Quarterly NEWSLETTER

FALL 2015

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Slow, Steady Grind...

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The S&P 500 increased 3.85% during the third quarter with most of the gain occurring in the first three weeks of July after the late June drop in response to Great Britain unexpectedly voting to leave the European Union ("Brexit"). Year-to-date (YTD) through September 30, the S&P 500 returned 7.84% after starting the year down over 10% for the first six weeks of 2016. The index remained in a holding pattern between 2160 and 2190 from the end of July until early September then proceeded to drop to the 2120 level ahead of the September 21 Fed meeting over fears the Fed would raise interest rates. It recovered in the following two weeks finishing the quarter at 2168 and has hovered in the same trading range throughout October. As investors will recall, the S&P 500 fell over 200 points in August, 2015 over fears of a Chinese stock market crash and falling oil prices. The index finished the third quarter of 2015 near the 1900 level after the Fed cited market turmoil and economic weakness as reasons for not increasing rates last September. Over the last twelve months the S&P 500 returned a healthy 15.37% while most of the other equity indices, except for the developed international equity index (EAFE 7.08%), outperformed the S&P 500 over this twelve month period.

For the quarter, the developed market MSCI EAFE index returned 6.50% and 2.20% YTD while the MSCI Emerging Market index added 9.16% in 3Q16 and returned 16.29% YTD, recovering losses experienced in the last half of 2015. Emerging markets benefitted primarily from a recovery in China, its largest constituent and one of the largest trading partners for many EM countries. Europe remains mired in country – specific turmoil and banking crises. Concerns over Brexit, the collapse of Italy's oldest bank and fears that a U.S. fine would wipe out Deutsche Bank's equity capital have created an overhang on European markets and have resulted in a prolonged period of negative interest rates. Low rates have resulted in a weaker Euro, which is leading to an improvement in trade in the Eurozone.

2016-2017 Market Outlook (Continued on page 4)

Economic forecasters continued to ratchet down U.S. and global growth estimates for 2016 in the third quarter. U.S. GDP 2016 estimates started the year at 2.5%, were subsequently dropped to 2.1% in 1Q16, then 2.0% in 2Q16 and are now averaging 1.8% (Source: WSJ Economic

Chart 1

Q3 2016 Market Performance – Total Returns

	9/30/16 Level	Q3	YTD
Dow Jones	18308	2.11%	5.07%
S&P 500	2168	3.85%	7.84%
NASDAQ Composite	5312	10.02%	7.15%
Russell 2000	1252	9.05%	11.45%
S&P Midcap	1552	4.14%	12.40%
Russell 1000 Growth	1047	4.58%	5.98%
Russell 1000 Value	1040	3.48%	9.97%
MSCI EAFE	1701	6.50%	2.20%
	Yield	Q3	YTD
Barclays Municipal	1.82	-0.05%	2.56%
Barclays Aggregate	1.96	0.42%	5.92%
Barclays High Yield	6.17	5.49%	15.32%

Chart 2

Q3 2016 S&P 500 Sector Performance

	Q3	Year-to-Date
Healthcare	0.94%	1.37%
Consumer Discretionary	2.94%	3.64%
Consumer Staples	-2.63%	7.55%
Financials	4.59%	1.40%
Telecommunication	-5.60%	17.86%
Information Technology	12.86%	12.51%
Materials	3.71%	11.45%
Energy	2.26%	18.72%
Industrials	4.14%	10.87%
Utilities	-5.91%	16.13%

Proprietary Performance Results

	3rd Quarter	1 Year	3 Year	5 Year	Since Inception
Focused Equity Fund [2]	2.29%	13.15%	10.29%	14.11%	14.05%
Aggressive Growth Fund [1,3]	9.18%	9.73%	10.16%	16.40%	8.62%
Science/Technology Fund [4]	8.88%	10.97%	12.34%	15.62%	7.87%
S&P 500	3.85%	15.39%	11.14%	16.36%	14.39%[2], 9.34%[3], 7.29%[4]
Russell 2000	9.04%	15.43%	6.69%	15.80%	14.16%[2], 7.09%[3], 6.25%[4]
MSCI EAFE	6.50%	7.08%	1.04%	7.97%	7.79%[2], 2.18%[3], 4.12%[4]
Strategic Income Fund [5]	1.89%	10.60%	6.31%	8.96%	9.72%
60% Russell 3000 Val / 40% Barclay Agg	2.50%	11.97%	7.42%	10.90%	9.85%

