

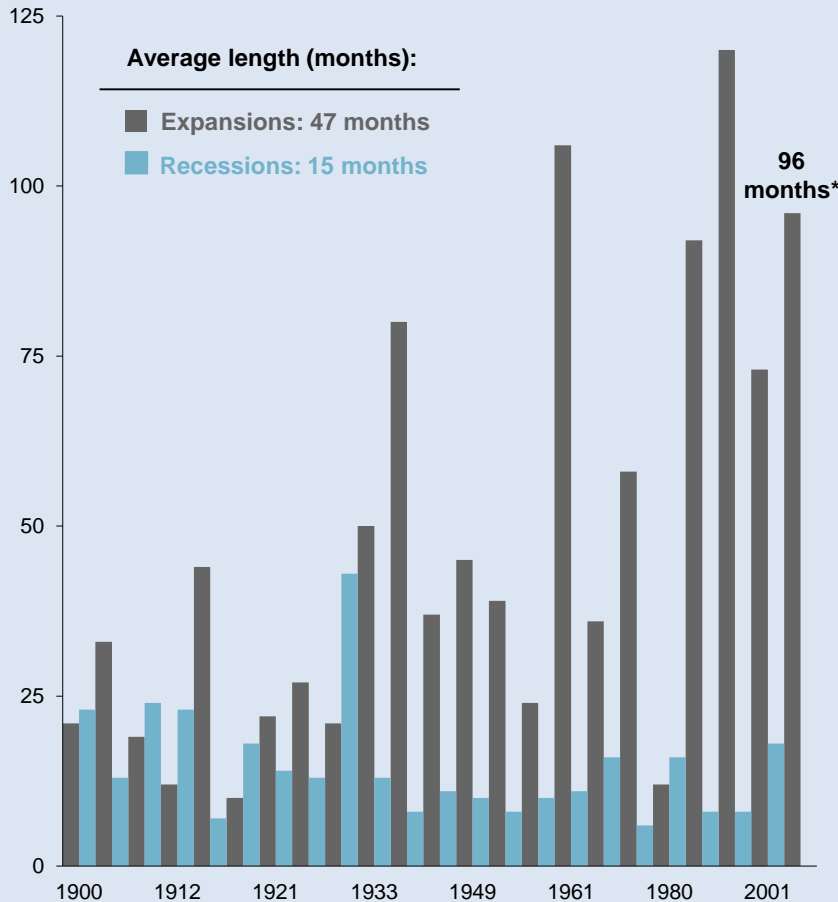
THE MARKET AND ECONOMY IN 2017: MID YEAR UPDATE

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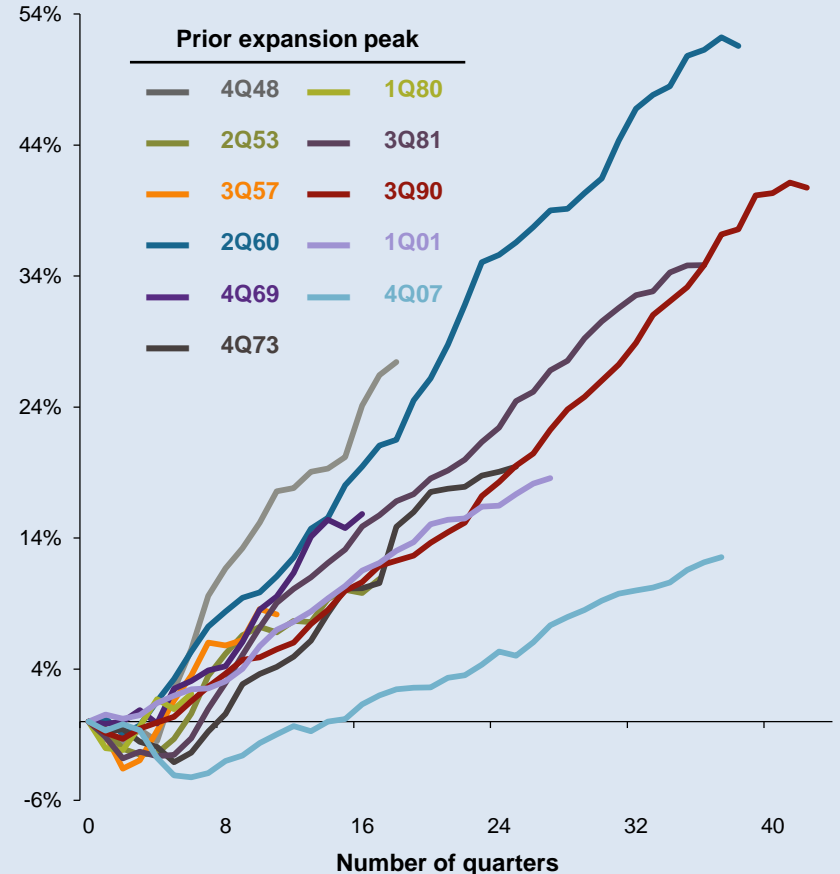
ECONOMIC EXPANSION

Length of economic expansions and recessions



Strength of economic expansions

Cumulative real GDP growth since prior peak, percent

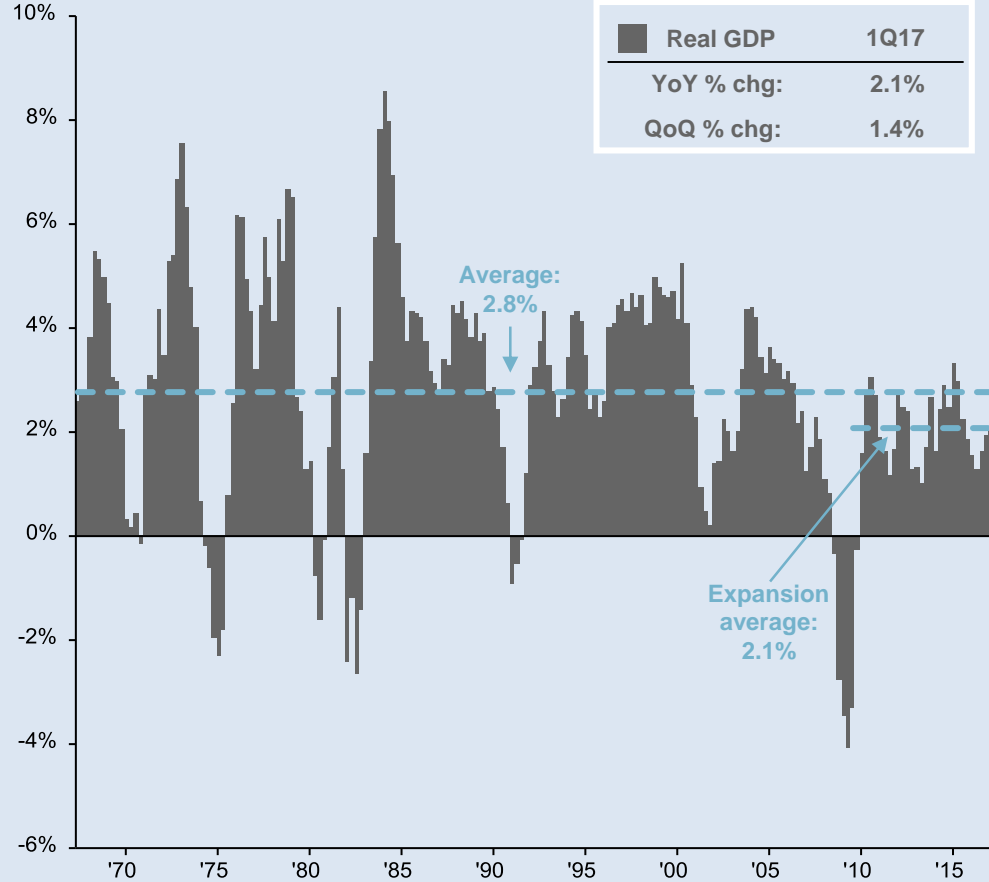


Source: BEA, NBER, J.P. Morgan Asset Management. *Chart assumes current expansion started in July 2009 and continued through June 2017, lasting 96 months so far. Data for length of economic expansions and recessions obtained from the National Bureau of Economic Research (NBER). These data can be found at www.nber.org/cycles/ and reflect information through June 2017. *Guide to the Markets – U.S.* Data are as of June 30, 2017.

