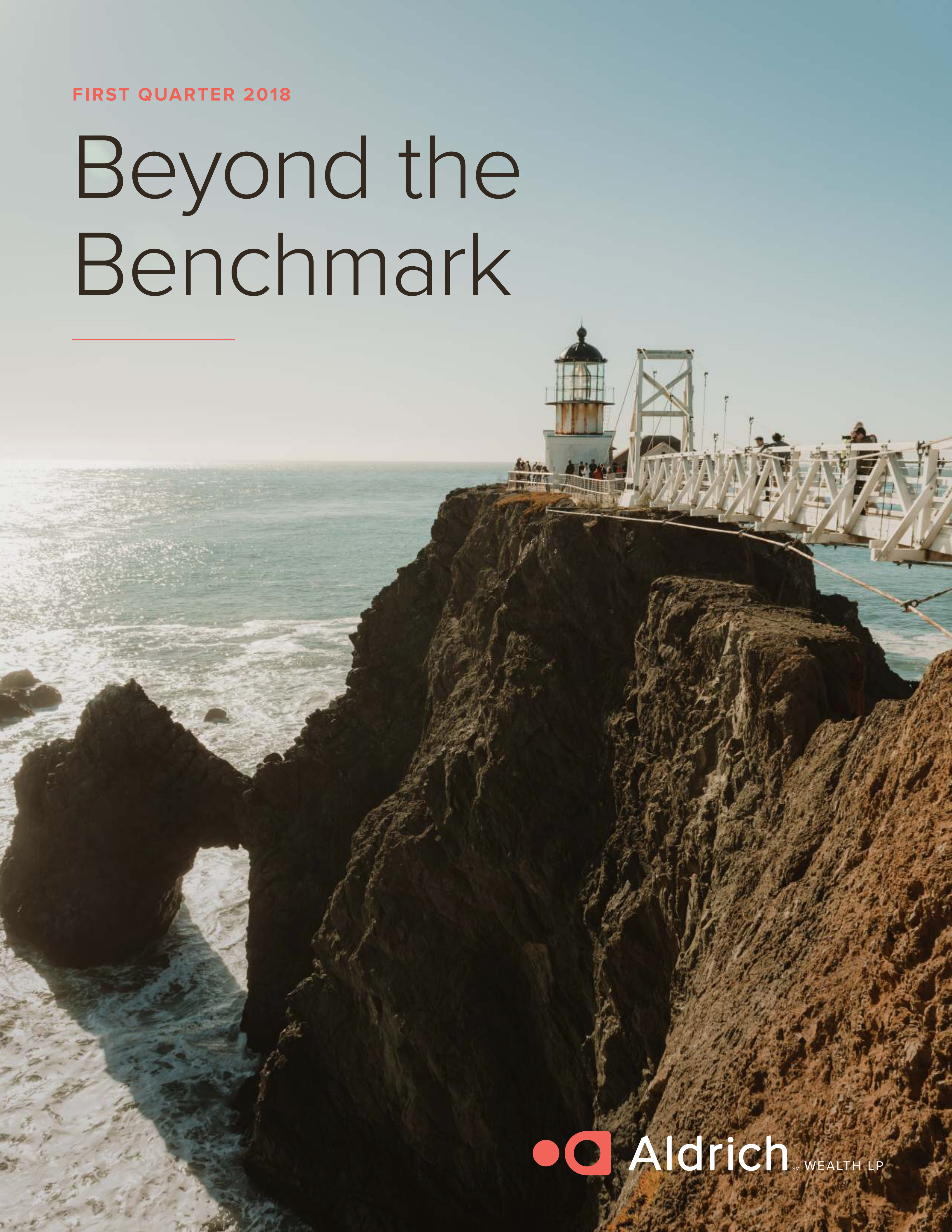
FIRST QUARTER 2018

Beyond the Benchmark



Aldrich WEALTH LP

QUARTERLY MARKET SNAPSHOT

	VALUE	CORE	GROWTH
Large	-2.83%	-0.76%	1.42%
Medium	-2.50%	-0.46%	2.17%
Small	-2.64%	-0.08%	2.30%

This matrix illustrates U.S. equity benchmarks provided by Russell with the exception of Large Core, which is the S&P 500 Index.

