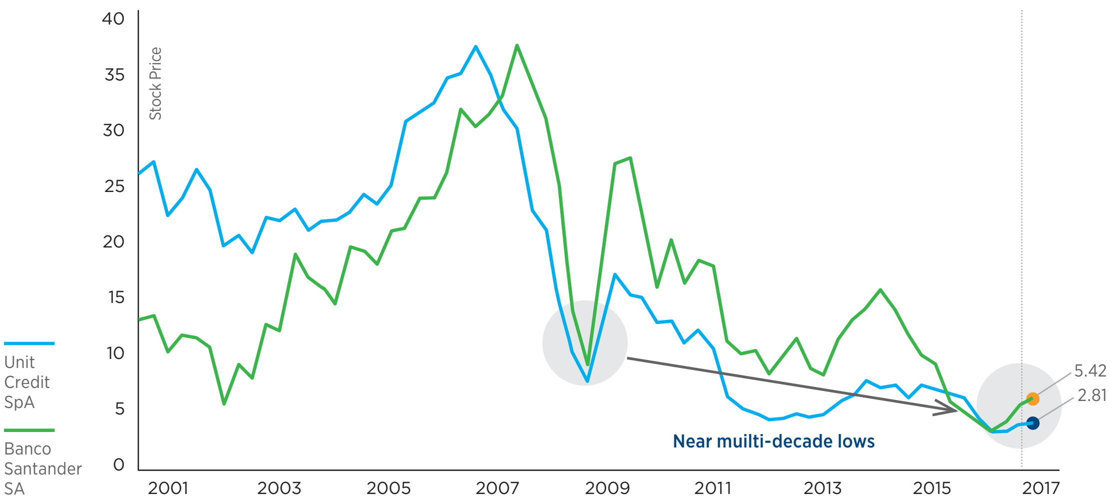
US Population Growth Rate



Source: Thomson Reuters Datastream; World Bank; UMB Investment Management

- One of the constraints to a higher economic growth rate in the U.S. is the slowing population growth which constrains labor force growth rate.
- Immigration reform presents both challenges and opportunities for population growth.
- If the U.S. were to embark on a mass deportation program of illegal aliens, future population growth would be reduced unless offset by faster legal immigration.
- Comprehensive immigration reform could offer population growth upside if it becomes easier and quicker to get into the country.
- Until labor force growth improves it will be difficult for GDP to move higher.

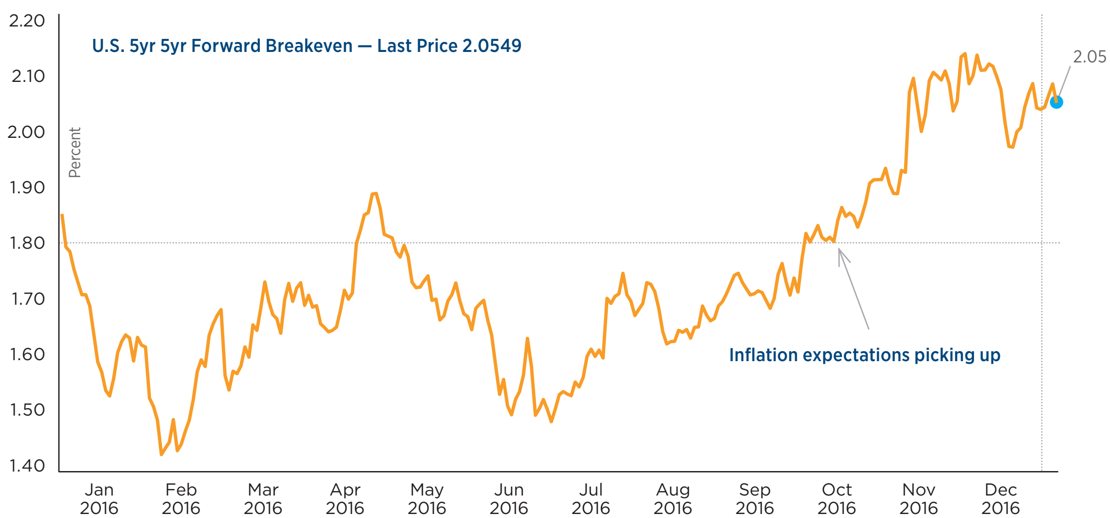
European Banks (Unit Credit and Banco Santander)



Source: Bloomberg Finance L.P.