US GDP AND ITS COMPONENTS

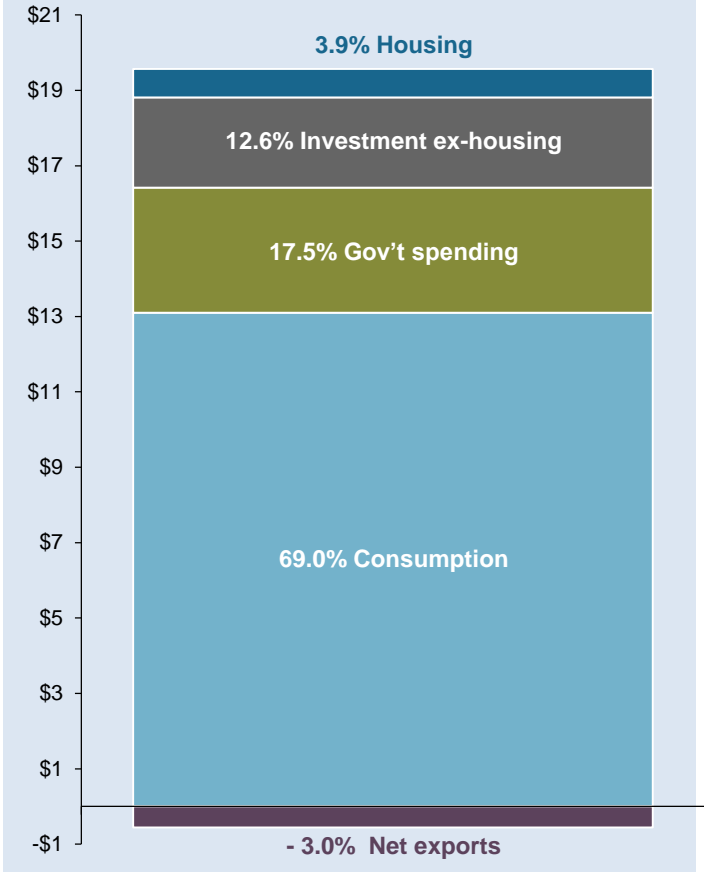
Real GDP

Year-over-year % change



Components of GDP

1Q17 nominal GDP, USD trillions



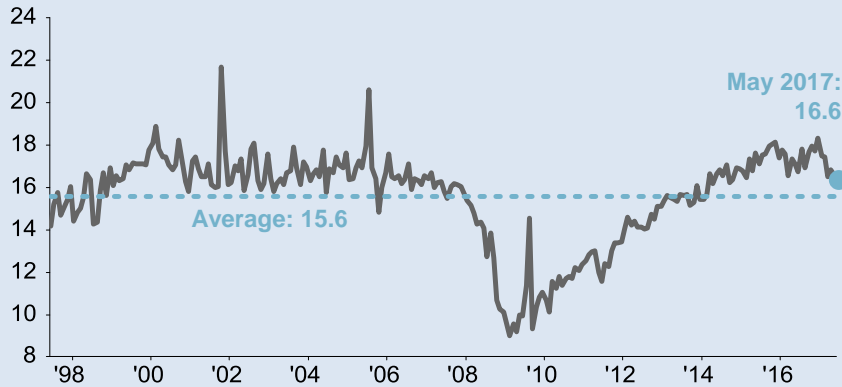
Source: BEA, FactSet, J.P. Morgan Asset Management.

Values may not sum to 100% due to rounding. Quarter-over-quarter percent changes are at an annualized rate. Average represents the annualized growth rate for the full period. Expansion average refers to the period starting in the second quarter of 2009.

Guide to the Markets – U.S. Data are as of June 30, 2017.

Light vehicle sales

Millions, seasonally adjusted annual rate



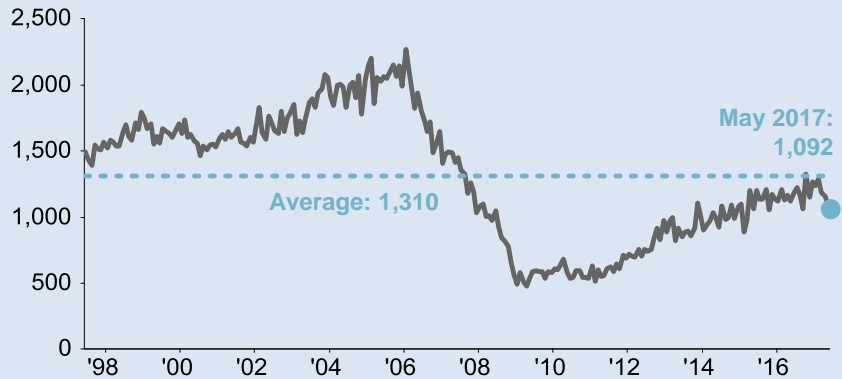
Manufacturing and trade inventories

Days of sales, seasonally adjusted



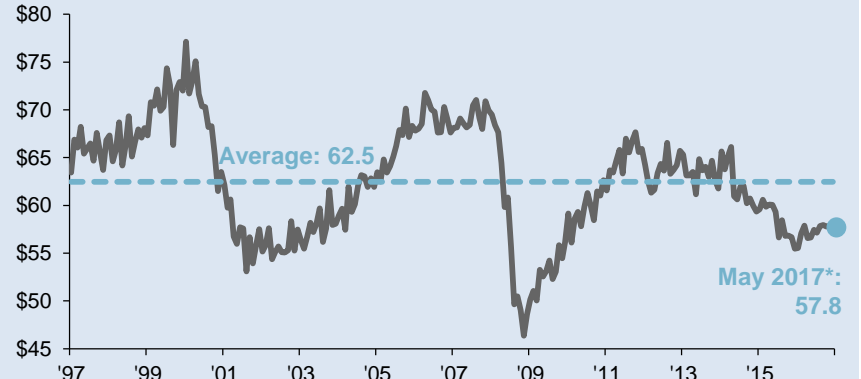
Housing starts

Thousands, seasonally adjusted annual rate



Real capital goods orders

Non-defense capital goods orders ex-aircraft, USD billions, SA

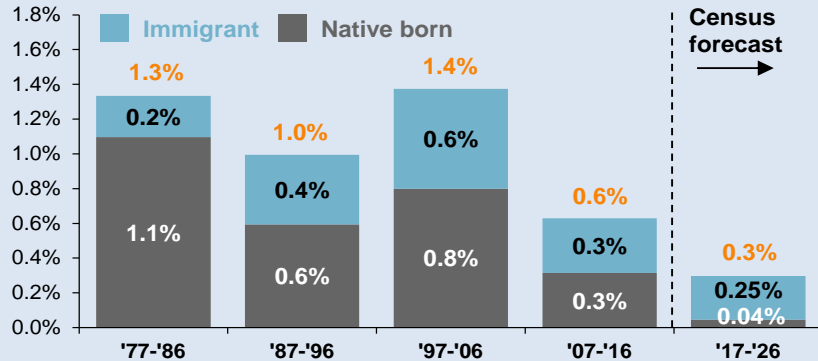


Source: J.P. Morgan Asset Management; (Top left) BEA; (Top and bottom right, bottom left) Census Bureau, FactSet.
 Capital goods orders deflated using the producer price index for capital goods with a base year of 2009. *May figure is based on May 2017 Advance Report.
 SA – seasonally adjusted.
 Guide to the Markets – U.S. Data are as of June 30, 2017.