	VALUE	CORE	GROWTH
Global	-2.62%	-0.96%	0.67%
Non US	-2.03%	-1.53%	-1.04%
EM	1.62%	1.42%	1.22%

This matrix illustrates international equity benchmarks provided by MSCI.

	SHORT	INTER	LONG
Gov	-0.15%	-1.15%	-3.22%
Corp	-0.38%	-2.32%	-4.05%
Hi-Yield	0.41%	-0.93%	-2.83%

This matrix illustrates the fixed income benchmarks provided by Barclays and B of A Merrill Lynch.

Executive Summary

It was a roller-coaster start to the year, in which solid global equity market gains gave way to a volatility blowup in February, followed by rising concerns of a trade war and a technology-led rout near quarter end. In the end, the S&P 500 Index fell nearly 0.8% for the quarter, marking the first time in 10 quarters that the domestic equity benchmark posted a loss.

The protectionist rhetoric benefited domestically focused small-cap companies the most, while growth-oriented companies notably outpaced their value brethren. Data indicating slowing growth momentum in Europe, coupled with U.S. - China trade frictions, raised concerns among investors in non-U.S. markets. After hitting a 17-year high in December, confidence in Europe declined in each of the subsequent three months on expectations that companies will pare back investments because of Brexit, U.S. trade policies and a stronger (€) euro.

Against this backdrop, international equity markets, as measured by the MSCI EAFE, declined 1.5%, hampered by a 3.9% drop from the UK. A weaker dollar, ample economic growth and healthy corporate earnings yielded positive results for the developing markets, with the MSCI Emerging Markets Index adding 1.4% during the period.

The Federal Reserve continued its rate hike campaign with a 0.25% bump in the Federal Funds rate in March. Fixed income returns were largely negative during the quarter as the yield on the 10 Year Treasury rose over 30 basis points from 2.40% to 2.74%.

Domestic Equities

Through January, the S&P 500 Index had gone 15 months without a loss on a total return basis, the longest such streak in history. However, the euphoria that carried the market higher came to an abrupt halt in the final two months of the quarter. It was an extremely turbulent period overall that featured two 1,000-point plunges in the Dow Jones Industrial Average, powerful rallies and a growing list of fears for investors to absorb.

The S&P 500 recorded its first quarterly loss in nearly three years with a 0.8% decline. During the period, the S&P 500 suffered 12 days of declines exceeding 2%, after recording zero such periods in all of 2017. The S&P 500 finished the quarter roughly 8.0% below its record close on January 26. Small and mid-cap stocks outperformed large-cap stocks in the quarter, which was counter to the trend seen the past several quarters. Large-cap companies receive a considerable percentage of their revenues from international sales, and the U.S. dollar declined 2.7% against the euro this quarter.

Technology remained the best performing sector despite a notable drop as the period came to a close. Companies within the Technology sector are among the most exposed to the global economy and generate a majority of their sales overseas. Recent weakness has been attributed to concerns over a potential trade war between China and the U.S. as investors assess the likelihood of any protectionist policies and the impact of any retaliatory measures from trading partners. Facebook was a notable laggard, falling nearly 8% amid news that the company mishandled user data.

Although the move by Fed Chairman Powell to increase the overnight lending rate was largely anticipated, sectors that are sensitive to such moves, including Telecom and Consumer Staples, struggled in the quarter. Telecom was the poorest performing sector, declining 7.5% in the quarter, while Consumer Staples dropped 7.1%. These sectors offer higher dividends than most sectors and tend to perform well when interest rates are falling and dividend income is more attractive. The opposite occurs as interest rates rise, and as the probability of higher interest rates increased, investors sold off these sectors.

International Equities

International developed market stocks, as measured by the EAFE index, underperformed domestic stocks in the quarter. The EAFE index declined 1.5%, as concerns over BREXIT, U.S. trade policies and a stronger currency proved a formidable headwind. Within the MSCI EAFE Index, the laggards included major export-oriented countries like the UK, Germany and Switzerland. Value stocks underperformed growth stocks while small-cap stocks bested their larger cap brethren. International small-cap companies tend to be less impacted by currency fluctuations, as revenue is largely derived within their borders.

