Quantitative Asset Management, LLC
Investment & Advisory Services

October 1, 2017

Quarter Ending September 30, 2017

Year-to-Date Performance	Last Full Quarter	YTD	Index Close
Dow Jones Industrial Average	5.6%	15.5%	22,405.09
NASDAQ Composite Price	6.1%	21.7%	6,495.96
Standard & Poor's Averages	4.5%	14.2%	2,519.36

Dear Clients,

The term "summer doldrums" turned out to ring true for the third quarter of 2017. Activity in the equity markets was rather uneventful. Broad based equity markets continued to make slow and steady progress and there was not much in the way of any significant volatility outside of some news or earnings driven events. Even though summer passed without much incident, reading and hearing about the next major equity correction is a daily occurrence. Numerous economists, sell-side analysts, hedge fund managers, and market "specialists" are attempting to be the next John Paulson by calling the next market top and impending decline.

Equity markets have been in an 8-year bull market and a lot of these doomsayers are anticipating a downturn just because it "is time" for a correction. Their thesis has nothing to do with fundamentals and is based purely on speculation. Sir John Templeton is quoted as saying, "Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria." We are of the belief that we are somewhere between skepticism and optimism. Monthly job numbers continue to be quite strong. Although slowly, wages are moving up. Corporate earnings continue to be strong and company balance sheets are the strongest they have ever been. As an example, during the last financial crisis most banks were leveraged 30-1, which was extremely high. Today, these same banks are leveraged 10-1. To put that into prospective, banks would have to add significant leverage to their balance sheets over the next 10 years to get back to the lofty levels of 2007.

Although we do not feel there is a systemic event on the horizon, we would not be surprised to see some volatility ahead. Investors and institutions can push markets to extreme levels in short periods of time. It has been well over a year since any kind of correction and we would view any potential decline as more of an opportunity.

*As required by Advisors Act Rule 204-3 advisory disclosure documents (ADV Part 2A) are available upon request.

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I would like to close with two final thoughts. As usual, I hope to provide you with a different perspective on the markets.

First, as we have stated in previous letters, we feel there are portions of the equity markets that are overvalued (FANG stocks, Facebook, Amazon, Netflix, and Google). As of September 26th, the Intercontinental Exchange announced they were launching a new FANG-based ETF (exchange traded fund). We can never be certain, but does this look more like the "euphoria" stage of the market cycle for these stocks?

My last thought will focus on news driven events affecting our markets. North Korea has been a major topic of conversation for most investors. There is no way to tell what long-term impact this issue might have on our markets; however, I wanted to add some interesting insight. According to NK News, the words "declaration or war" have appeared in the North's Korea Central News Agency 200 times in the last 20 years. It is easy to get caught up in the attention-grabbing headlines, but all may not be what is seems.

Moving into the 4th quarter of 2017 we anticipate the equity markets will be defined by company earnings and some important political decisions out of Washington. Any announcements on the personal tax code, corporate tax code and cash repatriation should be market moving events. We can never be certain as to what direction, but we would view any new legislation on these policies as a positive.

Sincerely,

Jeffrey L. Farni Sr.

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