STUCK IN THE MIDDLE

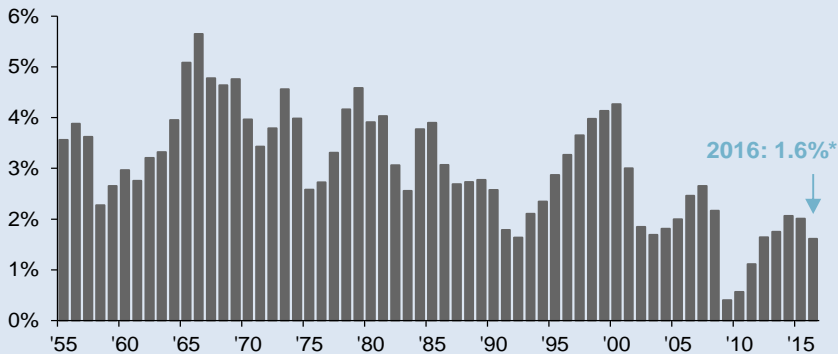
Growth in working-age population

Percent increase in civilian non-institutional population ages 16-64



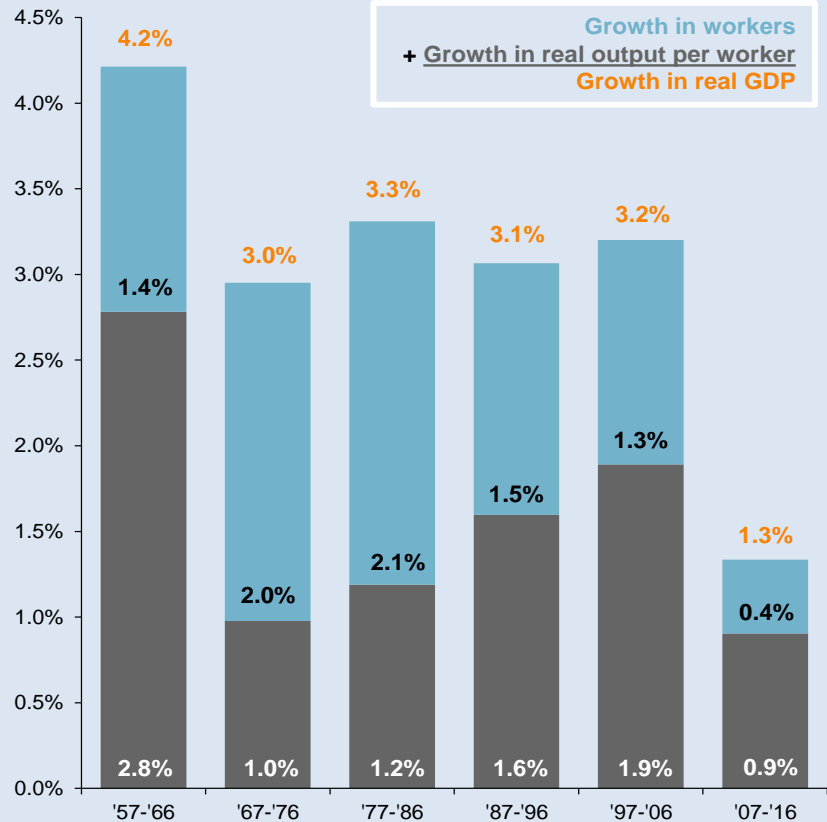
Growth in private non-residential capital stock

Non-residential fixed assets, year-over-year % change



Drivers of GDP growth

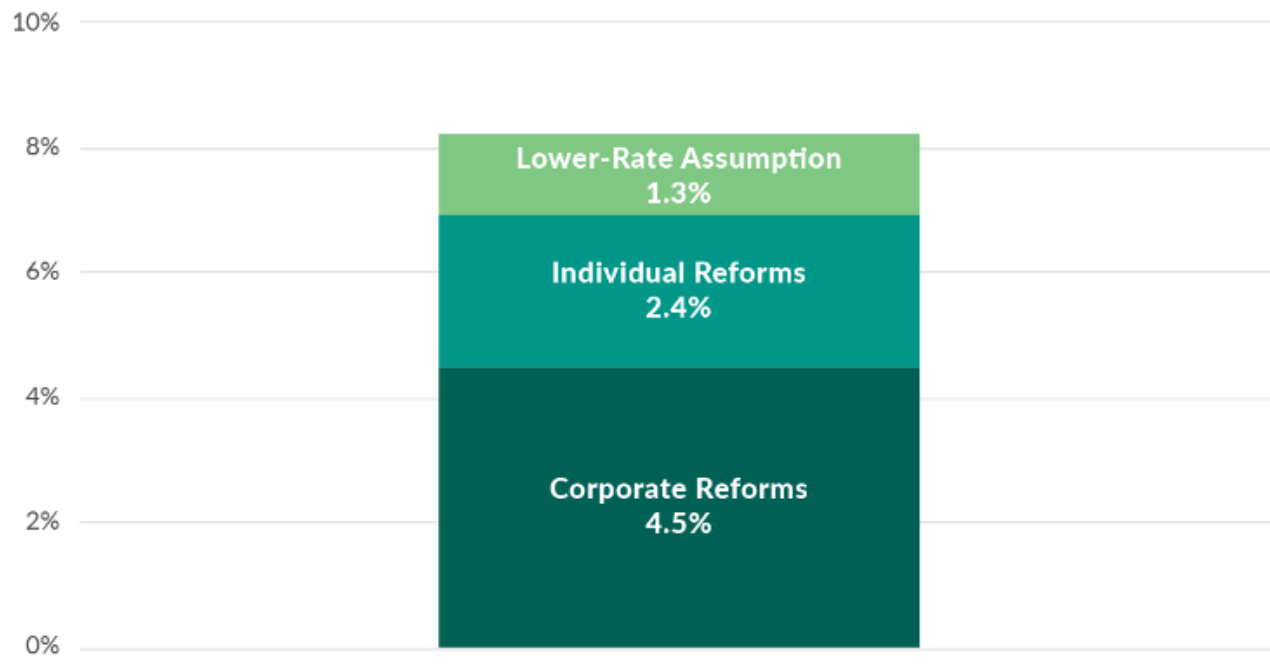
Average year-over-year percent change



Source: J.P. Morgan Asset Management; (Top left) Census Bureau, DOD, DOJ; (Top left and right) BLS; (Right and bottom left) BEA. GDP drivers are calculated as the average annualized growth between 4Q of the first and last year. Future working age population is calculated as the total estimated number of Americans from the Census Bureau, controlled for military enrollment, growth in institutionalized population and demographic trends. Growth in working age population does not include illegal immigration; DOD Troop Readiness reports used to estimate percent of population enlisted. *J.P. Morgan Asset Management estimate. *Guide to the Markets – U.S.* Data are as of June 30, 2017.

- **Tax Reform vs. Tax Cut**
 - Failure of health care bill suggests wholesale reform of the tax code will face steep odds
- **Infrastructure Program**
 - Proposed \$550 billion investment
 - Democrats have signaled unwillingness to work with Trump, regardless of issue at hand
- **Increase in Defense Spending**
 - Eliminate defense spending cuts under sequestration, amounting to \$40 billion/year increase

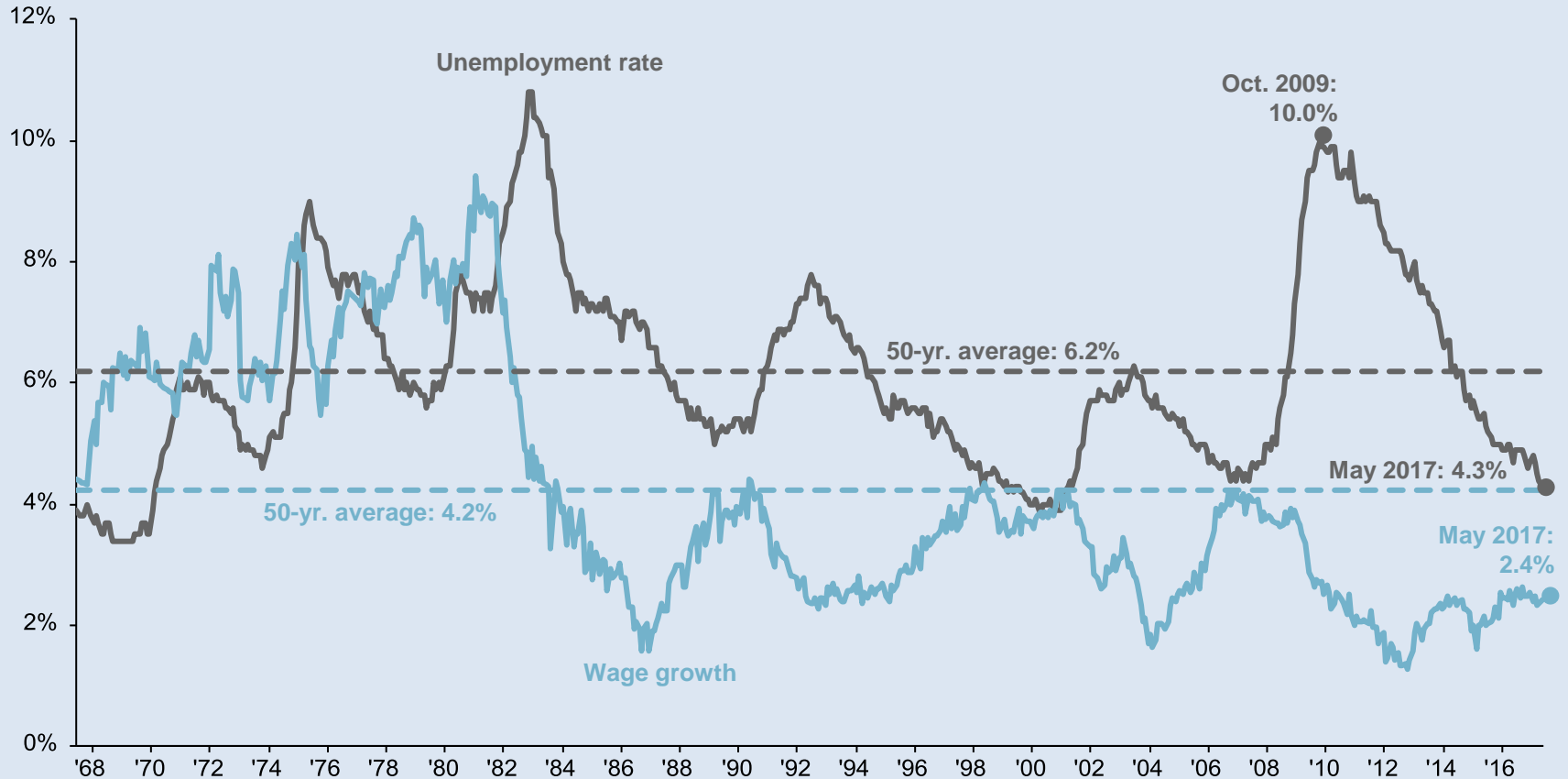
Components of the Economic Impact of the Donald Trump Tax Reform (Percentage increase in long-run GDP)



