Chapel Hill Investment Analysts, Inc.

From the Desk of Joseph S. Codrick, CFP®

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Hello to you all: I thought it might be prudent to review our firm's investment philosophy and strategy moving forward. As most of you will remember, we are not your ordinary firm. We are more conservative than most in that we attempt to "beat the banks and not lose our clients' money". Our strategy consists of a widely-diversified portfolio of 80% of your funds that are earmarked for equities and a strategy to invest in much riskier individual stocks for the remaining 20%. The idea is to use the 20% to increase the portfolio returns above the norm. With that said, we would expect that you, our client, would anticipate a smoother ride where we may not match the adviser that goes all in on a portfolio made up solely of individual stocks "Riskier" and outperform a portfolio of CD'S, treasury notes and insurance products of a more conservative adviser, such as a bank. We like to think that we operate in the sweet spot. And it appears to have worked very well for the past 35 years.



Next, I would like to touch on the latest headlines about "Cyber Security Threats". Are they real...you bet! We take this threat very seriously and have taken steps to protect our client data. First, we have moved the vast majority of the data to "the Cloud". That means that TD Ameritrade maintains the data on their servers and have implemented the firewalls and necessary devices to protect against hacking. The same goes for each of our significant venders that we use for planning and client management. We monitor their efforts to make sure your information is protected. In addition, we are in the process of moving the older data to a hard drive that is "not connected" to the internet. If it's not connected to the Web, they can't hack in and get it! We will maintain this drive in a fire proof safe for the required holding time and then destroy it at a secure site. We also run daily backups that are removed from the building in the event of a "ransomware attack". That allows us to reboot the system and eliminate the threat. I do want to point out that we have never had an issue, but our emphasis is on the protections that reduce the impact for the future.

And finally, from the money management perspective, Ryan has the following to report: Markets have been performing well over the last several months, with the economy continuing to strengthen. A bit of uncertainty has crept in as of late, due to the failed attempt by the new administration at repealing the Affordable Care Act, bringing many to question if promises of tax reform and deregulation will meet the same resistance in Congress. Regardless of the perceived fiscal policy complications, underlying fundamentals remain strong. Unemployment has fallen to 4.5%, causing wages to rise steadily. Interest rates also remain historically low, with little inflation in sight. This low inflation allows Janet Yellen, the chairwoman of the Federal Reserve, to remain dovish (patient/accommodative) in her forecasts to raise interest rates. With

2017

Retirement Account Maximum Contributions:

- **Traditional & ROTH IRA's**

  <50yrs old—$5,500

  >50yrs old—$6,500



Annual ADV Offer

If you would like to receive a current copy of our firms ADV Part II, please contact our office .

rates remaining lower for longer, equities again remain attractive for the foreseeable future. Oil prices have also found a trading range between $40-50/barrel, well below the highs of $147/barrel in 2007. This means a continued benefit to the consumer, who will spend this extra fuel savings and boost the economy.

Our clients' portfolios have been performing great since the election. With our biggest holding, Apple, up 29.8% ytd, our investment decisions seem to be paying off quite handily. We've also been getting a nice bump in our increased volatility portfolios with the addition of EWW, which tracks the Mexican stock index. This investment choice, implemented in December, has been a homerun, up 30.7% ytd. In our reduced volatility portfolios, the addition of the Gabelli Equity Trust is a winner as well, rising 13.95% ytd with a yield of over 9.5%.

Moving forward, as equity levels become stretched, a pullback would be expected. This is normal and healthy for a bull market. And with strong earnings and continued job growth, the economy should remain on track. We remain cautiously optimistic on the year ahead and feel very confident in our current and new portfolio holdings.

As always, we thank you for your support and referrals and look forward to a great summer. Enjoy life and keep in touch!

Regards, Joe, Ryan, and the staff at Chapel Hill.



Miss a market update?

Our Website has them all! Go to — www.chapelhillinvestment.com



2017 Privacy Policy Statement

Protecting your privacy is very important to Chapel Hill Investment Analysts, Inc. We want you to understand what information we collect and how it is used. We collect and use "nonpublic personal information" in order to provide our customers with a broad range of financial products and services as effectively and conveniently as possible. We treat nonpublic personal information in accordance with our Privacy Policy.

Information We Collect and From Whom We Collect It We may collect nonpublic personal information about you from the following sources: Information we receive from you on applications or other forms; Information about your transactions with us, our affiliates, or others; Information we receive from you voluntarily, such as your email address and any information contained in your email messages. "Nonpublic personal information" is nonpublic information about you that we obtain in connection with providing a financial product or service to you. This information may be collected in person, by mail, fax, telephone, or by other electronic means as permitted by law or in accordance with express authorization from you.

What Information We Disclose and to Whom We Disclose It We do not disclose any nonpublic personal information about you to anyone without your express consent, except as permitted or required by law. We may disclose the nonpublic personal information we collect, as described above, to persons or companies that perform services on our behalf.

Your Right to Verify Accuracy of Information We Collect Keeping your information accurate and up to date is very important to us. You may access and correct nonpublic personal information about you that we collect except for information relating to or in anticipation of a claim or a criminal or civil proceeding.

Our Security Procedures We restrict access to the nonpublic personal information about you and allow disclosure only to those employees or persons and companies as permitted by law to assist in providing products or services to you. We maintain physical, electronic, and procedural safeguards to protect the nonpublic personal information about you. Should your relationship with us end, we will maintain and only disclose nonpublic personal information that we have about you in accordance with this Privacy Policy.

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