

The Compass

Fourth Quarter 2017

Executive Summary

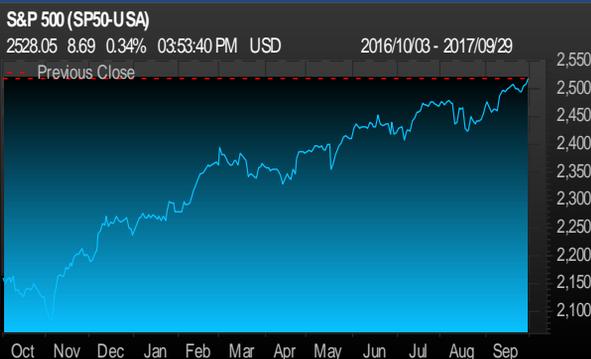
- ❑ Last quarter was good for global equities. Data continues to point to a healthy economy worldwide.
- ❑ The U.S. economy continues on a path of modest growth.
- ❑ The Fed hints at a gradual tightening of monetary policy.
- ❑ The S&P 500 was up 3.96% in the most recent quarter. Revenues posted solid 5% gains.
- ❑ Expectations are for further growth in earnings and revenues as companies look to build on an already strong year.
- ❑ The 10 year U.S. Treasury yield closed the quarter at 2.33%, essentially unchanged from the previous quarter.
- ❑ *In this issue:* Year-End Charitable Giving Ideas
- ❑ *In this issue:* Smart Phone Security



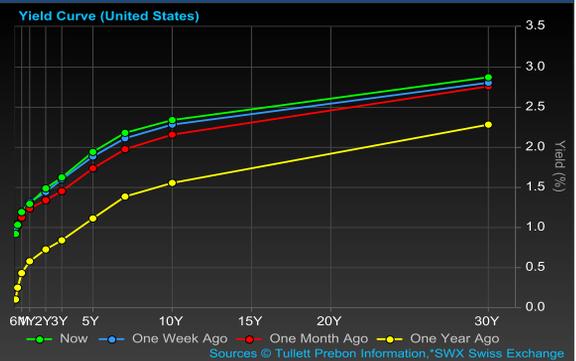
Cypress Trust Company Investment Committee

Brian Skarbek, Chief Investment Officer
Norton V. "Cap" Coyle, Jr.
John George, CFA, CFP, CTFA
Dorothy "Dee" Giannotti
Theodore A. Libby
Patrice J. Neverett
Theresa Strickland

S&P 500 One-Year Price Chart



Yield Curve (U.S.)



Economic Backdrop

For those of you who have been reading this for the past several quarters it may seem to be much of the same. However, recalling the events following the Great Recession, this is not necessarily a bad thing!

The last quarter was a good one for global equities, as data continues to point to a healthy economy worldwide, with strong, balanced growth. The expectation is for the U.S. economy to continue its pace of underwhelming but modest growth.

But, for the first time in a while, there is even some hope that the breakout could be on the upside, notwithstanding the impact of recovery costs from recent hurricanes and wildfires, as well as geopolitical issues. The allocation of federal funds for disaster relief to assist in the rebuild will increase the debt load of the U.S. Treasury, but think of it more as additional stimulus (good or bad, but necessary). The investment is worthwhile as we help those affected get back on their feet.

In the U.S., the most recent estimate of second quarter GDP came in at 3.1% and helped us get above that pesky 2% hurdle. At 2.2% year-over-year, this was the fastest growth rate in over two years. The boost came from stronger than expected consumer spending, led by spending on housing, utilities, prescription drugs, and cell phone services.

Job growth continues to show improvement along with wage growth across all segments, particularly in the technology and leisure and hospitality industries. Can this continue? Yes. Yet the more important question is for how long? The Fed has remained on the sidelines even as it hints at a gradual tightening policy, pulling in the timeframe and targets it looks to adhere to and shrinking its \$4 trillion balance sheet. It continues to be tied to its dual mandate of full employment and stable prices (inflation). The economy is inarguably at full employment at 4.2% but the inflation rate of 1.9% remains below the Fed target.