NORMALIZED EMPLOYMENT

Economy

Civilian unemployment rate and year-over-year growth in wages of production and non-supervisory workers
Seasonally adjusted, percent

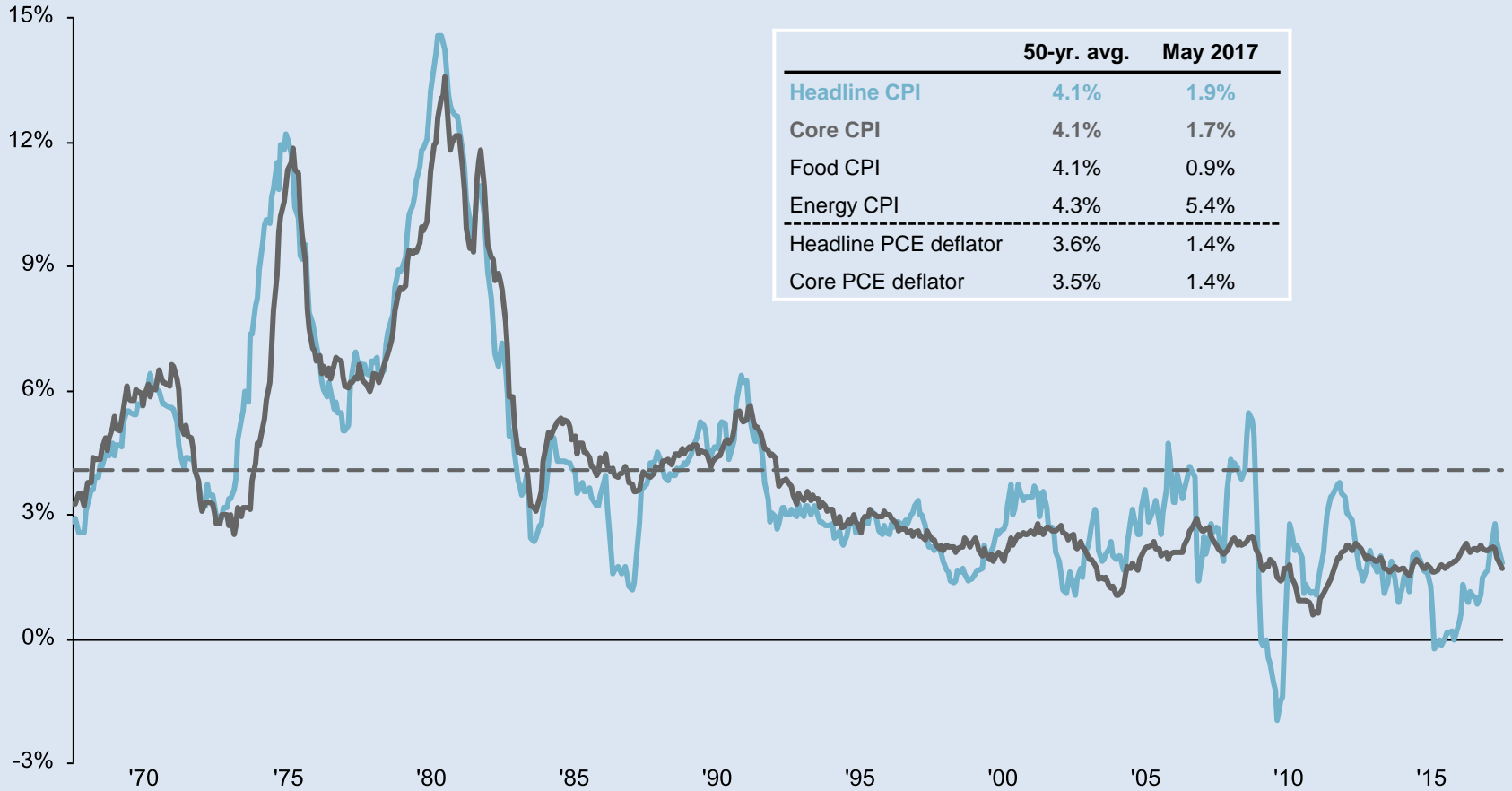


Source: BLS, FactSet, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of June 30, 2017.

INFLATION – STILL AN ISSUE

CPI and core CPI

% change vs. prior year, seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management.

CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.

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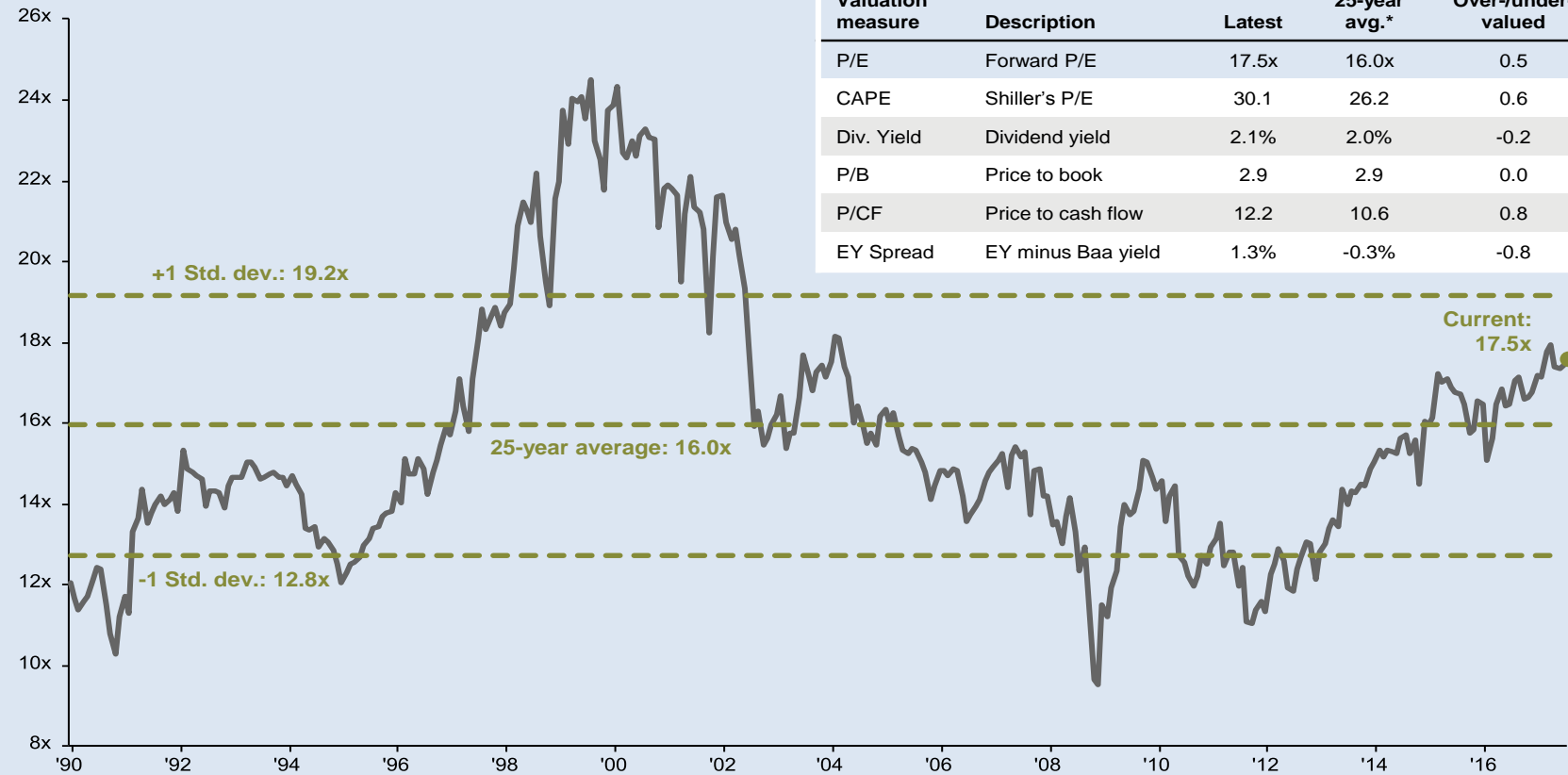
MARKET INFLECTION POINT