- We are closely monitoring the banking situation in Europe. The European banking system is under a significant amount of stress with many of the banks needing more capital.
- Interestingly, many of both the lower- and higher-quality banks are trading at a price below that seen during the 2008 global financial crisis.
- Credit — and thus banks — are the lifeblood of an economy. It is critical for global financial markets that the current situation begins to improve.
- The good news is that the European Central Bank and European governments appear committed to recapitalize and support the banking system.

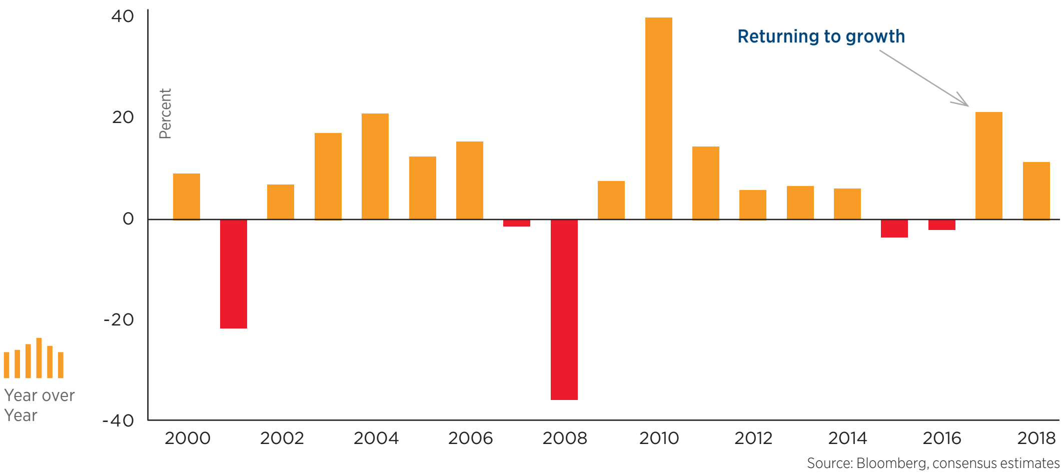
U.S. Inflation Expectations



Source: Bloomberg Finance L.P.

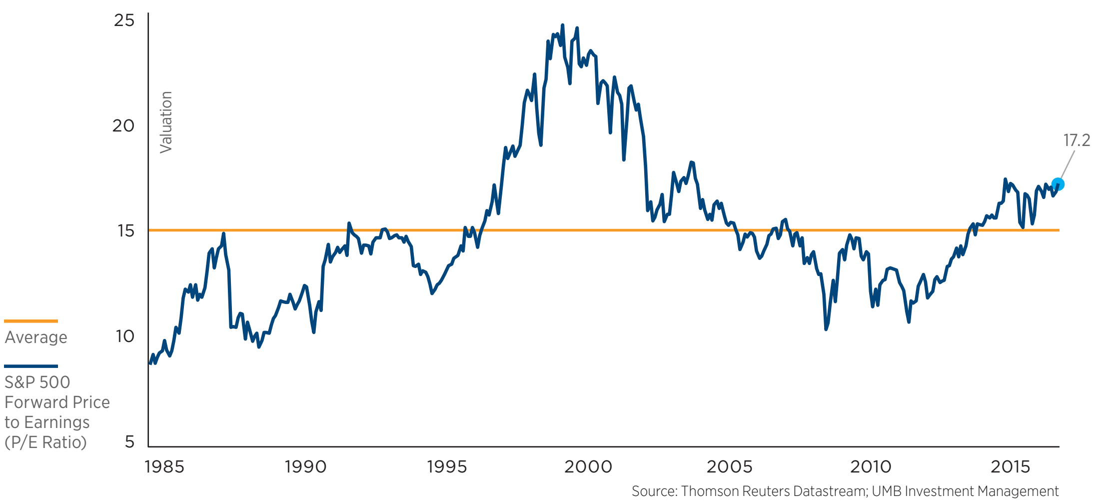
- Higher bond yields pose a risk to equity valuations and government interest costs on the debt.
- Bond yields could rise meaningfully if investors believe fiscal policy will lead to a pick up in inflation and wages.
- In fact, inflation expectations have moved higher following the election.
- We think a large increase in inflation is unlikely, due to global excess capacity in many industries and sectors.

