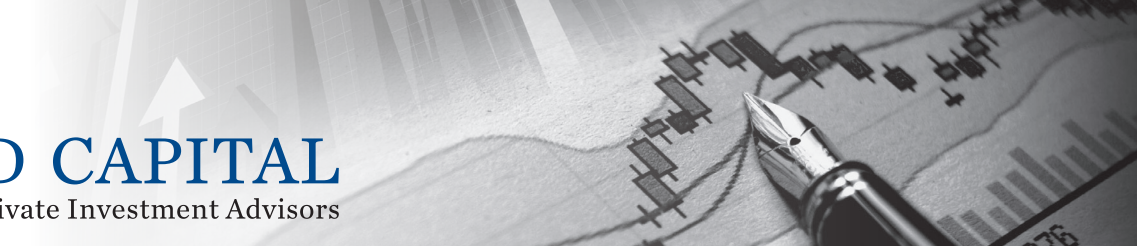

HOWLAND CAPITAL

Private Investment Advisors

JULY 2016

STOCK INDICES

	Price % Chg. Quarter	Price % Chg. Last 12 Months
Dow Jones 30	1.4%	1.8%
S&P 500	1.9%	1.7%
NASDAQ Comp.	-0.6%	-2.9%
MSCI EAFE	-2.6%	-12.7%

TREASURY YIELDS

	6/30/16	6/30/15
2 year Note	0.59%	0.64%
10 year Note	1.47%	2.36%
30 year Bond	2.28%	3.13%

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ECONOMIC & MARKET COMMENTARY

THE ECONOMY

Politics has always played a role in shaping both the global economy and the outlook for financial markets. But the current political environment is unique, with the rise in populist and anti-globalization sentiment becoming widespread in Europe and the United States. As Americans gathered to celebrate Independence Day, the Brits themselves are making a bid for their own independence. In a non-binding referendum, voters in the United Kingdom approved a bid to separate from the European Union. The trouble is both the timing and consequences of such a separation are virtually unknown, as it will be years before the process is even finalized.

Although the foundation of the EU has begun to show cracks, its edifice is still secure. We do not foresee other member countries following in the U.K.'s footsteps and believe the EU and the Euro currency will remain intact. The European Union was initially conceived as a geopolitical union and has evolved into an economic and monetary union that lacks any fiscal or taxing authority. At the core, the EU was intended to facilitate peace and free trade, to promote the cross-border flow of capital and goods across Europe, and to stabilize exchange rates across the region. In contrast to this idea of unity, each member nation faces its own set of economic and political challenges, while all of Europe grapples with a refugee crisis triggered by the Arab Spring and turmoil in the Middle East.

We believe the shorter term economic impact from the Brexit vote is relatively modest, and probably limited to the

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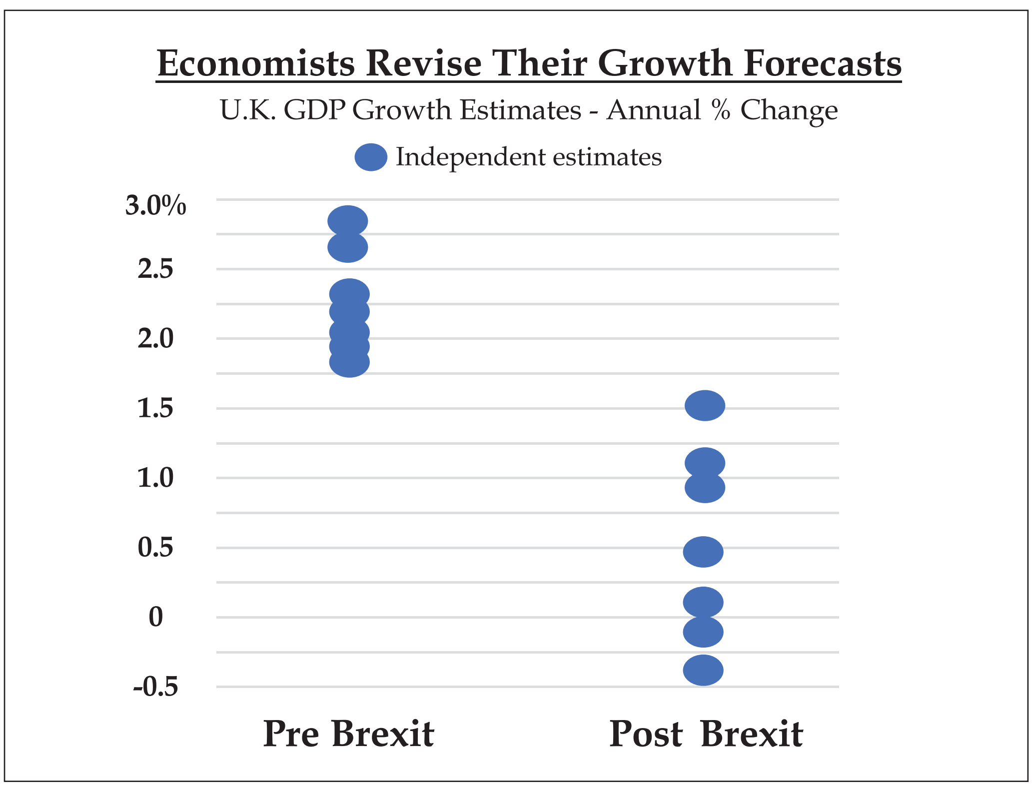