S&P 500 Price Index



US EQUITIES EXPENSIVE BUT NOT OVERVALUED

S&P 500 Index: Forward P/E ratio



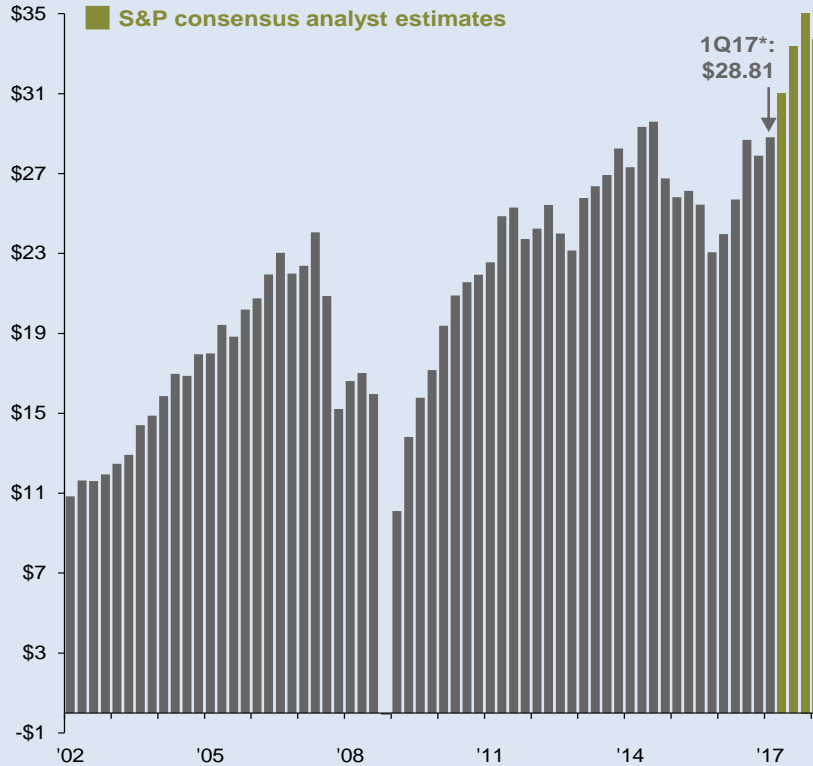
Source: FactSet, FRB, IBES, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.
 Price to earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since December 1989, and FactSet for June 30, 2017. Average P/E and standard deviations are calculated using 25 years of FactSet history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-month consensus dividend divided by most recent price. Price to book ratio is the price divided by book value per share. Price to cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure.
 *P/CF is a 20-year average due to cash flow data availability.
 Guide to the Markets – U.S. Data are as of June 30, 2017.

EARNINGS ON THE RISE AGAIN

Equities

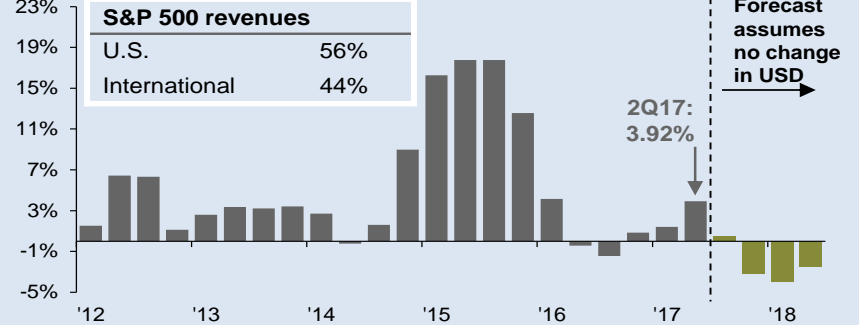
S&P 500 earnings per share

Index quarterly operating earnings



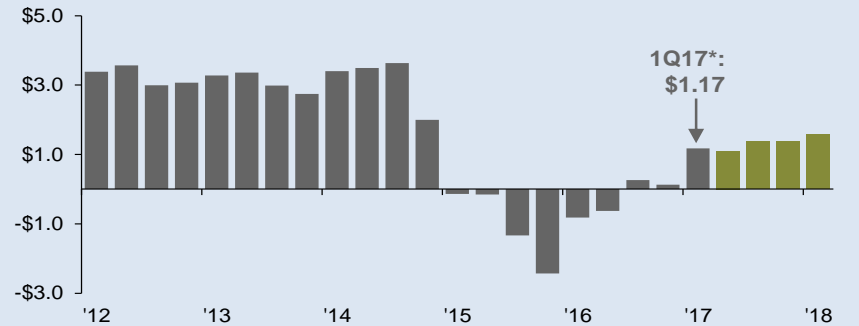
U.S. dollar

Year-over-year % change**, quarterly, USD major currencies index



Energy sector earnings

Energy sector contribution to S&P 500 EPS, quarterly



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management; (Top right) Federal Reserve, S&P 500 individual company 10k filings, S&P Index Alert.

EPS levels are based on operating earnings per share. Earnings estimates are Standard & Poor's consensus analyst expectations. Past performance is not indicative of future returns. Currencies in the Trade Weighted U.S. Dollar Major Currencies Index are: British pound, euro, Swedish krona, Australian dollar, Canadian dollar, Japanese yen and Swiss franc. *1Q17 earnings are calculated using actual earnings for 98.6% of S&P 500 market cap and earnings estimates for the remaining companies. **Year-over-year change is calculated using the quarterly average for each period. USD forecast assumes no change in the U.S. dollar from its June 30, 2017 level.

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INTERNATIONAL OFFERS OPPORTUNITY

International

MSCI All Country World ex-U.S. and S&P 500 Index

Dec. 1996 = 100, U.S. dollar, price return



Source: MSCI, Standard & Poor's, FactSet, J.P. Morgan Asset Management.