Earnings Growth



- After stagnating for several years, we believe earnings are set to grow nicely in 2017. The street is expecting 20% earnings growth in 2017 compared to our 9% forecast. We would note the street is normally too aggressive on its earnings forecast.
- Tax reform is not currently imbedded in our earnings forecast or the street numbers, which could represent upside to earnings expectations.
- Oil and commodity prices have risen significantly year over year, and we believe this will be a nice tailwind to earnings growth in 2017.
- Modest economic growth, stable margins, and continued share repurchase activity will lead to upper-single digit earnings growth this year.

S&P 500 Valuation



- We view the market as fairly valued at 17.2x forward consensus earnings.
- However, we would not be surprised to see the market trading at a higher valuation given the low interest rate environment and prospects for accelerating earnings growth.
- Typically, a low interest rate and low inflation environment results in price to earnings (P/E) multiples of 17-20x.
- Over the next twelve months, we expect the market to provide low double digit total returns.

U.S. Equity Sector Performance

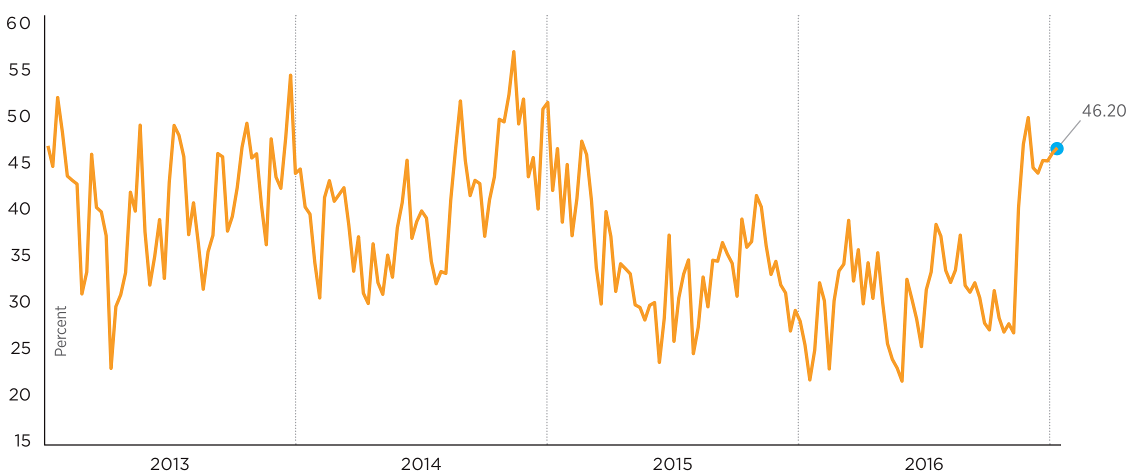
S&P 500 Year-to-Date Return

	Total Return % as of 12/31/16					
Index/Sector	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
S&P 500	1.97	3.82	11.95	11.95	8.85	14.63
Energy	1.92	7.28	27.36	27.36	-2.52	3.91
Telecommunication	8.12	4.78	23.49	23.49	9.55	11.63
Financials	3.86	21.05	22.75	22.75	11.64	19.40
Industrials	0.50	7.20	18.85	18.85	8.33	15.56
Materials	0.12	4.70	16.69	16.69	4.55	10.53
Utilities	4.94	0.14	16.29	16.29	12.58	10.34
Technology	1.56	1.19	13.85	13.85	13.13	16.37
Consumer Discretionary	0.06	2.31	6.03	6.03	8.58	17.80
Consumer Staples	3.17	-2.02	5.38	5.38	9.21	12.71
Real Estate	4.35	-4.41	1.12	1.12	8.89	8.12
Health Care	0.73	-4.00	-2.69	-2.69	9.23	16.78

Source: Bloomberg

- The S&P 500 rose 3.82% in 4Q and 11.95% for 2016.
- The energy sector led the market, gaining 27.36% for the year as oil gained 45% on the year.
- In the first half of 2016, the sectors helped by lower interest rates — such as utilities and telecom — benefitted.
- Health care was the worst performing sector as pricing concerns hurt the pharmaceutical and biotech industries.
- Towards the end of 2017, the financials rallied meaningfully as interest rates increased. We still feel there is additional upside in the financial sector.

