JANNEY UPDATE

President's Message to Clients

Spring is right around the corner, and with it comes more daylight and warmer days. Spring serves as a reminder of the power of possibility, which can fuel the engine of change, lead innovation, and achieve goals.

Janney advisors understand the power of possibility. Each day they meet with clients about their goals and develop investment and financial planning strategies that can help make these goals possible. One tool our advisors have access to is our Retirement Income Evaluator. This interactive tool can help explore your retirement possibilities and better envision your retirement income needs and lifestyle. Spring is the perfect time for you to define or reconsider your retirement possibilities, so talk to your advisor about how our Retirement Income Evaluator can help.

The Economy and Markets

Many questions about taxes and economic policy remain despite a lot of coverage of the new administration by the media. However, the market as of late seems to have little question as to its direction. As our Chief Investment Strategist Mark Luschini explains in this issue's *Economic Outlook*, good news is prevalent in today's economic landscape. Of late, there have even been signs of an improved tone associated with it, and not just here in the U.S., but globally as well. Mark states: "This emboldens our view that the economic expansion that has been underway since 2009, whose duration is about to become the third-longest in the last century, will continue for the foreseeable future."

Mark also addresses that the combination of job security and rising incomes has boosted readings of consumer confidence to levels last seen more than a decade ago. This is an important and powerful setup for consumer spending—the dominant driver of economic activity in the U.S.—to continue.

Lastly, Mark advises, while gains made in the stock market so far this year are already impressive, we think the advance has further to go. The occasional setback is inevitable, given current valuations and the chance that items may crop up from time to time and undermine the somewhat ambitious expectations that the market has pulled forward. But we do not believe the market will be derailed by order of magnitude or time to warrant a more cautious policy setting.

Regulatory Changes

We continue to monitor the introduction of the Fiduciary Rule by the Department of Labor (DOL) to our regulatory environment as it nears its original applicability date of April 10, 2017. As a reminder, in 2016, the DOL released this rule, which essentially applies a best interest standard, otherwise known as a fiduciary standard, on professionals who provide advice to individual owners and trustees of retirement accounts. All financial professionals providing advice to retirement accounts were to comply with this rule by April 10, 2017.

In February 2017, however, the Trump administration asked the DOL to conduct a new review of this rule. At the time of this writing, the DOL is in the process of accepting public comments on whether to delay the rule's applicability date or not and on the administration's questions on the rule's implications. Due to the complexity of this review, we expect the DOL to delay the April deadline to allow for time to respond to the administration's request.

There continues to be a lot of attention on this matter. As we monitor and manage to our regulatory environment, we remain committed to the ongoing delivery of advice and service to our clients. Regardless of the regulations we operate under, Janney is dedicated to continuing our long-standing commitment to our clients' best interests. Clients choose to work with us based on the strength of trust they have in our advice and their relationship with their advisors. And we thank you for that trust.

We encourage you to visit www.janney.com/dol for the most up-to-date information and news we have on the rule's progress, or please contact your financial advisor.

Improving the Client Experience

Technology continues to offer more efficient and effective means for you to communicate and interact with us about your accounts and relationship. We've devoted significant resources to our client website, Janney Online Access, and we continue to introduce enhancements. We've recently updated our site with the following new features:

- **Janney Money Transfer –** Use Janney Online Access to transfer cash electronically between your bank account and your Janney account. Some account types including retirement accounts (specifically IRAs) are not eligible for this service.
- **Enhanced Responsive Design –** The site design has been enhanced to scale in response to the screen size of the device being used, whether it is a mobile phone, tablet, or PC. We have also increased the font size and improved other navigational features to make it easier to find what you need.
- **Other important online features everyone should be aware of** include My Net Worth account aggregation,

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mobile check deposit, electronic delivery of statements and tax forms, and online document storage. For more information about our Online Access, visit Janney.com/online-access.

How Janney Can Help: Expert Financial Insights

Our team of experts provides top-notch advice and industry insights to our advisors and clients every day. These experts in investments, portfolio management, and financial planning are always accessible to you and provide educational material and commentary on a wide range of topics—including our Expert Financial Insights series. To help you stay informed of solutions that might benefit your portfolio, retirement savings, or other goals, we've highlighted several key topics below:

- **Tax-Managed Investing: How to Keep More of What You Earn.** In this brief commentary, we focus on the importance of after-tax returns and techniques that could increase the tax efficiency of your portfolio.
- **"Backdoor" Roth Conversion:** In this piece, we discuss the use of a Roth Conversion technique to allow clients to make Roth IRA contributions, even if their incomes exceed the applicable income limits.