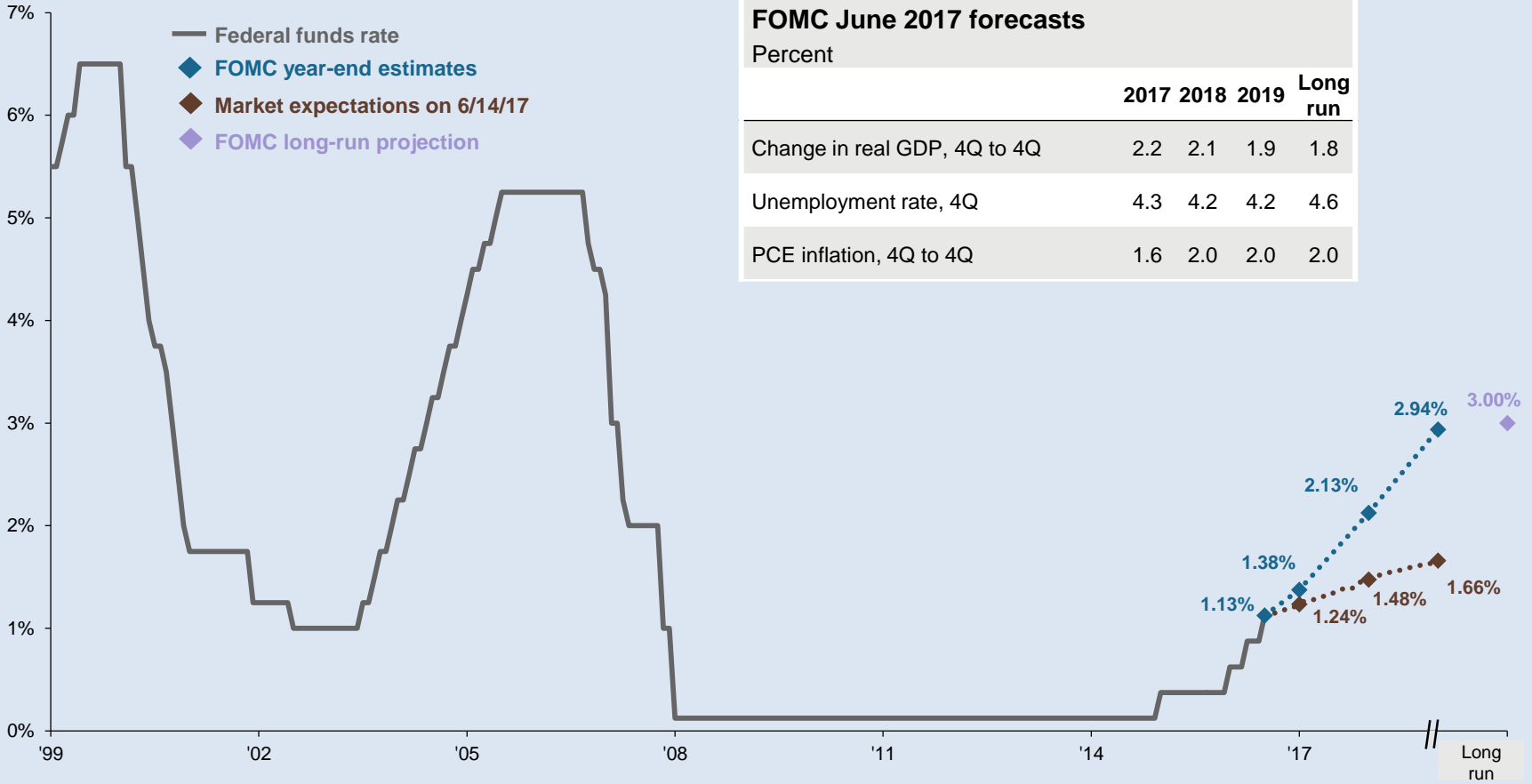
Forward price to earnings ratio is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next twelve months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Dividend yield is calculated as consensus estimates of dividends for the next twelve months, divided by most recent price, as provided by FactSet Market Aggregates.

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INTEREST RATES ON THE RISE

Federal funds rate expectations

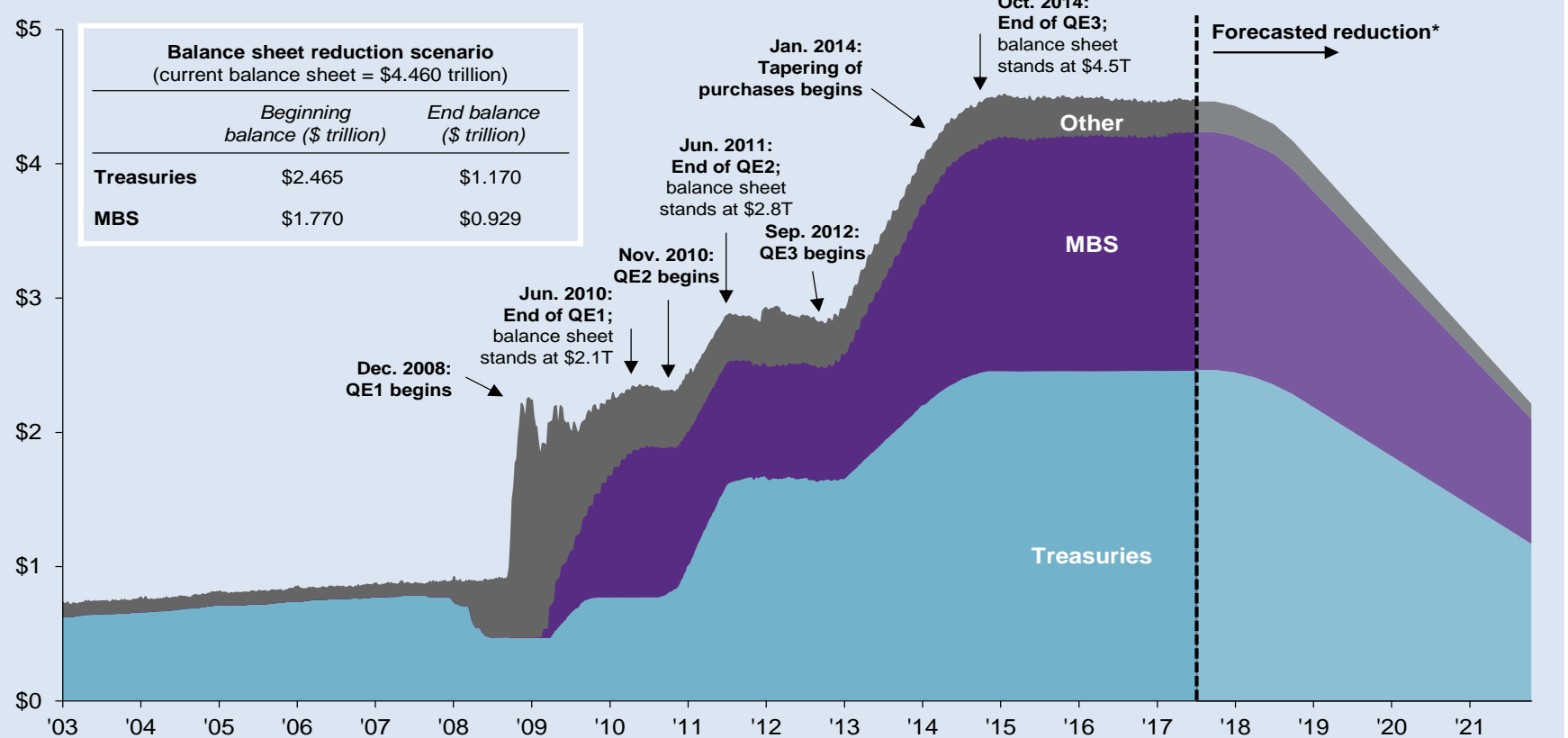
FOMC and market expectations for the fed funds rate



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
 Market expectations are the federal funds rates priced into the fed futures market as of the date of the June 2017 FOMC meeting.
 Guide to the Markets – U.S. Data are as of June 30, 2017.