There is no assurance that any of these investment strategies will meet its investment objective. Performance results for each strategy are computed on the strategy's overall returns. Each strategy and index includes the reinvestment of dividends. Past performance does not guarantee future results. Current performance may be lower or higher than the performance results quoted. [1] Net of management fees; performance results of SMC Capital and/or its principals as advisor from inception to 2/28/06 and as sub-advisors to CBandT since 3/1/06. [2] Inception date 12/31/2008. [3] Inception date 7/1/1989. [4] Inception date 3/31/2006. [5] Inception date 12/31/2008.

Fixed Income

During the quarter, the Federal Reserve maintained its 0.25%-0.50% range for the Fed Funds rate despite three dissenting FOMC members preferring to raise the target range by 0.25%. U.S. Treasury yields moved slightly higher during the quarter as fears of a Brexit fallout faded. Volatility was extremely low in most markets with the exception of the days leading up to the FOMC meeting where both stock and bond prices fell. At its peak, the 10-year Treasury hit 1.73% up from 1.47% to start the quarter. In addition to no action by the Fed, bond prices were supported by the lowering of the Fed's interest rate projections in coming years by roughly 0.5%. In all, the 10-year Treasury averaged 1.56% during the quarter and ended at 1.59%.

Previously, we noted that Fed Chair Yellen said she "would not completely rule out the use of negative interest rates in some future very adverse scenario" and Bloomberg recently reported that she stated that there could be benefits to the Fed buying equities or corporate bonds. It is apparent that the Fed is open-minded when it comes to unconventional tools being utilized by other central banks around the globe.

Following the best start since 1995, broad-based bond returns were positive in July before taking a breather. The Bloomberg Barclays U.S. Aggregate Bond Index returned -0.06% in September after falling -0.11% in August. For the quarter, the index added another 0.46%, bringing the year-to-date return tally to 5.8%. The Global Aggregate Index (Unhedged) outperformed the U.S. Bond Index, returning 0.82% for the quarter and 9.85% year-to-date.

The U.S. high yield market has been especially interesting this year. Returns were under pressure through February 11th, falling nearly 6%. The junk bond universe yielded in excess of 10% on that day. Since then, high yield has performed exceptionally well, with prices rebounding over 16%. High yield returns are now over 15% for the year, increasing 5.5% during the quarter. Spreads fell more than 1% and are now trading near historical averages of roughly 5%.

Tax-exempt municipal bonds returned -0.3% during the quarter lowering returns on the year to just over 4%. Municipal bonds finished the quarter with 52 straight weeks of mutual fund inflows, marking a full year of demand. With rising yields, issuers slowed down the rapid pace at which they were issuing debt, with bonds sold in September falling to $33 billion from August's $49 billion.

In our previous commentary, we lowered our outlook for investment-grade and municipal bonds to overvalued, given the record low yields. We continue to recommend a tactical underweight to core fixed income in favor of high quality dividend paying stocks and alternative strategies.

Focused Equity

For the third quarter and the nine months ending September 30, the strategy returned 2.29% and 5.08%, respectively, versus a 3.85% and 7.84% increase for the S&P 500 Equity Index. Since inception, the strategy has narrowly trailed the S&P 500's annual return of 14.39% by -0.34% with a gain of 14.05%. However, the fund has achieved these results taking on meaningfully less risk than the S&P 500 with a beta of 0.87 and capturing only 90% of the index's annualized standard deviation, thus producing annualized alpha of 1.72 since inception.

EOG Resources, Inc. (EOG)
7/1/2016 – 9/30/2016

The information technology sector led the strategy in the third quarter (+14.50%) as investors rotated into higher growth cyclical stocks that had been left behind during Q1 and Q2's flight-to-safety and flight-to-yield trades, compelling overweight positions in Facebook (FB +12.24%), Alphabet (GOOGL +14.29%), Apple (AAPL +18.98%), and Microsoft (MSFT +13.27%) to make significant contributions to the strategy's total return. Apple led Focused Equity in terms of absolute return during the quarter based on better than expected results from iPhone and iPad unit shipments, as well as the successful launch of the iPhone 7, as its main competitor, Samsung, struggled with a recall of its competing phone due to battery-related fires. Positions in EOG Resources (EOG +16.17%) and Spectra Energy (SE +17.84%) were the strategy's best active selections relative to the index as oil supply tightened and demand for oil picked up. These positions were also two of the largest contributors to YTD performance.