Moving Ahead in 2017

As we enter the second quarter of 2017, I'm happy to report that Janney remains stable, profitable, and ready to face what lies ahead—while keeping our relationships with you at the forefront.

As we strive to remain the firm of choice for our clients, I'm proud to highlight recent awards received by some of our advisors:

- Top 25 Regional Advisors Under 40, *On Wall Street*
- Top 200 Women Advisors, *Forbes*
- Top 400 Financial Advisors, *Financial Times*
- Top 1,200 Annual State Ranking, *Barron's*

As always, thank you for your business and the continued trust you place in us each day.

Sincerely,

Timothy C. Scheve
President and Chief Executive Officer

Thank you for being part of our Janney family!

This year, Janney Montgomery Scott LLC, one of the nation's largest full-service regional securities broker/dealers and one of the oldest in the nation, celebrates its 185th anniversary. The Firm traces its roots to 1832 when Thomas Watson, then a part of Lawrence Turner & Co., purchased the second seat on the New York Stock Exchange. Since then and as a result of a number of mergers and acquisitions, Janney has evolved to be one of the few remaining strong and growing regional firms.

The Firm is dedicated to a long tradition of viewing every client—whether an individual, a corporation, a municipality, or other—as unique. This tradition of service is at the core of Janney's 185 years of ongoing success. Our most important relationships are those with our clients and the communities in which we live and work. We thank you for being part of our Janney family. ■

Stay Up to Date on the Department of Labor's (DOL) Fiduciary Rule

In February 2017, the Trump administration asked the DOL to conduct another review of its new fiduciary rule. As a reminder, this rule essentially applies a best interest standard, otherwise known as a fiduciary standard, on professionals who provide advice to individual owners and trustees of retirement accounts. At the time of this writing, the DOL is in the process of accepting public comments on whether to delay the rule's applicability date or not and on the administration's questions on the rule's implications. You can continue to monitor the status of the DOL Fiduciary Rule by visiting www.janney.com/dol or by contacting your financial advisor. ■

Annual Disclosure Statement to Accounts Approved for Margin

Janney is providing this disclosure to inform you of some basic facts about purchasing securities on margin and to alert you to the risks involved with trading securities in a margin account. Before trading securities in a margin account, you should carefully review the margin agreement provided by Janney. Consult your Financial Advisor or contact Janney regarding any questions or concerns you may have with your margin account(s).

When you purchase qualified securities, you may pay for the securities in full, or you may borrow part of the purchase price from Janney. If you choose to borrow funds, you must open a margin account. The securities purchased as well as other securities in your margin account are Janney's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and as a result, we can take action, such as issuing a margin call and/or selling securities or other assets in any of your accounts held at Janney in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

A decline in the value of securities that are purchased on margin may require you to provide additional funds to Janney to avoid the forced sale of those securities or other securities or assets in your account(s). You can lose more funds than you deposit in the margin account.

Janney can force the sale of securities or other assets in your account(s). If the equity in your account falls below the maintenance margin requirements or Janney's higher "house" requirements, the firm can sell the securities or other assets in any of your accounts held at Janney to cover the margin deficiency. You will also be responsible for any shortfalls in the account after such a sale.

Janney can sell your securities or other assets without contacting you. Janney will attempt to notify our clients of margin calls; however, we are not required to do so. Even if Janney has contacted a client and provided a specific date by which the client can meet a margin call, we can still take necessary steps to protect our financial interests, including immediately selling the securities without notice to the client.

In the event of a forced liquidation, you are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call. Because the securities are collateral for the margin loan, Janney maintains the right to decide which security to sell in order to protect our interests.

Janney can increase "house" maintenance margin requirements at any time, and we are not required to provide you with advance written notice. These changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Failure to satisfy the call may require Janney to liquidate or sell securities in your account(s).

Janney is required to send clients with margin accounts the preceding information on an annual basis. We believe the following additional information will assist our clients in understanding the various aspects of margin borrowing, especially the risks.

How Does Margin Work?

When utilizing margin to purchase securities, borrowed money is being used to fund the transaction. While market appreciation will increase your return on an investment, a depreciation may result in an increased loss greater than the amount of money originally supplied.

	Using Cash Only	Using Margin
Value of Purchase	$10,000	$10,000
Investor's Cash Payment	$10,000	$5,000
Margin Loan from Janney	$0	$5,000
Assume Value Increase of $1,000		
New Value	$11,000	$11,000
Profit	$1,000	$1,000
Cash Investment	$10,000	$5,000
Return on Investment	10%	20%
Assume Value Decrease of $1,000		
New Value	$9,000	$9,000
Loss	$1,000	$1,000
Cash Investment	$10,000	$5,000
Return on Investment	–10%	–20%

The above example demonstrates that an investor who makes a cash purchase either loses or gains 10%, while the margined investor loses or gains 20%. For this reason, investors who employ margin usually have a more aggressive approach to investing with a willingness to take a larger risk. Investors who use margin will also be charged interest on the borrowed amount as explained in the section titled "Margin Interest." Before choosing to invest using margin, you should consult your Janney Financial Advisor to determine if the risk is appropriate for your investment objectives and risk tolerance.