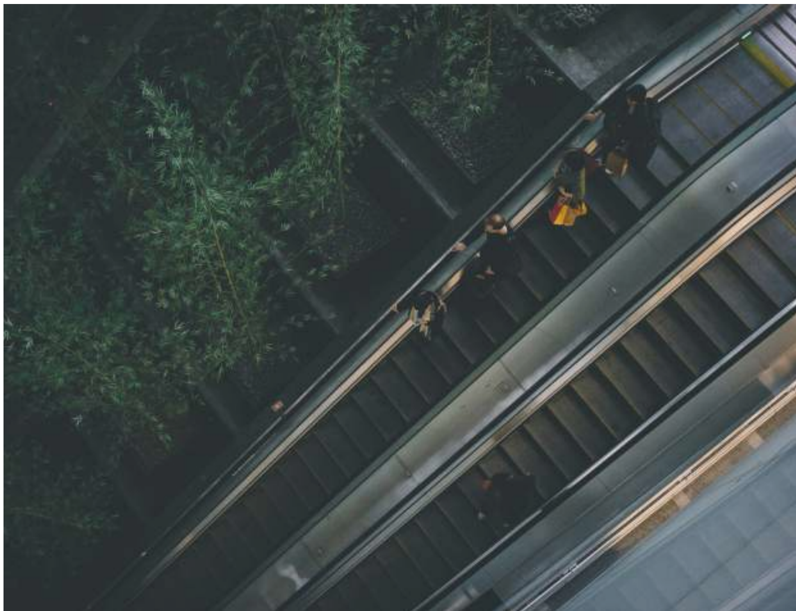
Eurozone stocks benefited from a European Union report that gross domestic product (GDP) could reach 2.3% in 2018, an increase from the 2.1% forecast for 2018 that the 19-member currency bloc made in November 2017. The region's unemployment rate declined to the lowest level in nearly a decade as economic growth improved. Japanese stocks outperformed domestic stocks during the quarter, rising 0.8% despite a 5.6% surge in the Yen (¥). The Japanese economy recorded its eighth consecutive quarter of growth, its longest such streak in nearly 30 years. Japanese companies are benefitting from rising global demand and fiscal and monetary stimulus.

Equity returns in emerging markets continued to impress in the first quarter after topping all equity indices in 2017. The MSCI Emerging Markets Index, a measure of emerging market equity performance, rose 1.4% during the quarter. The combination of improving earnings growth and relatively low valuations attracted investor capital and provided the momentum to drive the index to the top spot for the fifth consecutive quarter. Latin America was the primary driver of positive performance, with the region up 8.0%, led by Brazil's 12.4% move higher, on the back of higher energy prices and a more stable political footing. The Chinese equity market, as measured by the MSCI China Index, increased 1.8% in the quarter, despite fears of a bourgeoning U.S. – China trade war rattling global markets.

Fixed Income

The Federal Reserve lifted the Fed Funds rate in March and stuck to its prior forecast of three rate hikes in 2018, deciding, for now, to wait until next year to take a more aggressive approach. The Fed projected another three rate hikes in 2019, an increase from the two hikes previously discussed. By the end of 2019, the Fed expects its benchmark rate to hit 2.9% vs. a prior 2.7%. While the Fed predicts the economy will grow even faster in the next two years than it previously estimated, the bank left its PCE inflation forecasts unchanged at 1.9% in 2018 and 2% in 2019.

The rising interest rate environment pushed yields higher across the yield curve. Longer rates tend to be more influenced by demand rather than Fed action, and extremely low interest rates globally seem to be keeping a lid on longer-term interest rates in the U.S., which increased at a more modest pace. The Barclays Universal Bond index declined 1.4% in the first quarter. Shorter duration bonds outperformed and posted small gains. Floating rate bank loans were among the top performing domestic bond categories, rising 1.4%. The bonds performed relatively well because their interest is closely tied to short-term interest rates, and bondholders receive additional interest income when rates rise. Overall, fixed income returns were mostly negative as interest rates continued to march higher.



Economy

The undercurrent of economic data remained strong with a healthy jobs market and rising housing prices providing ample support for a constructive investment narrative. Growth in the U.S. economy, as measured by changes in the Gross Domestic Product, increased 2.9% during the fourth quarter after recording 3.2% growth in the third quarter.