Most of the underperformance for the fund in the quarter and YTD resulted from a higher allocation to healthcare relative to the benchmark. Furthermore, the healthcare allocation is heavily weighted to biotech and pharma as well as distributors and pharmacy benefit managers. Bristol-Myers Squibb (BMY -26.69%) was the largest negative contribution to results, as its blockbuster drug, Opdivo, failed a key lung cancer study during the quarter. Consumer cyclical companies Lowes (LOW -8.40%), Starbucks (SBUX -4.88%), and Walt Disney (DIS -4.39%) were among the leading detractors on the fund's results during the third quarter, following lackluster Q2 earnings results reported by Lowes and Starbucks, as well as negative sentiment around Disney's move to lower Q4 guidance due to a shrinking cable subscriber base industry-wide, soft studio expectations for the 2016 holiday season, and tough consumer products comps from blockbuster hit Frozen.

Strategic Income Builder

For the quarter, the strategy (SIB) returned 1.89%, falling behind the blended benchmark return of 2.50%, which is comprised of a 60% weighting to the Russell 3000 Value Index & 40% to the Barclay's Aggregate Index. For 12 months, SIB also lagged its benchmark (10.60% vs. 11.97%). During this quarter, volatility was low and our equity allocation is currently 68%. We remain overweight stocks due to the historically low bond yields.

Since inception (1/1/09), the SIB strategy has returned an annualized 9.66%, in line with the benchmark return of 9.86%. The yield generated from the strategy has consistently exceeded that of the benchmark. On a risk-adjusted basis, the strategy has generated a positive alpha of 0.87% annualized with a beta of 0.88. The success of the portfolio is the result of an attractive mix of income producing securities, exposure to global markets and tactical allocation.

For the quarter, our equities returned 2.49% vs. 3.86% for the Russell 3000 Value. Within our tech holdings, Apple (AAPL +18.9%) rebounded strongly this quarter as it unveiled the iPhone 7 and 7 Plus. Apple hopes to stem a two-quarter decline in iPhone sales by enticing users to upgrade to the 7's faster processor and expanded memory options. Within healthcare, Bristol-Myers Squibb (BMY -26.7%) plummeted 23% in August. Opdivo, their flagship lung cancer drug, didn't slow the progression of advanced lung cancer, compared with conventional chemotherapy, for a broad group of lung cancer patients. Consensus for Opdivo 2020 sales has been cut to $8.8 billion from $11.3 billion. Opdivo did show robust efficacy in combination with Yervoy in first-line lung cancer in the updated trial data released in October. We believe the Opdivo + Yervoy combination therapy is likely to be effective as a first line treatment, but that data will not be available until 2018.

Quarterly fixed income performance of +1.18% compares to +0.46% for the Bloomberg Barclays Aggregate Bond index. For 2016, fixed income results in the portfolio stand at 5.89% vs. 5.80% for the Barclays Aggregate. Returns for our tax-free holdings, which are roughly 13% of fixed income, were flat during the quarter while our international bond funds returned 1.72% for this period and are up 5.92% the year. We have cut our international allocation to roughly 6% of fixed income from nearly 11% this time last year. Negative yielding global debt is shrinking as investors question how long central banks will pursue these extraordinary measures. Quarterly alternative performance was -2.3% and our allocation was unchanged at 4.5%. In general, we believe we can reduce portfolio volatility and enhance returns over time utilizing alternatives.

Science & Technology Strategy

The Science & Technology strategy (SciTech) returned 8.88% for the second quarter, falling short of the Nasdaq 100 (10.70%), the broader Nasdaq

Composite (10.02%) and the Lipper Science & Tech Fund Index (13.03%). For the last twelve months, the SciTech has returned 10.97% vs. 18.11% for the Nasdaq 100, 16.52% for the Nasdaq Composite and 20.96% for the Lipper Science & Technology index. Most of the underperformance for the fund in the quarter and over the last twelve months resulted from a 30% allocation to healthcare relative to the benchmarks. Over the long run, the strategy is beating the Lipper SciTech index on a risk adjusted basis and runs a 0.82 beta to the index.