Investor Sentiment

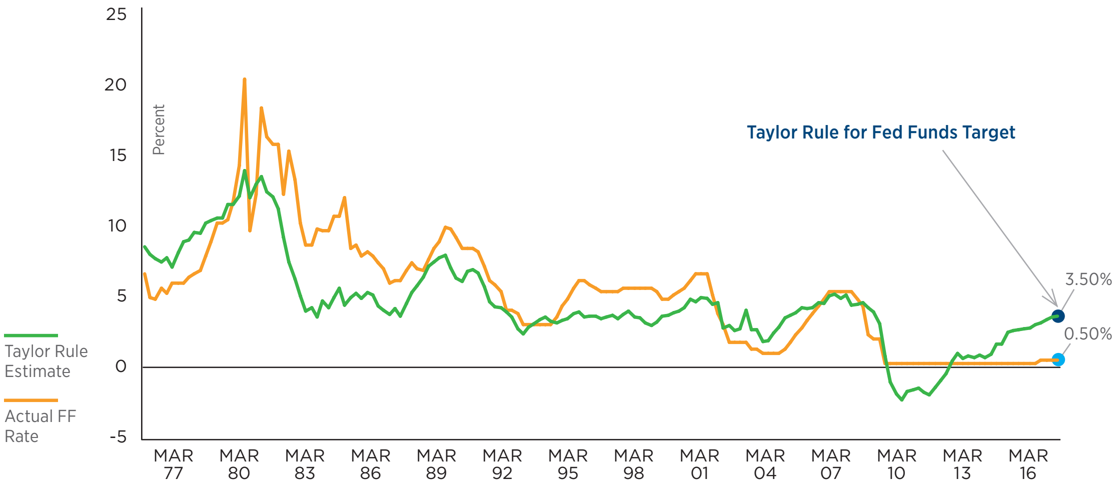


Source: Bloomberg

- Bullish sentiment per the American Association of Individual Investors (AAII) is around the highest levels seen in the last 2 years.
- Bullish readings jumped after the U.S. presidential election as investors cheered a (potentially) more business friendly environment.
- Often, if sentiment becomes too bullish, it could signal a near-term correction or pause in the market rally as bullish investor positioning may have already occurred.
- We would not be surprised to see consolidation or a slight pullback in the market in the near term. However, we continue to expect solid gains in 2017.

The FOMC — the door is now wide open for normalization of rates

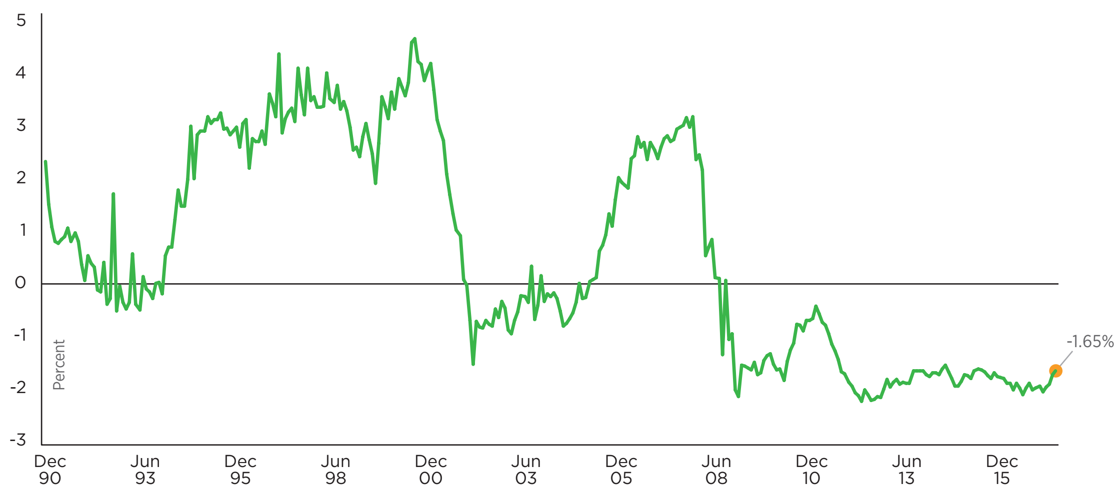
Taylor Rule for Fed Funds Target



Source: Thomson Reuters Datastream; UMB Investment Management

- The FOMC's traditional econometric model for interest rates, the Taylor Rule, currently indicates that Fed Funds could be in the 3.5% range, given the current basket of economic indicators.
- Strong economic data, combined with improving expectations from the election surprise, will now make it easier for the Fed to pursue normalization.
- Wage pressure appears to be building, adding fuel to the move towards higher rates.