Equities

The S&P 500 was up +3.96% in the most recent quarter. Revenues again posted solid gains with a 5% increase, somewhat less stellar than the previous quarter's +7% increase, but still a solid report. Energy again was the standout, with Technology, Materials

and Utilities supporting that strong number. Telecom, again, was the only sector to post a red number.

S&P earnings posted another double-digit gain of 12.3%, with Energy, Technology and Financials all posting greater than double-digit gains. Energy was a whole whopping 563% off trough earnings last quarter. All sectors posted positive earnings growth in the most recent quarter. Expectations are for further growth in both earnings and revenues as companies look to build on an already strong year. We look forward to hearing from company managements as to what they see for the remainder of the year and expectations going forward into 2018.

Fixed Income

The 10 year U.S. Treasury yield closed the quarter at 2.33%, essentially unchanged from the previous quarter at 2.3% - but that doesn't tell the entire story. Yields sank most of the quarter as there were concerns about debt ceiling issues along with a flight to safety as catastrophic storms wreaked havoc to the entire Gulf Coast. Yields seamlessly bounced off the almost 2% level (2.03%), as traders had additional concerns should it approach 1%.

Outlook

Expectations are for a strong finish to an already solid year, although many analysts are waiting and/or expecting - maybe even hoping - for a pullback. The U.S. economy will continue to expand modestly. However, the Fed will continue to move at a slow and measured pace. Geopolitical uncertainty will remain, whether it is on the front page or back. We wait to see how federal funds used to support those affected by Hurricanes Harvey, Irma and Maria impact the U.S. mainland and Puerto Rican economies.

Our commitment to you is that we will continue to navigate your portfolio through both calm and turbulent times in an effort to meet your goals and objectives.

Afraid of heights? Just because we have climbed a great distance doesn't mean we have reached the pinnacle.

Year-End Charitable Giving Ideas

By Anita Calabro, Trust Officer
and Scott Button, Trust Officer
Cypress Trust Company

Hopefully the worst of hurricanes and wildfires of 2017 are behind us. What an impact they made on our lives as they cumulatively left so many people with home and property damage and many uncomfortable moments without power or water. Many of us reached out to help those in urgent need by giving money to charities or donating supplies. Now, as we turn the calendar to October, the holidays are fast approaching and that usually means charities will be reaching out to us to help with their fundraising efforts through the end of the year and into the New Year.

Do you have a favorite charity? Is it one that you have heard about or has impacted your family in some way? If you have written charities into your estate plan, encourage a conversation with your family over the holidays to talk about why you feel leaving money to your appointed charity is so important. You don't have to get specific, but remind your family why the charity exists and why you favor that particular charity. Some families are resistant to do this, as they feel these discussions create more problems than they are worth because the discussion is centered on money. In actuality, your loved ones will appreciate seeing the charity through your eyes and heart. Who knows, as time moves along, you may see other family members become part of the charity in their own way. You can give to charity in memory of a loved one who has used those charities services, or in memory of a loved one who has passed away.

While writing a check or giving cash to a charity is a common way to donate, another great way is by using your Required Minimum Distribution (RMD) from your Individual Retirement Account (IRA). If you have not taken your RMD from your IRA for 2017, you still have time to transfer the full amount to charity. The charity or charities, will be grateful for your gift and you will have satisfied your RMD for the year and reduced your personal taxable income for 2017. Make sure you check with your CPA for the correct RMD calculation and how the charitable gift may affect your personal taxes.*

If you do not wish to use your IRA to do your gifting, another option is a gift of stock you may have in your brokerage or investment management account. Perhaps you have some low cost basis stock in your account that you have been hanging onto. If you do not need the income the stock provides, you can gift shares of low cost basis stock to your favorite charity and possibly enjoy a tax deduction, while avoiding a capital gain. In addition, some charities are also open to donations of items you may not think about. Land, homes, cars, boats, furs, and jewelry are common gifts to some charities.