The Federal Reserve balance sheet

USD trillions



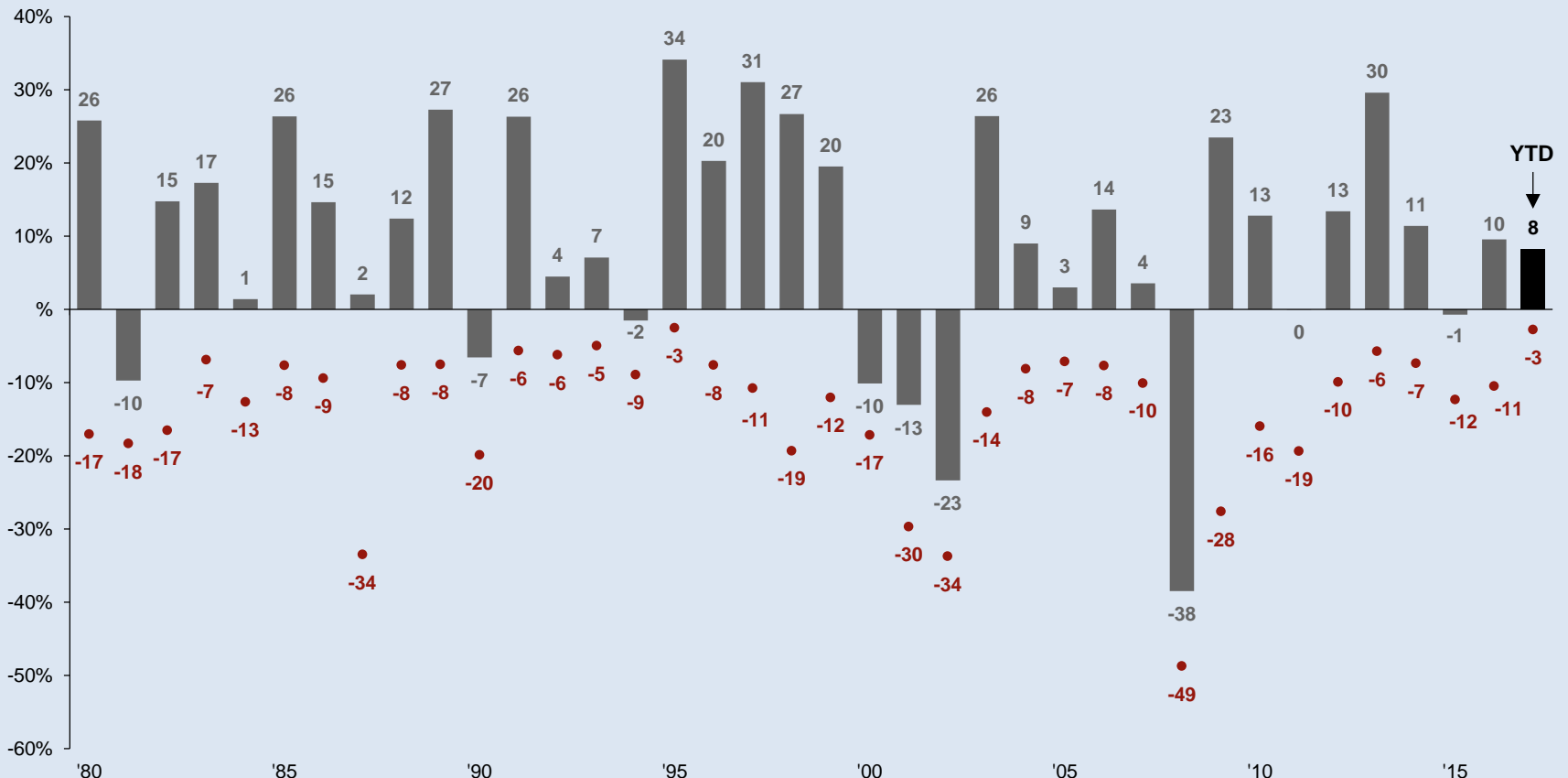
Source: Federal Reserve, FactSet, J.P. Morgan Asset Management.

*Balance sheet reduction assumes reduction from current level, beginning October 2017 and lasting four years, concluding in October 2021. Reduction of Treasuries and MBS is per FOMC guidelines from the June 2017 meeting minutes: Treasury securities will be reduced \$6 billion per month initially and reduction rate will increase in steps of \$6 billion at three-month intervals over 12 months until reaching \$30 billion per month; MBS will be reduced \$4 billion per month initially and reduction rate will increase in steps of \$4 billion at three-month intervals over 12 months until reaching \$20 billion per month; Other assets are reduced in proportion. Forecasts do not take into account months where maturing assets do not exceed the stated cap nor do they consider the reinvestment of principal or interest repayment in excess of the stated cap.
 Guide to the Markets – U.S. Data are as of June 30, 2017.

MARKETS CAN BE VOLATILE

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.1%, annual returns positive in 28 of 37 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2016, over which time period the average annual return was 8.5%. The 2017 bar represents the year-to-date return and is not included in the average annual return calculation.

Guide to the Markets – U.S. Data are as of June 30, 2017.

- Questions have recently surfaced about the benefits of diversification and active management.
- Over the past few years, diversified portfolios have posted only modest results as they struggled to keep pace with the more narrowly focused but high profile large cap domestic equities.
- History has shown that over shorter time periods, different asset classes will outperform as other lags.
- In three-year rolling periods of 2001- 2003 and 2005-2007 international stocks outperformed the S&P 500.
- Recently, with increased volatility, several asset classes that struggled the past few years have finally shown life, leading markets higher.
- Even though diversification may not always benefit portfolios over short term, it is a much more prudent strategy than relying on market timing to rotate in and out of asset classes.
- Over a 20 period, the average investor return has been about 2% where a balanced diversified portfolio has returned over 7%.
- Mitigating risks by employing a systematic rebalancing process has historically added an additional .5% annually to portfolio returns.

DIVERSIFICATION IS KEY

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD	2002 - 2016	
	Comdty.	EM Equity	REITs	EM Equity	REITs	EM Equity	Fixed Income	EM Equity	REITs	REITs	REITs	Small Cap	REITs	REITs	Small Cap	EM Equity	REITs	EM Equity
	25.9%	56.3%	31.6%	34.5%	35.1%	39.8%	5.2%	79.0%	27.9%	8.3%	19.7%	38.8%	28.0%	2.8%	21.3%	18.6%	10.8%	23.8%
	Fixed Income	Small Cap	EM Equity	Comdty.	EM Equity	Comdty.	Cash	High Yield	Small Cap	Fixed Income	High Yield	Large Cap	Large Cap	Large Cap	High Yield	DM Equity	EM Equity	REITs
	10.3%	47.3%	26.0%	21.4%	32.6%	16.2%	1.8%	59.4%	26.9%	7.8%	19.6%	32.4%	13.7%	1.4%	14.3%	14.2%	9.8%	22.6%
	High Yield	DM Equity	DM Equity	DM Equity	DM Equity	DM Equity	Asset Alloc.	DM Equity	EM Equity	High Yield	EM Equity	DM Equity	Fixed Income	Fixed Income	Large Cap	Large Cap	High Yield	Small Cap
	4.1%	39.2%	20.7%	14.0%	26.9%	11.6%	-25.4%	32.5%	19.2%	3.1%	18.6%	23.3%	6.0%	0.5%	12.0%	9.3%	9.2%	20.1%
	REITs	REITs	Small Cap	REITs	Small Cap	Asset Alloc.	High Yield	REITs	Comdty.	Large Cap	DM Equity	Asset Alloc.	Asset Alloc.	Cash	Comdty.	Asset Alloc.	Small Cap	DM Equity
	3.8%	37.1%	18.3%	12.2%	18.4%	7.1%	-26.9%	28.0%	16.8%	2.1%	17.9%	14.9%	5.2%	0.0%	11.8%	6.8%	8.5%	19.2%
	Cash	High Yield	High Yield	Asset Alloc.	Large Cap	Fixed Income	Small Cap	Small Cap	Large Cap	Cash	Small Cap	High Yield	Small Cap	DM Equity	EM Equity	High Yield	Asset Alloc.	Comdty.
	1.7%	32.4%	13.2%	8.1%	15.8%	7.0%	-33.8%	27.2%	15.1%	0.1%	16.3%	7.3%	4.9%	-0.4%	11.6%	6.5%	6.9%	19.0%
	Asset Alloc.	Large Cap	Asset Alloc.	Large Cap	Asset Alloc.	Large Cap	Comdty.	Large Cap	High Yield	Asset Alloc.	Large Cap	REITs	Cash	Asset Alloc.	REITs	Small Cap	Large Cap	Large Cap
	-5.9%	28.7%	12.8%	4.9%	15.3%	5.5%	-35.6%	26.5%	14.8%	-0.7%	16.0%	2.9%	0.0%	-2.0%	8.6%	5.0%	6.7%	15.9%
	EM Equity	Asset Alloc.	Large Cap	Small Cap	High Yield	Cash	Large Cap	Asset Alloc.	Asset Alloc.	Small Cap	Asset Alloc.	Cash	High Yield	High Yield	Asset Alloc.	REITs	DM Equity	High Yield
	-6.0%	26.3%	10.9%	4.6%	13.7%	4.8%	-37.0%	25.0%	13.3%	-4.2%	12.2%	0.0%	0.0%	-2.7%	8.3%	4.9%	5.7%	11.7%
	DM Equity	Comdty.	Comdty.	High Yield	Cash	High Yield	REITs	Comdty.	DM Equity	DM Equity	Fixed Income	Fixed Income	EM Equity	Small Cap	Fixed Income	Fixed Income	Fixed Income	Asset Alloc.
	-15.7%	23.9%	9.1%	3.6%	4.8%	3.2%	-37.7%	18.9%	8.2%	-11.7%	4.2%	-2.0%	-1.8%	-4.4%	2.6%	2.3%	4.6%	11.0%
	Small Cap	Fixed Income	Fixed Income	Cash	Fixed Income	Small Cap	DM Equity	Fixed Income	Fixed Income	Comdty.	Cash	EM Equity	DM Equity	EM Equity	DM Equity	Cash	Cash	Fixed Income
	-20.5%	4.1%	4.3%	3.0%	4.3%	-1.6%	-43.1%	5.9%	6.5%	-13.3%	0.1%	-2.3%	-4.5%	-14.6%	1.5%	0.3%	1.3%	3.5%
	Large Cap	Cash	Cash	Fixed Income	Comdty.	REITs	EM Equity	Cash	Cash	EM Equity	Comdty.	Comdty.	Comdty.	Comdty.	Cash	Comdty.	Comdty.	Cash
	-22.1%	1.0%	1.2%	2.4%	2.1%	-15.7%	-53.2%	0.1%	0.1%	-18.2%	-1.1%	-9.5%	-17.0%	-24.7%	0.3%	-5.3%	1.2%	0.8%