Real Fed Funds Rate**

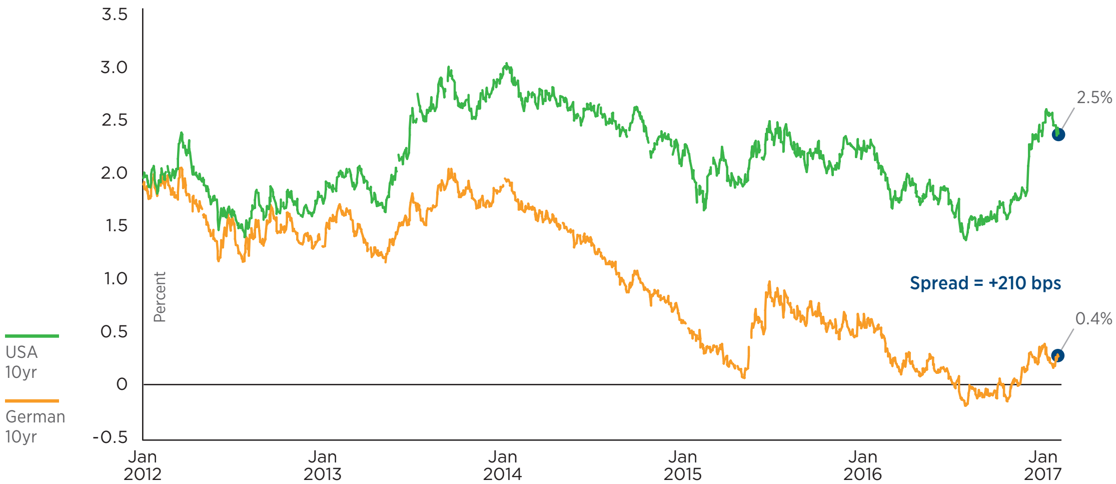


Source: Thomson Reuters Datastream; UMB Investment Management

- The Real Fed Funds rate has been mired in deeply negative territory for nearly a decade.
- An improving economic picture makes it difficult to continue rationalizing such deeply negative real rates.
- The Fed will continue to signal a modest movement towards more neutral rates.

** Effective Fed Funds rate minus Core CPI

Global Yields



Source: Bloomberg

The U.S. Shifts to a New Regime

- Improving economics and the election surprise have potentially moved the U.S. out of the era of QE.
- As the U.S. shifts from monetary easing (QE) into Fiscal stimulus, the expectation is for higher rates.
- The new outlook for U.S. rates has pushed relative yields (versus Germany/Europe) to the highest levels in several decades.

High Yield Spreads

Source: Bloomberg

Spread Compression Calls for Caution

- Credit spreads have continued to grind lower, in tandem with steady improvements in economic data.
- Spread compression has occurred despite steady deterioration in overall balance sheet health.
- Leverage ratios have been increasing, accompanied by muted growth in earnings.
- Caution is warranted in the Corporate Bond market.

U.S. Bond Market Performance — New trends taking hold

Performance

Index	3 Mo Tot Return	YTD Tot Return
Corporate Intermediate	-1.84	4.04
MBS Fixed Rate	-1.98	1.67
Industrial Intermediate	-2.01	4.64
U.S. Agg Intermediate	-2.05	1.97
U.S. Gov/Credit Intermediate	-2.07	2.08
U.S. Government Intermediate	-2.18	1.05
Corporate	-2.83	6.11
U.S. Aggregate	-2.98	2.65
U.S. Gov/Credit	-3.39	3.05
U.S. Government	-3.72	1.05
U.S. Treasury	-3.84	1.04
Corporate Long	-5.02	10.97
U.S. Gov/Credit Long	-7.84	6.67