The unemployment rate remains at a 17-year low of 4.1% as domestic employment remains robust. Domestic job growth and employment have been strong, while wages have seen only small growth, which suggests there may still be some slack in the labor force. The University of Michigan's consumer sentiment index was revised down to 101.4 in March of 2018 from an initial estimate of 102. Still, the reading was higher than 99.7 in February and was the strongest since January 2004. The revision was due to uncertainty about the impact of the proposed trade tariffs.

Global growth hasn't been this upbeat since 2011, and economists are projecting global GDP will accelerate further in 2018. Growth in the Euro area, Japan, and emerging Asia has been particularly encouraging and contributed to the improving global growth and an optimistic outlook.

Interest rates remain very low globally, and this has contributed to increased business and consumer spending but thus far hasn't notably increased inflationary pressures. Therefore, governments across the globe are maintaining low interest rates and are more focused on generating growth rather than taming inflation. The pro-growth posture of so many countries and regions has contributed to the global rebound in growth and is projected to provide additional fuel in 2018.

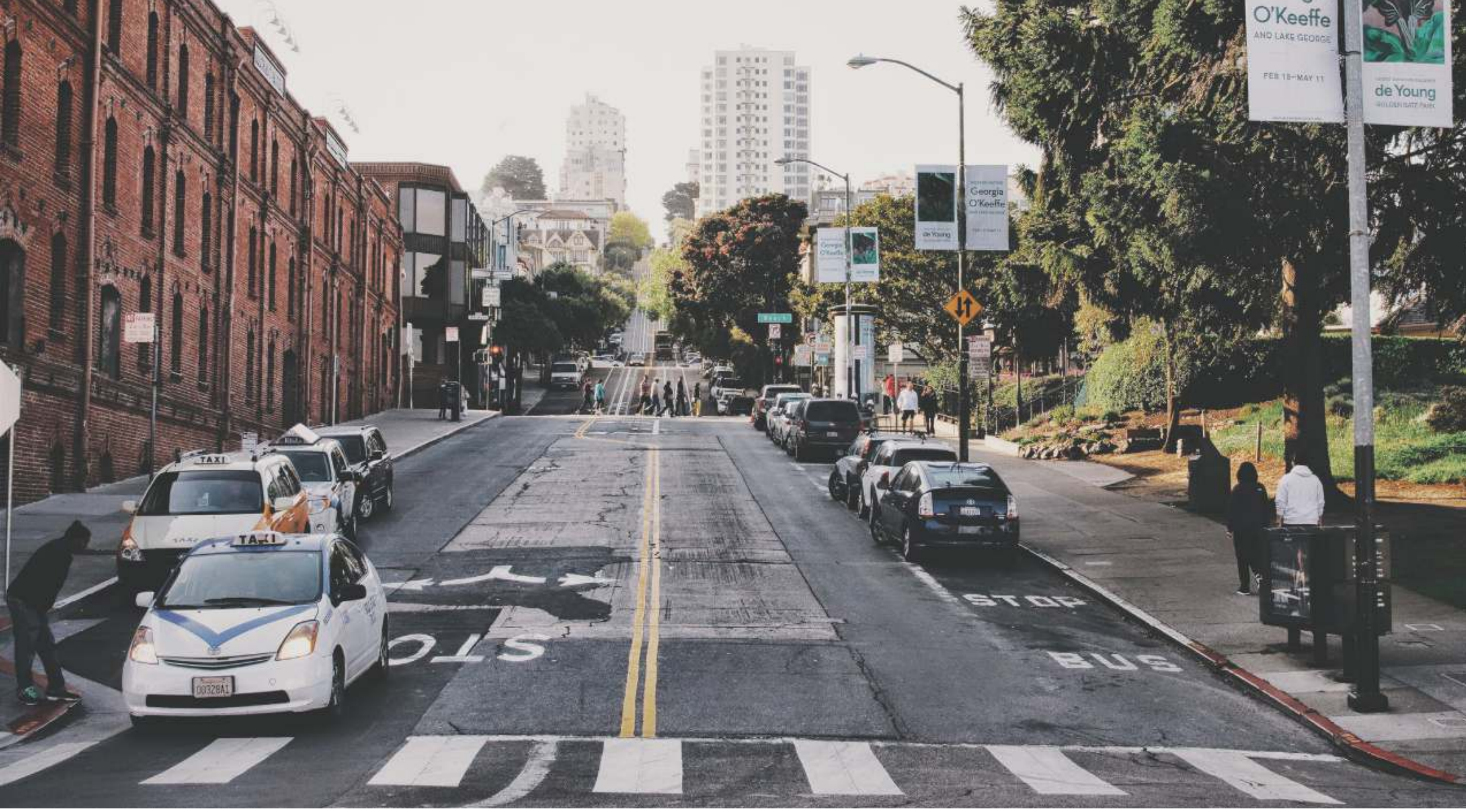
Market Outlook

Equity markets across the globe were marred by increased volatility after a 15-month stretch of abnormal tranquility. Earnings are likely to give investors some reprieve with the reporting season scheduled to start in early April. Investors will get a first look at the benefit from Trump's tax cuts, with the latest estimates suggesting S&P 500 earnings could surge 17% in the quarter and over 20% for all of 2018. The U.S. economy is stronger than it has been in decades, marked by low unemployment, modest inflation, low interest rates, high consumer and business confidence, and strength in the manufacturing and services sectors. U.S. equity prices stalled in the first quarter while earnings remained strong, allowing relative valuations to improve from their elevated levels. Investors have likely incorporated the strong economic data into their equity valuations, and stocks would likely need positive earnings surprises in order to provide double-digit returns in 2018. If economic growth surprises to the upside it is likely the Federal Reserve will be forced to increase interest rates more aggressively to dampen growth and the prospect of rising inflation. A more aggressive Fed would likely weaken equity investor enthusiasm and negatively impact returns.

While we anticipate lower returns for U.S. stocks in 2018 compared to 2017, rapid earnings growth should be supportive of modest gains in 2018. However, we believe international equities could outperform domestic stocks in 2018. Although domestic and international developed market equity returns were similar in 2017, nearly half of the performance for international stocks was attributable to currency appreciation, particularly the euro. European earnings growth exceeded equity index appreciation before adjusting for currency movement. Therefore, valuation metrics for equity indices in the Eurozone actually improved and look compelling.