Leaders: : In a reversal from the second quarter, technology was the largest contributor of performance to the strategy. Apple (AAPL, +19%) recovered losses from last quarter with stronger than anticipated iPhone 7 orders. Energous Corp (WATT, +51%) was up on rumors that its wire-free charging technology may be incorporated in the next iPhone. Biotech company Sarepta (SRPT) jumped 187% for the quarter after the FDA announced a conditional approval for Eteplirsen, its Duchenne's muscular dystrophy therapy.

Energous Corp. (WATT)
7/1/2016 – 9/30/2016

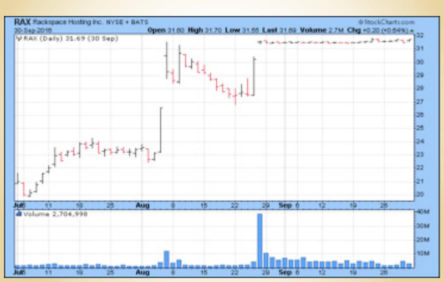
Laggards: Despite the political risk, we have maintained our allocations as most of the biopharma names we hold (e.g., ALXN, CELG, GILD, VRTX) are trading at significant discounts to their robust pipelines. Bristol-Meyers Squibb (BMY) fell 27% on the news that its Opdivo trial as a first line treatment for Non-Small Cell Lung Cancer (NSCLC) failed to meet its endpoint. All hope is not lost with Opdivo as a first line treatment for NSCLC, as it has another long term combo study to be announced in 2018, which has demonstrated strong results in early stages of the study. Criteo (CRTO), the second largest internet advertising platform, fell 24% during the quarter. CRTO became embroiled in a legal battle with a smaller competitor, SteelHouse, after CRTO sued it for counterfeiting "clicks" to win business. SteelHouse countersued CRTO claiming its activity was unintentional. We are maintaining our position, as CRTO's activity is transparent and is underscored with a 90% client retention rate of its growing client base that currently stands at 12,000 advertisers.

Small Cap Composite

The Small Cap Value Composite returned 4.92% for Q3 versus 8.87% for the Russell 2000 Value index. For the year-to-date period, the Composite returned 12.22% versus 15.49% for the index.

A top contributing holding in the Portfolio during Q3 was Rackspace Hosting Inc. (RAX, +52%), a global provider of managed cloud and related IT services. We initiated our position earlier this year as RAX was transitioning its business model to support customized cloud and software applications. Another top contributor during Q3 was UniFirst Corp. (UNF, +14%), the second-largest provider of workplace uniforms in North America. In late September, UNF completed the accretive acquisition of Arrow Uniform (multiple not disclosed) – its largest acquisition since 2003. Also a top contributor was Fidelity National Financial Inc. - FNFV Group (FNFV, +9%), holder of various investments primarily focused in restaurants, software, and insurance brokerage. The company's second quarter results demonstrated exceptionally strong revenue and EBITDA growth.

Rackspace Hosting Inc. (RAX)
7/1/2016 – 9/30/2016



One bottom contributing holding in the Portfolio during Q3 was GEO Group Inc. (GEO, -29%), a REIT offering correctional and detention facilities and services to federal, state, local and foreign governments. The Federal Bureau of Prisons (BOP) recently stated that they would begin "the process of reducing – and ultimately ending – [its] use of privately operated prisons." However, on September 30, GEO announced the BOP signed a two-year extension for its second largest facility. Another bottom contributor was Myriad Genetics Inc. (MYGN, -32%), a molecular diagnostic testing company. In August, MYGN reported poor fiscal Q4 results, led by surprisingly weak performance from its core Hereditary Cancer Testing (HCT) business. Also a bottom contributor during the quarter was VeriFone Systems Inc. (PAY, -15%), a global leader in secure electronic payment systems and services. We added PAY to the Portfolio in late June after a disappointing Q2 earnings report sent the stock down to three-year lows.

Kentucky Municipals

Despite a slowdown in national issuance, quarterly bond issuance by Kentucky municipalities rebounded to a robust $1.926 billion from $881 million in the previous quarter. Sizable issuance continues to be attributable to the refinancing (refunding) of existing debt, spurred by persistently low rates. We watch this activity closely, as purchasing "refunding" candidates is a tactic of our portfolio management. Competitively awarded deals were $1.2 billion, while negotiated deals represented $725 million. Deal size was also strong, averaging $23.5 million with 82 new issues in total.