Source: Thomson Reuters Datastream; UMB Investment Management

Performance

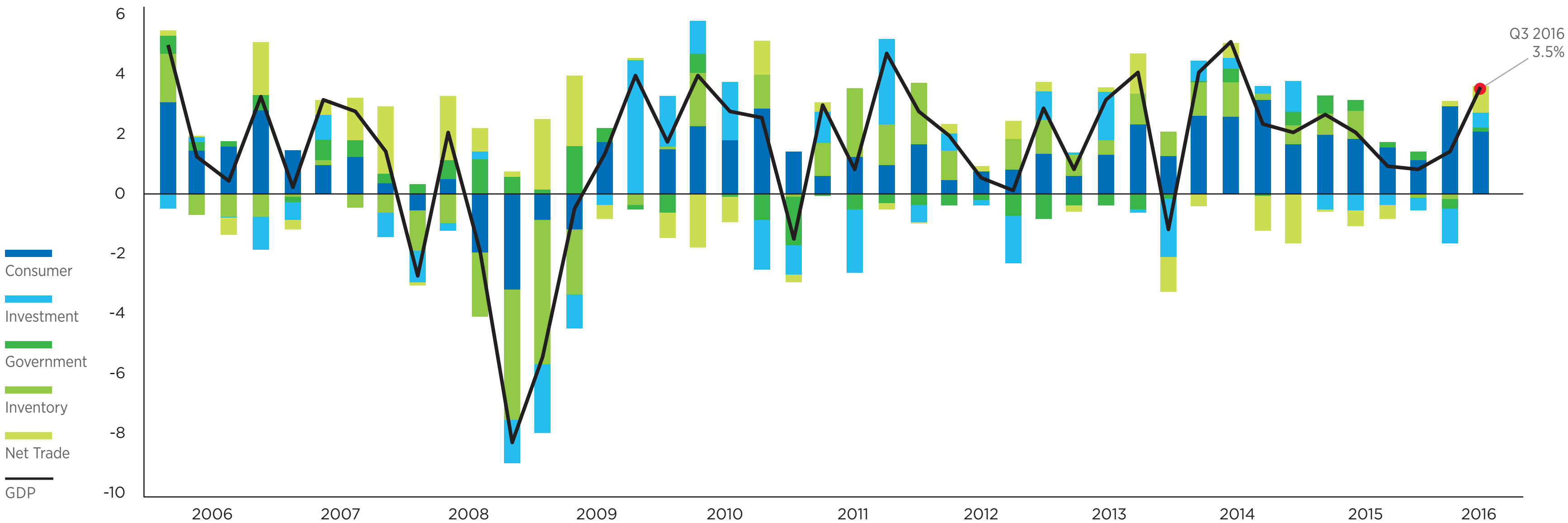
- The upward shift in rates severely damaged performance for the quarter, particularly for the long indices.
- Despite a severely negative quarter, YTD returns were still strongly positive for the broad market.
- Credit indices continued their strong rally following the global push into "risk assets."
- Ongoing compression of yield spreads pushed Long Credit and lower-rated indices into the leading positions for the YTD.

Outlook

- We expect rates to drift modestly higher as global economic stability allows the Fed to continue normalizing rates.
- Some of the exceptional returns generated by long-dated bonds are likely to be given back over the upcoming year.
- We anticipate the entire yield curve will slowly move 50-75 bps higher throughout 2017.

Real Gross Domestic Product (GDP)

US Contributions to GDP Growth



Source: Thomson Reuters Datastream; UMB Investment Management

% Contribution to GDP by Quarter

Component	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Consumption	1.9	1.8	1.5	1.1	2.9	2.0
Investment	0.2	0.4	-0.4	-0.6	-1.4	0.5
Net Exports	-0.1	-0.5	-0.4	0.0	0.2	0.9
Government	0.6	0.3	0.2	0.3	-0.3	0.1
Total	**2.6**	**2.0**	**0.9**	**0.8**	**1.4**	**3.5**

Source: Thomson Reuters Datastream; UMB Investment Management

UMB GDP Forecast*

Year	Q1	Q2	Q3	Q4	Year
2014	-0.9 (A)	4.6 (A)	4.3 (A)	2.1 (A)	2.4 (A)
2015	2.0 (A)	2.6 (A)	2.0 (A)	0.9 (A)	2.6 (A)
2016	0.8 (A)	1.4 (A)	3.5 (A)	2.5 (E)	1.6 (E)
2017	2.2 (E)	2.6 (E)	2.9 (E)	2.9 (E)	2.5 (E)

(A) = Actual, (E) = Estimate

Source: UMB Investment Management

*Quarter over Quarter Seasonally Adjusted Annual Rate

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