QUANTITATIVE ASSET MANAGEMENT, LLC
Investment & Advisory Services

April 1, 2017

Quarter Ending March 31, 2017

Year-to-Date Performance	Last Full Quarter	YTD	Index Close
Dow Jones Industrial Average	5.2%	19.9%	20.663.22
NASDAQ Composite Price	10.1%	22.9%	5.911.74
Standard & Poor's Averages	6.1%	17.2%	2.362.72

Dear Clients,

New Quarter… Same Old News.

Every time I sit down to write our quarterly letter my intention is to pass along a brief review of the most recent quarter and provide some insight as to what the future holds (the first being much easier to write/predict versus the latter). As the title of this letter states, three months of the calendar have passed, but not much has materially changed in the markets of our investment thesis. I will briefly touch on our market outlook, but his "lull" in the markets provides a great opportunity for me to reflect on our general investment philosophy versus today's Wall Street.

Whether you are watching CNBC, Jim Cramer, or any financial institution's commercial about free trades, one theme is the same - you need to be proactively buying and selling the markets in order to be a successful investor." At QAM, we still firmly believe that high-frequency traders, chartists, and hedge funds have never added value after taxes and expenses. To prove our thesis, there is a reason why hedge funds with a 2% management fee and 20% of profit structure have and are going out of business.

This example may be familiar to some, but I think it supports our viewpoint as to why a "buy and hold" strategy is most suitable for investors. In the investment world it is very difficult to find great values and investment ideas; however, purchasing an investment is only one side of the "investment" equation. Realize, when you sell something you eventually need to find a replacement investment. And the odds of this "trade" being correct are 1 in 4. The only scenario in which you have made the "correct" trade decision is the following: The security you sold goes down in value and the security you purchased needs to go up just to cover taxes and expenses. There are a lot of factors that go into investing but hopefully this example provides some insight as to the complexity of the investment world.

As for the equity market in general, they continued to make solid progress in the first quarter of 2017. The equity markets did encounter minor volatility caused by headline driven events (North Korea, Brexit, etc.); however, they were immediately supported by an influx of cash sitting on the sidelines. Some areas of the equity markets are expensive (large cap), but we feel there are sectors that still have great value (technology, business development companies, shipping, oil and gas). With bond rates at all-time lows, and facing a rising interest rate environment, we feel there is too much risk in the bond world to commit capital. In general, equity markets have the best risk vs. reward moving forward.

Sincerely,

Jeffrey L. Farni Sr.