Redhawk Quarterly Commentary

March 31, 2017

Each quarter, Redhawk's Investment Committee provides a Quarterly Commentary. We look at what's going on in the investment landscape and provide our perspective on a variety of topics. These aren't predictions and it represents our perspective on important market and economic topics designed to help make decisions affecting your long-term financial strategy.

Market Commentary

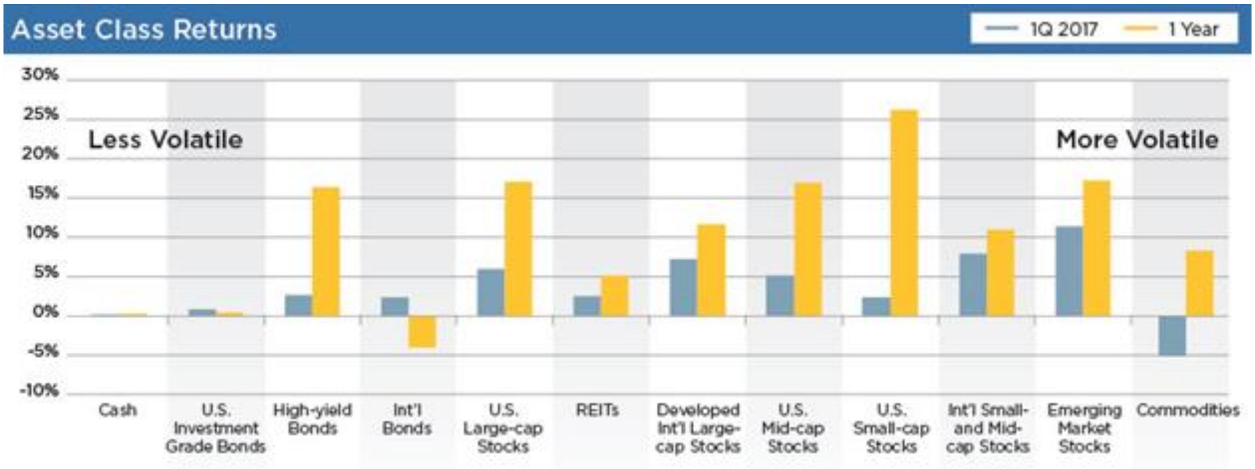
International equity investments were among the best-performing asset classes in the first quarter of 2017, as the outlook for global economic growth improved. In contrast, commodities lagged, as oil and other commodity prices dropped during the quarter. U.S. stocks had solid returns, supported by continued investor optimism, better earnings, and still-low interest rates. Fixed-income returns were positive but small as the Federal Reserve raised short-term interest rates in December and March, and long-term interest rates rose slightly. Keep in mind that past performance is not a guarantee of how the markets will perform in the future.

Low volatility may not last

In the first quarter, U.S. stocks reached new highs and volatility remained low. Historically, higher political uncertainty has been closely linked to higher market volatility. Markets have stayed calm despite the start of the U.K.'s exit from the European Union, upcoming European elections, international geopolitical worries, and the uncertain effects of significant U.S. policy changes. While we don't know what the drivers will be, we expect a return to normal market volatility in 2017. Be prepared for stocks to drop by 10% or more during the year, as has usually happened in the past.

Better diversification

The chart below shows the differences in asset category performance over the first quarter and past year. Less volatile asset categories generally had lower returns, but not always, and performance can change greatly over time. That's why we recommend owning all of them in appropriate proportions. Combining a wider variety of asset categories can help reduce portfolio volatility, helping to better navigate uncertain markets and stay on track toward financial goals.



Past performance does not guarantee future results. An index is unmanaged and is not available for direct investment.

Economic Outlook

Despite sluggish first-quarter growth, we think the economy is accelerating modestly, based on solid job growth, rising wages, and improving optimism. The synchronized global uptick in growth should also help. However, the shift toward faster growth isn't likely to be smooth or quick, and the range of possible outcomes is wider than usual, increasing uncertainty. Investors who expect an immediate impact from domestic pro-growth policies may be disappointed, since they're likely to take longer and be more modest than expected.

Pro-growth policies

Investors have cheered the Trump administration's plans to boost economic growth, including corporate and personal tax cuts, regulatory relief, and infrastructure spending. These types of policy changes take time to implement and may not be as broad as currently expected. However, we think they'll have more impact in 2018 and beyond. In addition, policies that reduce immigration or foreign trade make the economic outlook more uncertain and could lower the pace of growth over time.

Consumer spending still strong

Solid job growth and slowly rising wages are supporting consumer spending, which remains the engine of overall economic growth. Consumer spending grew 2.7% in 2016 and is expected to increase 2.6% in 2017, as confident shoppers borrow more at still-low rates. Total consumer debt reached new highs in early 2017, the chart shows that consumers have capacity to keep borrowing. Payments on debt as a percentage of income remain near all-time lows. Borrowing has shifted to auto loans, student debt, and credit card debt are the top three types of debt.

Mortgage debt, which was the largest in 2007, was fourth as more people continue to rent rather than buy.

Source: Federal Reserve Bank of St. Louis, 12/31/2016.

Summary

Better economic and earnings growth supports rising stock prices, but greater uncertainty and potential delays in pro-growth policies could mean higher market volatility ahead. It's not enough to own a portfolio personalized for your situation, based on your comfort with risk and long-term financial goals. You have to be patient and disciplined, too. With our Investment Committee and structured monitoring process we are reviewing the underlying investments on a weekly basis to ensure that we are in the top performing sub-categories and investments. Please contact your Redhawk advisor to learn more.

Redhawk Wealth Advisors, Inc. is an SEC registered investment advisor (RIA) that provides comprehensive retirement plan and financial planning tools and critical back-office support for advisors nationwide. Redhawk's focus is to enable advisors create, grow and manage wealth through a broad range of financial products and services that promotes the economic well-being of our select group of clients and advisors.

For more information, please contact Redhawk at either retirement@redhawkwa.com or (952) 835-4295.