U.S. shorter-term interest rates increased in the first quarter as relatively strong economic growth prompted the Fed to raise the overnight rate in March. The Fed is projecting three rate hikes of 0.25% in 2018 based on rising inflation and solid economic growth forecasts. The recently passed tax cuts are projected to further strengthen an already strong economy. We believe strong global growth will help push interest rates higher as inflation increases. Given this outlook, we continue to emphasize shorter duration bonds and floating rate bonds, which generally perform relatively well when interest rates rise.

We continue to overweight growth stocks relative to value stocks due to the strength of earnings within the growth sectors. The prospect of higher interest rates also makes value-oriented stocks less attractive. We have lower return expectations for domestic stocks relative to 2017 and international developed and emerging market stocks. We will likely increase exposure to international stocks in 2018 if U.S. interest rates move higher or if international earnings growth strengthens relative to domestic growth.



Supplementing Income in the Share Economy: Your Assets on the Sideline

By Casey McKillip, MBA

Clipping coupons? Bottle returns? What's your thrifty part-time obsession? I first discovered my frugal habit in September 2009 when I bought my first house. Home values continued to deteriorate in a post-crisis real estate meltdown, and renting out bedrooms to friends was a great way to help with the mortgage. At the time, I called it necessary income, but I realized supplemental income was a way to create sustainability within a household's balance sheet. Rather than holding a nonperforming asset and sunken expense, I sacrificed my privacy and put the asset to work.

Supplemental income is not a new tactic. In the 90s, my uncle rented his rooms to his own friends, and my family paid to stay in someone else's vacation home in Sunriver. There was a network that effectively marketed properties to renters and produced income for the owner.

The Share Economy

In today's world, connectivity has irrefutably expanded and the economy continues to leverage new internet discoveries. Whether it's staying in touch with old friends, free two-day shipping on Prime or tracking your Uber driver's location while standing outside the theater, the internet has helped improve lives. As these networks grow, we discover new avenues to explore and how they can further meet consumer needs.

Most of us have participated in the share economy by staying in an Airbnb or riding with Uber. The market is developed, widely utilized and ready to empower individuals through income opportunities. Do you have a boat or RV that gets four weeks of use a year, remaining dormant the rest of the time? Do you pay to heat and clean a guest room that only gets one visitor per year? Or better yet, can you provide a highly-sought after accommodation, like a daylight basement with a separate entrance located five minutes from downtown?