Investing principles

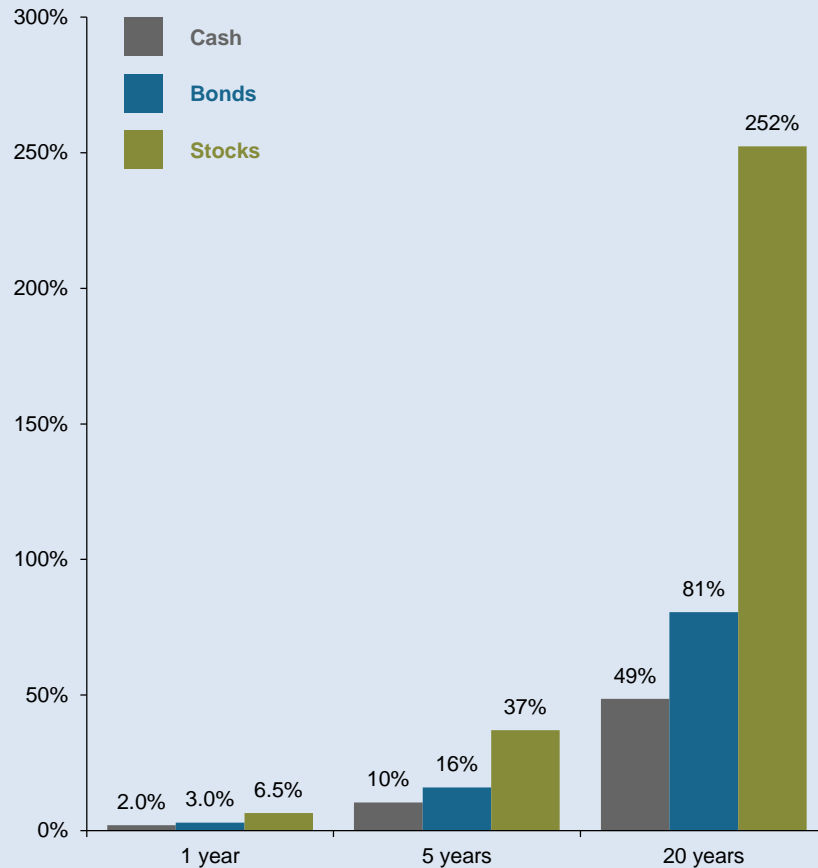
Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Commodity: Bloomberg Commodity Index, High Yield: Barclays Global HY Index, Fixed Income: Barclays US Aggregate, REITs: NAREIT Equity REIT Index. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays US Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period of 12/31/01 – 12/31/16. Please see disclosure page at end for index definitions. All data represents total return for stated period. Past performance is not indicative of future returns.

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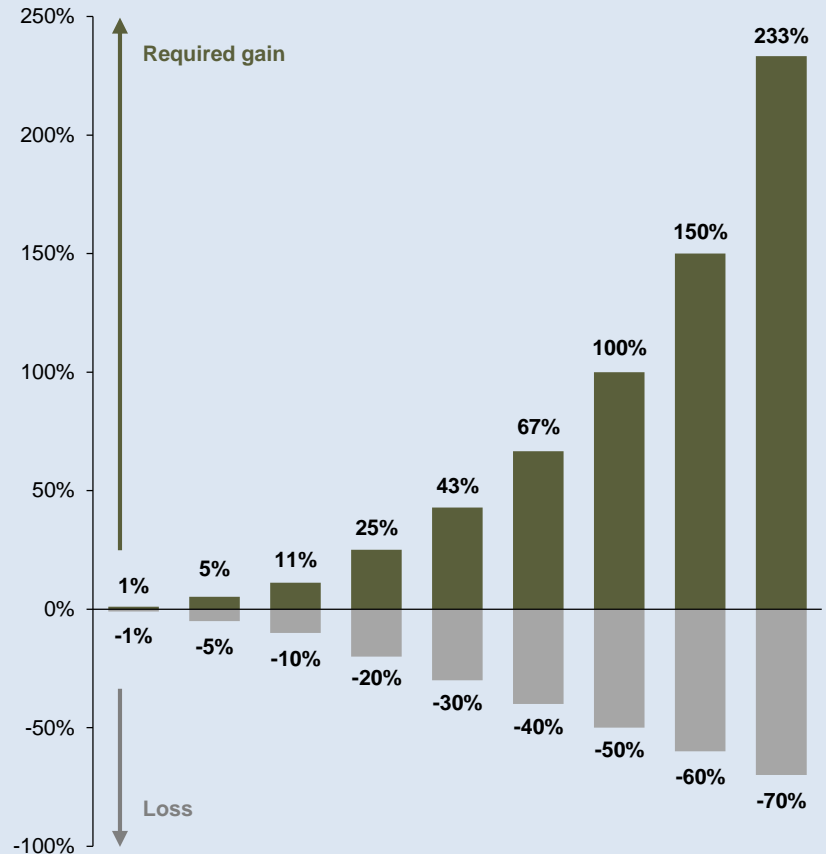
The power of compounding

Cumulative return by holding period*



Gain required to fully recover from a loss

Loss and subsequent gain necessary for full recovery of value



Source: J.P. Morgan Asset Management.

*Asset class growth rates are based on synthetic returns using J.P. Morgan's Long Term Capital Markets Assumptions; projected Bond return is based on assumption for U.S. aggregate bonds; projected Stock return is based on an approximation of the average return assumption among small, medium and large cap U.S. stocks.

Guide to the Markets – U.S. Data are as of June 30, 2017.

- Deliver 8 specialty managed funds
- Social Screening provided on each fund
- Each fund is valued monthly
- Provides professional management to every size relationship
- Lower Expenses
- Allows for greater diversification
- Unified client base with similar investment objective than a public fund
- Thoughtful consideration and application of each of the investment factors which fiduciary investors are required to consider

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Equity Index Returns: All data represents total return including the reinvestment of dividends for stated period. S&P 500: Standard and Poor's 500 largest market cap companies; DJIA: Dow Jones Industrial Average; MSCI-EAFE: Morgan Stanley Capital International-Europe, Australia & Far East; MSCI-EMEA: Morgan Stanley Capital International-Emerging Markets. All data obtained from Morningstar Direct.

Equity Index Values: Reflects closing price level for each index as of stated date. All data obtained from Bloomberg LP.

Fixed Income Index Returns: BarCap: Barclays Capital. All data obtained from Morningstar Direct.

Alternatives/Liquid Real Assets: All data represents total return including the reinvestment of dividends for stated period. DJ UBS Commodities: Dow Jones UBS Securities Commodity; Alerian MLP: Alerian Master Limited Partnership; FTSE NAREIT Equity: FTSE National Real Estate Equity. All data obtained from Morningstar Direct.