Initial Margin Requirements and Maintenance Requirement

The initial margin requirement is the percentage amount required as initial equity from the investor. Federal Reserve Board Regulation T establishes a minimum account equity value of $2,000 when placing orders on margin. For most equity securities, which meet standards as defined in the regulation, this requirement is 50%—the investor must have 50% of the purchase amount by settlement date, plus Janney also requires the price of the stock to be above $5 per share. Some securities, including many U.S. Treasury issues, have lower margin requirements. Your Janney Financial Advisor can provide further information upon request.

When an investor borrows on margin, there is an ongoing minimum equity requirement called the maintenance requirement, usually 30%. In some cases, Janney may have a "house" requirement that is above 30%. For example, Janney has a maintenance requirement of 75% on certain stocks and 100% on others (100% means these securities are not eligible for margin). As another example, when a stock's price falls below $4 per share, Janney applies a 100% maintenance requirement.

If the value of the securities in a margin account falls so that the equity is below the maintenance requirement, a margin call will be issued requiring the client to deposit cash or acceptable collateral into the margin account to bring the equity value up to the required maintenance level. As noted earlier, Janney can change maintenance requirements at any time without prior notification.

Consider the table below showing a decline in value. The example assumes that the maintenance level on all securities in the account is 30%. When the value of the securities in the account falls below $7,000, the equity falls below 30%, which will trigger a margin call.

Impact of Decrease in Value				
Account Value	$10,000	$9,000	$8,000	$7,000
Margin Loan	$5,000	$5,000	$5,000	$5,000
Equity (value minus loan)	$5,000	$4,000	$3,000	$2,000
Equity Percent (equity divided by value)	50%	44%	38%	29%

When equity falls below the maintenance requirement and a margin call is issued, Janney will try to contact the client. As noted in the required disclosures listed at the beginning of this page, however, Janney can sell securities to meet a margin call at any time without notice. Janney can also change the maintenance requirements at any time without prior notification.

Margin Interest

Janney will charge interest to margin accounts based on the Janney Base Rate. The Janney Base Rate is an internally calculated rate established by Janney that changes from time to time based on Janney's cost of funds and Janney's assessment of the rates charged in the financial markets.

The interest rate you will be charged for borrowing on margin will increase or decrease as the Janney Base Rate increases or decreases. The Janney Base Rate is published on Janney's website and is subject to change without prior notice to you. We encourage you to check our site frequently to be sure you are aware of the current Base Rate at all times. The Janney Base Rate is 4%.

To determine your margin account's interest rate, we will use the following schedule, which reflects the annual interest rate being charged on all margin loan balances:

If the Debit Balance Is This:	Percentage of Interest Charged:
Less than $25,000	Janney Base Rate Plus 5.875%
Between $25,000 & $49,999	Janney Base Rate Plus 5.25%
Between $50,000 & $99,999	Janney Base Rate Plus 4.75%
Between $100,000 & $249,999	Janney Base Rate Plus 4.25%
Between $250,000 & $499,999	Janney Base Rate Plus 4.00%
Between $500,000 & $999,999	Janney Base Rate Plus 3.75%
$1,000,000 & Above	Janney Base Rate Plus 3.50%

For example, a margin client with a debit balance or margin loan of $300,000 will pay an interest rate of 8%. As the Janney Base Rate changes, so does the rate charged to the margin borrower. If you have any questions, please contact your Janney Financial Advisor.

Conclusion

While investors who use margin may increase the profit potential of investing, there are significant risks to margin borrowing that should be understood before embarking on a margin strategy. Your Janney Financial Advisor can provide you with further information and help guide you in making wise investment decisions. For more information on margin borrowing, there are several websites with valuable information, including the following:

Securities and Exchange Commission
http://www.sec.gov/investor/pubs/margin.htm

Financial Industry Regulatory Authority
http://www.finra.org

As always, we welcome any comments or questions. Please contact your Janney Financial Advisor or write to us at the following address:

Margin Department/Disclosure Information
Janney Montgomery Scott LLC
1717 Arch Street, Philadelphia, PA 19103 ■

Economic Outlook

Mark Luschini, Chief Investment Strategist

Good news is prevalent in today's economic landscape. Of late, there have even been signs of an improved tone associated with it, and not just here in the U.S., but globally as well. That emboldens our view that the economic expansion that has been underway since 2009, whose duration is about to become the third-longest in the last century, will continue for the foreseeable future.