People can rent entire homes, apartments, tiny houses, private rooms, cars, trucks and boats. The opportunities seem endless now that the share economy has decentralized distribution. At the same time, ownership becomes less enticing as the cost to purchase, insure and maintain these items continues to increase. Whether you're a consumer or plan to generate supplemental income through the share economy, market needs are being met and it may be time to reassess your own assets that are sitting on the sideline.

Putting Assets to Work

Are you dreaming of early retirement or stretching your 401(k)? Supplemental income is one way to take a step closer to this goal. Before I considered generating income from the share economy, I made sure to use the services and understand how they work, while learning the consumer's expectations. You may discover that you do not want strangers wandering around your property after you use Airbnb for a vacation. However, you may attain a sense of happiness knowing you stayed at a beautiful property for 80% of the price of a nearby Motel 6.

How is this newfound cash flow impacting savings? Let's assume you can generate an extra $1,000 per month from your entrepreneurial spirit in the share economy. Depending on your income level and retirement needs, this could be enough savings to fund your retirement if consistently practiced over a 30-year period. Your share economy revenue is also a good hedge against inflation because prices for your services would be expected to increase with the general economy.

Just like any other income you receive, supplemental income requires proper reporting to adhere to tax codes. So although supplemental income may sound like a good idea, there are additional responsibilities that accompany the extra revenue. Another requirement is to ensure that you are properly insured. An umbrella policy is a relatively low-cost option to gain additional coverage, but specific policies should be explored to best protect your household. How much extra work will it be? Extra cleaning? More wear and tear on your vehicle from shuttling passengers around? Is it worth your time?

Work-Life Balance

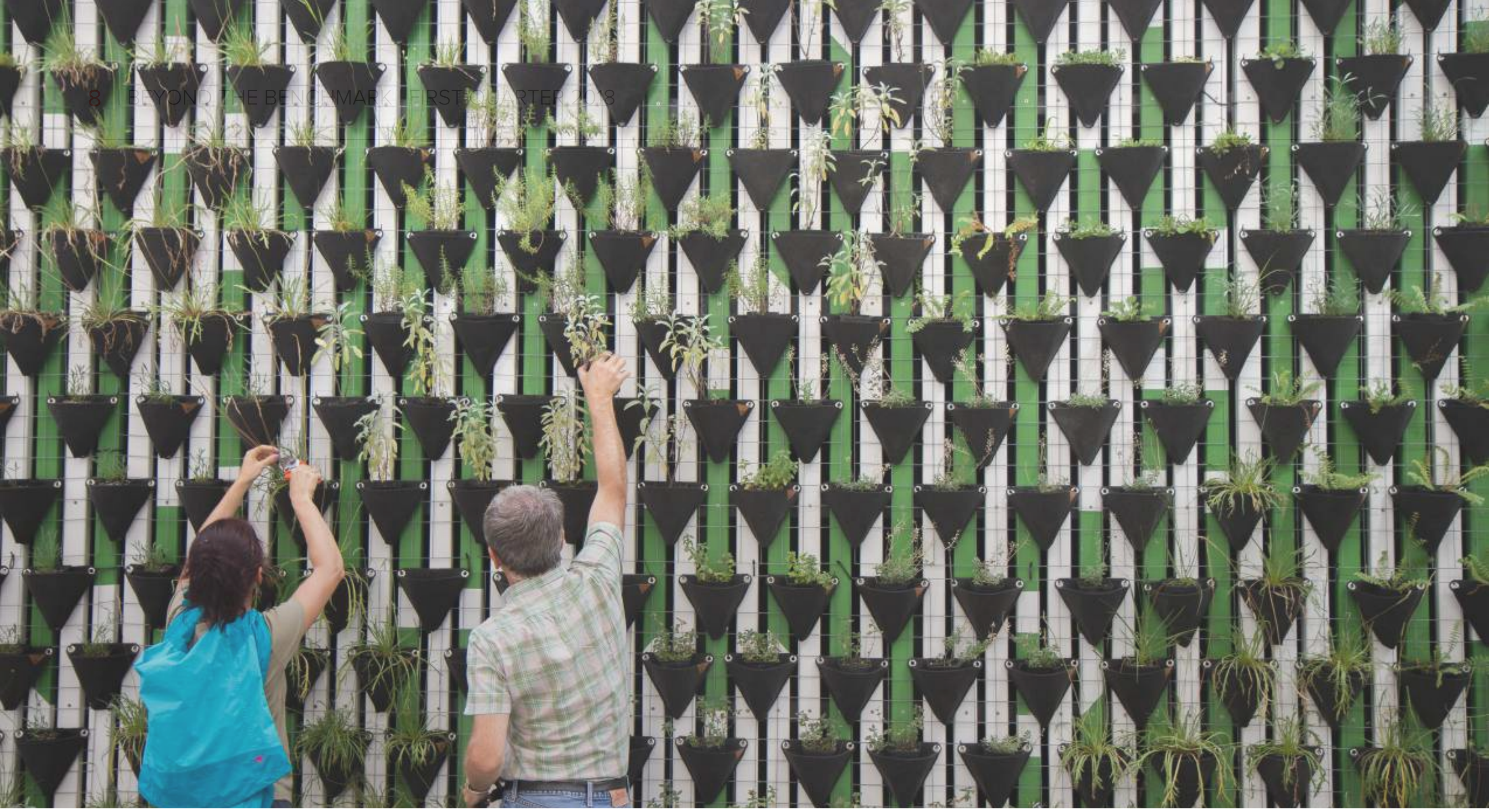
Now that you're ecstatic about the potential of supplemental income, it is important to remember to maintain a healthy work-life balance. Utilizing these assets requires you to hire out maintenance and cleaning or do it yourself. As life progresses, it becomes less appealing to spend a full day at a career job only to go home to additional housework outside of your everyday duties.