Bank-qualified (BQ) issuance was at $170 million or 9% while non-BQ issuance made up the majority, coming in at $1.73 billion or 90%. We tend to utilize non-BQ because yields are typically higher. Taxable issuance was only $25 million or 1%. We prefer taxable municipals to corporates, as credits are more stable and spreads are generally wider. Once again there was no AMT-subject issuance this quarter. Visible supply remains robust with $535 million on the calendar in coming months.

Deals of note included $521 million of issuance by Norton Healthcare rated A by Fitch and A- by S&P but with a positive outlook. $300 million is the "New Money" portion of the deal with $107 million of capital spending at Norton Audubon. Proceeds will also be used for strategic expansion/energy initiatives, equipment replacement/new technology, renovations and improvements across facilities. Roughly $221 million will refund the outstanding Series 2006 bonds. Also of note was roughly $7.5 million of taxable issuance for Louisville Medical Center (LMC) to refund Series 2011. The LMC supplies heat, cooling and laundry services to plant users such as the University of Louisville, U of L Hospital, Norton Healthcare and Jewish Hospital. S&P affirmed its 'A-' long-term rating on LMC's existing debt.

State Strategies to Detect Local Fiscal Distress

In 2013, The Pew Charitable Trusts explored how and when states intervene in local governments. Pew issued a follow-up report in September that examines the range of policies and practices that states have in place to assess and track fiscal conditions at the local level. Pew's research found that 22 states make some effort to monitor the fiscal health of local governments. Of the 22, eight can be classified as "early warning" states, meaning that they have laws defining when local governments are in "fiscal distress" and systems to identify signs that a locality is declining toward such a condition.

Kentucky was identified as one of the 22 states with fiscal monitoring but not within the eight with "early warning" laws. The state Department for Local Government, which approves annual budgets and reviews quarterly financial updates for Kentucky's county governments, leads the monitoring so officials can keep tabs on each county's expenditures and revenue collections. This process gives the state near-constant oversight of county finances, alerting officials well before a problem becomes serious and allowing time to address it. Counties can request assistance, or state officials may approach them if they notice something unusual in the financial information. With the latter, the state contacts the local treasurer or county executive to go over options for balancing the budget, including the need to raise taxes or cut services.

2016-2017 Market Outlook (Continued)

Forecasting Survey September 2016). On the plus side, housing remains strong, and employment continues to improve. Wages are increasing a little faster than inflation, however, wage increases have not kept pace with out-of-pocket healthcare costs. Although growth estimates have been lowered, the U.S. economy remains on solid footing and the possibility of a U.S. recession seems remote in 2016 or 2017. On the international front, the IMF also lowered its 2016 global growth forecast for a third time this year. The forecast started at 3.4% at the beginning of the year, but was lowered to 3.2% in April before the impact of Brexit was considered. The latest estimate is now in line with 2015 reported growth of 3.1%. The IMF also forecasts a slight upturn in global GDP to 3.4%, which is in line with the pickup in the U.S. forecast.

As we move towards the close of 2016 and the beginning of 2017, we see an improved economic outlook backed by improving EM growth, stable oil prices and accommodative monetary policy, with a slight pickup in fiscal policy. Furthermore, noteworthy risks, such as a China hard landing/significant currency devaluation, EM debt crisis, or a severe decline in oil prices, appear to have subsided. Although global growth is not strong enough to secure it against a sudden geo-political crisis or regional economic downturn. Many global leading economic indicators, such as the global manufacturing Purchasing Managers Index (PMI), remain in expansion mode. More than 2/3 of the largest 35 economies are expanding. Furthermore, manufacturing expansion in China and the Eurozone is accelerating. There are several signs that China's stimulus is better than expected and Emerging Markets are recovering as commodity prices stabilize. China's currency devaluation has turned out to be mild and orderly versus severe and chaotic. Severely depressed BRIC countries, Brazil and Russia, are making positive strides. Russia is back to expansion mode, while Brazil's PMI improved 10% in the last quarter upon Rousseff's impeachment. Nonetheless, Brazil's manufacturing sector is contracting, albeit at a slower rate, and posted the lowest PMI of over 35 major economies. As a result, EM growth forecasts are increasing to a range of 4.5% to 5.0% for 2017 from a 4.0%-4.1% forecast for 2016.

For more details on CBandT's investment outlook, please visit our Investment Commentary page at https://cbandt.com/wealth-trust/resources/.