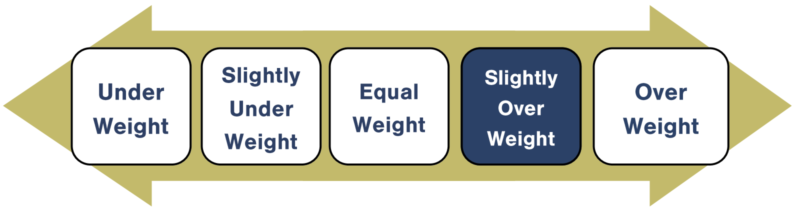
WEALTH ADVISORS

AN INDEPENDENT WEALTH MANAGEMENT FIRM

ECONOMIC AND MARKET UPDATE - MARCH 2017

SFMG MARKET RISK SIGNAL—STOCK ALLOCATION



CURRENT ASSET CLASS ALLOCATIONS

The U.S. equity markets remain in a long-term uptrend. We have maintained our equity exposure and are **Slightly Over Weight** to stocks. The allocation mix of bonds vs. equities depends on our risk signals that shift our weightings accordingly.

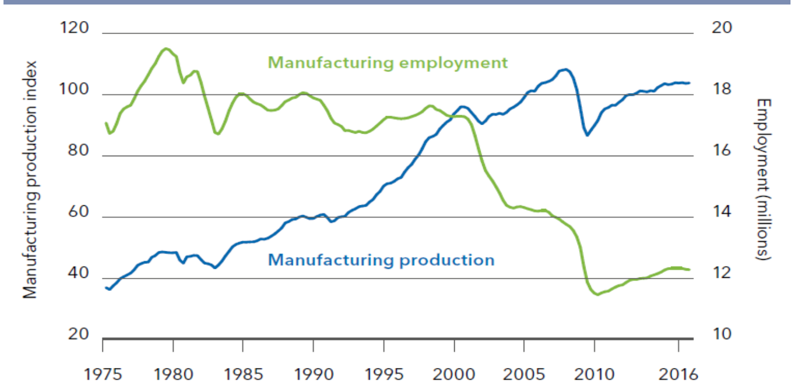
ECONOMIC NEWS

- Eurozone economic activity continues to improve in the face of Brexit and other political concerns. Manufacturing indicators are nearing 6-year highs and economic growth is still trending higher.
- China raised short-term interest rates in a move geared to slow down a potentially overheating housing and credit market, as well as keep the Yuan from depreciating further.
- U.S. factory production of 'durable goods' (longer lasting consumer goods) has been trending higher in 2017. This trend aligns with a higher propensity to spend among businesses and consumers alike.

MARKET NEWS

- 10-year Treasury rates have been up and down all year ranging between 2.31% and 2.63%, reacting to uncertainty on infrastructure spending, tax cuts, and interest rate hikes.
- Those same factors have weakened the U.S. Dollar, which is back down near pre-election levels. Even so, lower yields around the world should keep demand for Dollars steady.
- The market high for the S&P 500 was on the 1st of March. The index has since experienced some recent downward pressure, but remains down less than 2% from the top. Political headlines have caused some movement, but the market may simply be consolidating after a 4 month rally.

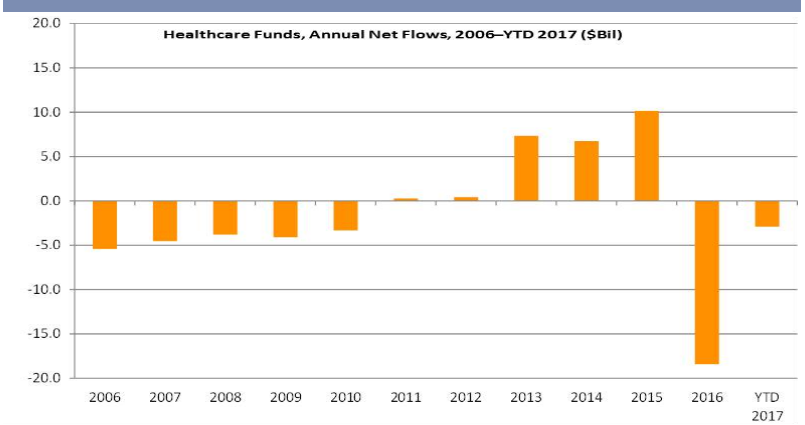
TECHNOLOGY'S IMPACT ON MANUFACTURING



Sources: BlackRock Investment Institute, Federal Reserve and U.S. Bureau of Labor Statistics, November 2016.

Technological advances are impacting business models by reducing more traditional jobs. U.S. manufacturing employment has fallen by almost 30% since 2000, while output has increased. Technological advances can increase productivity and reduce labor costs, which ultimately contributes to growth.

HEALTHCARE FUNDS EXPERIENCE OUTFLOWS



After 5 consecutive years of net inflows, healthcare funds saw outflows in 2016 with the volatility surrounding healthcare reform & drug pricing. The trend has continued into 2017, although the sector reacted positively after the healthcare reform failure, benefiting from some certainty in status quo with the Affordable Care Act.

CURRENT THOUGHTS

Nine months ago, the U.K. voted in a referendum to leave the European Union. After an initial shock, the markets shrugged off the decision, with the bigger question being when and how the separation will occur. Now, with the official triggering of Article 50 this month, negotiations on the terms of the U.K.'s exit will begin. Issues involving trade, education, migration between countries, and healthcare will all need to be sorted out. Compromise is expected to be difficult given the European Union does not necessarily want to see the U.K. leave with attractive terms that may encourage other member countries to exit as well. In the U.S., compromise will also be a key theme in 2017. The recent demise of healthcare reform from the new administration showed that compromise may not be so easy. That said, investors are keeping their eyes on the horizon, as tax reform becomes the next item on the agenda. Concessions will need to be made regarding not only the size of the tax cuts, but how the government can effectively 'fund' the cuts by offsetting that lost tax revenue through other sources. Until progress is made there, the market may direct more attention to the economic data. Provided the economic fundamentals remain solid, volatility surrounding political headlines shouldn't derail the bull market. The upcoming Gross Domestic Product data and company earnings for the first quarter will help guide the trend until we get more clarity on future policy impact.

Contact one of our Wealth Management professionals today at **972.960.6460** or visit us online at **www.SFMG.com**

The purpose of the update is to share some of our current views and research. Although we make every effort to be accurate in our content, the datum is derived from other sources. While we believe these sources to be reliable, we cannot guarantee their validity. Charts and tables shown above are for informational purposes, and are not recommendations for investment in any specific security.