Operating a business with your personal assets may reduce your time with the family or ability to enjoy the simple pleasures of life. Taking part in the share economy is a viable option for almost any household, but it may not be right for you.

Casey McKillip, MBA

Retirement Plan Consultant

Prior to joining Aldrich, Casey was a retirement plan consultant and portfolio manager for Northwest Capital Management. His broad range of expertise includes retirement plan fiduciary oversite, investment research, portfolio construction as well as providing recordkeeper platform research, fee analysis, revenue sharing and policy statement review. Casey also holds a Series 65 license and is currently working on his Certified Plan Fiduciary Advisor accreditation.



A Strategic Plan for Your Charitable Giving

By Abbey Rollins, CFP®

Are you concerned about the potential loss of tax deductions based on provisions of the Tax Cuts and Jobs Act? Many clients who previously itemized their deductions will no longer utilize that approach going forward. For married couples, the standard deduction is now $24,000. Your state income tax and property tax deductions are limited to a combined total of $10,000. Therefore, you have to have a minimum of $14,001 in mortgage interest and charitable contributions in order to itemize.

Many clients have charities or causes that they support each year. Depending on the types of other deductions you have, these charitable donations may no longer provide you with a tax benefit. There are many options for charitable giving, and each client must select the path that best fits their needs. One approach is to bunch your deductions. This essentially puts two years of charitable deductions into one tax year and then none into the next tax year. For example, you make your 2018 donations in January of 2018 and then make your 2019 donations in December of 2018. You would then wait until January 2020 for your next round of donations.

Another approach is a donor-advised fund (DAF). A DAF is a simple and efficient way to manage your charitable giving while maximizing your tax deduction. You receive a full tax deduction for the year in which you contribute to the DAF. However, you are only required to grant a minimal amount out of the DAF to qualified charities each year. Therefore, you can strategically decide what years, and what dollar amounts, to contribute in order to maximize your tax benefit, while still giving to the end charitable organization annually. Some clients use their working years, when they are in a higher tax bracket, to fund a DAF that will then be used for their charitable giving throughout retirement. A DAF can be started with an initial contribution as low as $10,000.

A wide variety of assets can be contributed to a DAF, and there may be additional tax benefits to contributing appreciated securities or property. Appreciated assets sold inside a DAF do not incur capital gains tax, which maximizes the value that ultimately transfers to your favorite charities. The DAF is also not part of your estate and therefore avoids any potential estate tax liability.