U.S. economic growth quickened in the second half of last year, and recent real-time measures taken by both the Atlanta and New York Federal Reserves suggest its pace remains steady so far this year. Job growth, the key to a self-sustaining expansion, continues to operate at a level that is sufficiently strong as to draw down the ranks of the underemployed. This, in turn, has tightened labor markets to the point where the once elusive gains in wages are consistently running at a 2–3% annualized rate. The combination of job security and rising incomes has boosted readings of consumer confidence to levels last seen more than a decade ago. This is an important and powerful setup for spending—the dominant driver of economic activity in the U.S—to continue. Accompanying the improvement in consumer sentiment is an increased swagger from the business community. Surveys taken of CEOs and CFOs of large and small companies alike not only report rising confidence levels, but increasing intentions to spend and hire to boot. Should the rekindling of "animal spirits" translate into capital expenditures, this would add an incremental tailwind to domestic growth.

Similar readings are being elicited by many countries around the world, including those in the Euro area and Japan. Readings on activity coming from the manufacturing and services industries are elevated, and confidence is similarly moving higher. A synchronized acceleration in global economic activity provides a fertile backdrop for corporate profits, both here and abroad. That should support equity markets as market participants will put down payments on the current and prospective strength of these positive, fundamental underpinnings. This, of course, is also encouraging monetary officials to review policies that may need to be less supportive going forward. While other systemically important central banks around the world are exceedingly unlikely to shift their current levels of monetary accommodation in the near future, our Federal Reserve has embarked on a tightening cycle, albeit slowly and still in the very early stage. Recent forecasts from Fed officials suggest two and possibly three more interest rate hikes this year. Even then, some policymakers left open the chance that growth predictions set late last year may underestimate what develops over the course of 2017, particularly if there is any fiscal boost that comes from the Trump administration by way of tax cuts or other forms of spending.

Much ink has been spilled on the market-friendly policies that may be legislated, including the previously mentioned items such as corporate tax reform, but also deregulation, defense, and infrastructure spending. What is less clear is the prospective impact of new trade policies and the geopolitical risks associated with de-globalization. Additionally, elections in Europe—with those most important taking place in France and possibly later this year in Italy—loom as red herrings that could metastasize into something worse depending on the outcome. While not our base case, these issues, as well as disappointingly slow movement on proposed changes regarding tax reform, the Affordable Care Act and deregulation, lurk as trouble spots that could disrupt our otherwise sanguine view.

While gains made in the stock market so far this year are already impressive, we think the advance has further to go. The occasional setback is inevitable, given current valuations and the non-trivial chance that cringe-worthy items may crop up from time to time and undermine the somewhat ambitious expectations that the market has pulled forward. But we do not believe the market will be derailed by order of magnitude or time to warrant a more cautious policy setting. Bonds will likely face more of an uphill struggle given the probability of higher interest rates and prospectively higher inflation. To be sure, we think neither poses an immediate threat to inflict severe pain on the holders of these instruments. ■

Statement of Financial Condition

Janney Montgomery Scott LLC is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission and is required to maintain a minimum amount of net capital. As of December 31, 2016, Janney's Net Capital and Net Capital Requirement were $87,915,964 and $7,216,594 respectively. You may obtain a copy of this Statement of Financial Condition as of December 31, 2016, at no cost by accessing our website at www.janney.com or by calling our toll-free number at 800–526–6397 and requesting a copy. ■

Account Information Verification

The Financial Industry Regulatory Authority (FINRA) and other securities regulators require that broker-dealers maintain certain information about their clients and verify this information periodically. At the time your account was established and perhaps on additional occasions since that time, you provided Janney with account information such as your name, address, investment objective, and other data. On your June 2017 client statement, this information will be listed on the last page of your statement. When you receive your June 2017 statement, please review the last page carefully, and promptly notify your Financial Advisor if anything is incorrect. If your information is correct, no action will be required. If you have any questions, please contact your Financial Advisor. ■

Privacy Notice

Janney is committed to using your personal financial information responsibly. We understand your desire for discretion in handling your financial matters and we appreciate the trust you have placed in us to keep that information confidential. We have enclosed our Privacy Notice with your statement.

Our Privacy Notice is published annually and explains the policies and procedures for protecting your personal information. The Janney Privacy Notice also provides you with contact information in the event that you have any questions or concerns about the way your personal information is handled. Our Privacy Notice is also available on our website at www.janney.com/privacy-policy. ■

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IN FINANCIAL RELATIONSHIPS