While we are talking about gifting money, securities, or items of value to charity, remember that volunteering your time is also a valuable gift. Charities are eager to sign volunteers up, especially this time of year when they are having their biggest fundraising events. Volunteers are needed to help set up these events, and assist the charity in curbing costs they would otherwise be spending for hired help. Maybe you have a story to tell and think others would benefit from hearing it; you could be a speaker for one of their events. Maybe you have a level of expertise that would benefit the charity, for instance, teaching tennis to a youth group. Your time does count and can help enhance your charity's awareness and exposure in the community.

From a documentation standpoint, be sure when you donate money or securities to charity, that you gather a receipt for your donation. Charities will be happy to do it. Make sure the tax identification number of the charity is listed on the receipt. Make your receipts available to your CPA for further handling to ensure you receive the applicable tax credits for your donation.

As this year comes to a close, everyone here at Cypress Trust Company wishes you and your family a safe, healthy and happy holiday season and a very Happy New Year!!!

**Only contributions to what the IRS calls "qualified organizations" are tax deductible. These consist mainly of public charities - organizations that come under Section 501(c)(3) of the Internal Revenue Code. If a nonprofit has obtained a determination letter from the IRS recognizing its status as a 501(c)(3) public charity, then it is a qualified organization and donations to it are wholly or partially deductible as applicable under IRS guidelines. Many nonprofits include copies of their IRS determination letter on their website and their taxpayer identification number on fundraising solicitations so donors know they can deduct all or part of donations to their organization. The only 501(c)(3) organizations that are automatically considered qualified organizations (without a determination letter from the IRS) are churches and other religious organizations.*

Smart Phone Security

By Jim Parry, Vice President IT Services
Cypress Trust Company

The security of your smartphone is something everyone needs to consider, as your smart phone has effectively become a desktop computer in your hand.

Limited awareness and subsequent unsafe behavior may be the most threatening vulnerability for mobile devices. It is critical to understand that a mobile device is no longer just a phone and cannot be treated as such. Unlike the previous generation of mobile phones that were at worst susceptible to local Bluetooth hijacking, modern Internet-tethered mobile devices are susceptible to being probed, identified, and exploited by hackers without your knowledge. The techniques you can use to protect your mobile devices are similar to those you use to protect your computer. US-CERT recommends the following best practices to help protect mobile devices:

1. Maintain up-to-date software, including updating the phone's operating system as well as the applications installed on the phone.
2. Install anti-virus software if it is available, and be sure that the virus signatures are updating automatically. Also, install new versions of the anti-virus product as they become available.
3. Enable a PIN number or password to access the mobile device.
4. If the function is available on your phone, encrypt the data on the phone. This is not available on all phones, but if it is available on yours, use it.
5. Disable communications features you are not currently using such as Bluetooth, infrared, and Wi-Fi. If you use them, turn them off after use.
6. For your Bluetooth-enabled devices, set them to 'non-discoverable' to render them invisible to unknown devices.
7. Just as you do with your computer, use caution when opening e-mail and text message attachments. Do not click on links within texts and e-mails unless you know the sender.
8. Be extremely careful about opening files, clicking links, or calling numbers contained in unsolicited e-mails or text messages.
9. Avoid joining unknown Wi-Fi networks, and be aware that if you do, everything that you do may be observed by a third party.
10. Delete all information stored in a device prior to discarding it. Most cell phones have an option in 'Settings' to reset the phone. This will reset the phone back to factory settings, the way it was when you purchased it.

As part of our commitment to help you stay cyber-aware, look for tips and recommendations in each issue of The Compass newsletter that you can use to keep your personal information safe.



Cypress Trust Company is a boutique corporate fiduciary that focuses exclusively on providing customized trust and investment management services for successful individuals and their families, non-profit organizations, foundations and endowments. As an independent Florida-chartered trust company, we are governed by an elected board of directors and regulated by the Florida Office of Financial Regulation. Cypress Trust Company maintains full-service offices in Palm Beach, Naples, Vero Beach, and Winter Haven, with additional representation in Sarasota and The Villages.

Important Notes

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251 Royal Palm Way, Suite 500, Palm Beach, FL 33480 | info@CypressTrust.com | cypresstrust.com | 1-800-439-8745