How it works: You contribute assets or cash to a DAF and receive an immediate tax deduction. The DAF will be invested in a portfolio of securities based on your goals for the fund. When you find a qualified charity (501(c)(3) tax-exempt organization), you simply request a grant from the DAF to that charity. The grant can be made in your name or can be made anonymously if you prefer. Your advisor at Aldrich Wealth can manage the investment portfolio and guide you through the contribution and grant-making process.

Is it right for you? A DAF may be a solution if you are charitably inclined and you:

- Experience high-income years where the charitable deduction provides a greater tax benefit.
- Have fluctuating income that makes it hard to achieve your annual giving goals.
- Want to minimize taxes, especially when selling appreciated assets.
- Are approaching retirement and would like to front-fund an account for future charitable giving.
- Want to have the ability to give anonymously at times.
- Prefer the flexibility to change the charities you give to over time.

Your team at Aldrich Wealth can help you determine whether or not a DAF could be beneficial for you. We can include charitable giving in your financial plan, help you determine which assets to contribute and review your tax plan and investment plan at our regular meetings. Please contact us if you are interested in further discussing your charitable giving strategy.

By Abbey Rollins, CFP®

Senior Wealth Manager

Abbey has been working in the investment industry since 2002. As a senior wealth manager and CERTIFIED FINANCIAL PLANNER™ practitioner, Abbey provides financial guidance to high net worth families, business owners and medical practitioners. She works with clients to help them identify and achieve their retirement, investment, insurance and estate goals. Abbey is also the director of our financial planning team and is continually developing new financial resources for our clients. She has completed the Series 7, Series 66 and Series 31 securities exams and the CFP® exam.

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About Aldrich Wealth

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Recognized as Financial Times Top 300 Financial Advisors

The 2015 Financial Times Top 300 Registered Investment Advisors is an independent listing produced by the Financial Times (June, 2015). The FT 300 is based on data gathered from RIA firms, regulatory disclosures, and the FT's research. Applications were solicited from more than 2,000 independent RIA firms that had $300 million or more in assets. The 630 RIA firms that applied were then graded on six criteria: AUM; AUM growth rate; years in existence; advanced industry credentials; online accessibility; and compliance records. To make sure the list was relevant to Financial Times readers, the paper required that no more than 75% of a practice's assets be institutional. Only those who completed an application were considered. Neither the RIA firms nor their employees pay a fee to The Financial Times in exchange for inclusion in the FT 300. This is the second annual FT 300 list, produced independently by the FT in collaboration with Ignites Research, a subsidiary of the FT that provides business intelligence on the investment management industry.

Recognized Five Star Professional's "Five Star Wealth Managers"

Five Star Professional, as a third-party research firm, identified pre-qualified award candidates based on industry data and contacted all identified broker dealers, Registered Investment Advisor firms and FINRA-registered representatives in the Portland area to gather wealth manager nominations. Award candidates were then evaluated against 10 objective eligibility and evaluation criteria: 1) Credentialed as an investment advisory representative (IAR), a FINRA-registered representative, a CPA or a licensed attorney; 2) Actively employed as a credentialed professional in the financial services industry for a minimum of five years; 3) Favorable regulatory and complaint history review; 4) Fulfilled their firm review based on internal firm standards; 5) Accepting new clients; 6) One year client retention rate; 7) Five-year client retention rate; 8) Non-institutionalized discretionary and/or nondiscretionary client assets administered; 9) Number of client households served; 10) Educational and professional designations. 1,107 wealth managers in the Portland area were considered for the award. 224 were named 2015 Five Star Wealth Managers which represents approximately 21 percent of the total award candidates of the area. Wealth managers do not pay a fee to be considered or placed on the final list of 2015 Five Star Wealth Managers. The Five Star award is not indicative of the wealth manager's future performance. For more information on the Five Star Wealth Manager program and the research/selection methodology, go to www.fivestarprofessional.com/wmsummaryandresearch.pdf. To view AKT Wealth Advisors, LP award document, go to http://www.pageturnpro.com/Five-Star-Professional/64888-PORWM15-Heather-Wonderly/puredefault.html.

The technical information in this newsletter is necessarily brief. No final conclusion on these topics should be drawn without further review and consultation. Please be advised that, based on current IRS rules and standards, the information contained herein is not intended to be used, nor can it be used, for the avoidance of any tax penalty assessed by the IRS.

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