Source: Financial Times, Bloomberg

THE ECONOMY

Continued from Page 1

United Kingdom, costing the country between one and two percentage points of economic growth, and resulting in a general weakening of the Pound. Economists agree that growth will slow, however, the magnitude of this slowdown is much less certain. The chart on page 1 shows economists' forecasts for U.K. GDP growth before and after the vote to leave the EU. The risk of a recession in the Eurozone has risen as the lingering political uncertainty is likely to cause firms to reign in capital spending, delay hiring, and trim expenses. Importantly though, we do not foresee a rise in global systemic risk resulting from the Brexit vote, as monetary policy in Europe is likely to remain enormously accommodative, which generally has served to support the prices of financial assets. In addition, the potential for fiscal policy in the U.K. in the form of corporate tax cuts would help to soften the blow of Brexit.

So what does all of this mean for the United States economy? Even before the Brexit vote, the U.S. economy was poised to grow at a moderately positive rate for the second half of 2016. We expect this trend to continue, with U.S. growth between one and two percent annualized in the coming months. This view of slow but gradual growth aligns with Federal Reserve Chair Yellen's recent decisions against raising short-term interest rates thus far in 2016. After hiking rates by 0.25% in December, the FOMC has passed on several opportunities to hike rates further, citing weakness in the labor market as well as developments abroad. With inflation contained, we anticipate that monetary policy will remain highly accommodative in the U.S., providing support for the economy. While we have noted in the past that the current economic expansion is approaching seven years, our general assessment is that we are in a long, slow economic expansion which could continue for quite some time.

STOCKS

The second quarter of the year often brings a calendar full of investment conferences attended by Howland Capital portfolio managers. These meetings offer an opportunity to hear presentations from senior management, mostly CEOs or CFOs, and a chance to ask questions directly. This effort is an important part of our approach to investment research and often helps identify new investment ideas. The accompanying table shows a partial list of companies we met with during the last three months.

Despite the slow-growing economy, our general view is that corporations are healthy. Companies have used the low interest rate environment to restructure their balance sheets, lowering interest costs and increasing short-term liquidity. In many cases, we are seeing companies with historically little or no debt issuing new and/or additional debt to finance the purchase of their own shares in the open market and fund stock dividend payments. Within reason, these actions are favorable to equity investors and will continue to support stock prices.

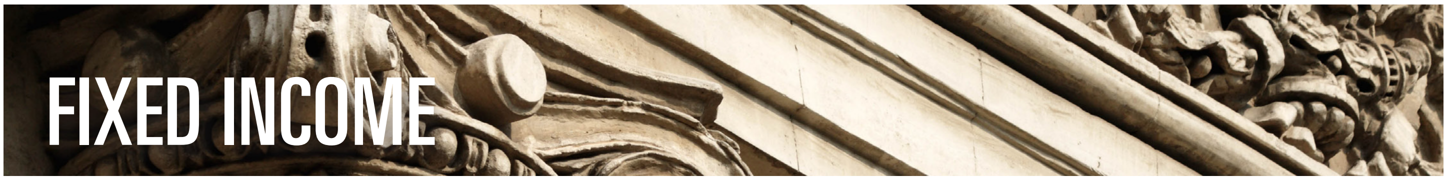
Meetings With Company Management During The Second Quarter		
Automatic Data Processing	IDEXX Laboratories	Roche
American Tower	3M	Stericycle
Aspen Technology	Mobileye	TE Connectivity
Colgate-Palmolive	MercadoLibre	Verifone
Danaher	Microsoft	Verizon
Ecolab	Paychex	Visa
Frontier Communications	Praxair	Watsco
Gilead Sciences	Qualcomm	Wells Fargo
Mutual Fund Companies		
Emerging Global Advisors	Matthews Asia	PIMCO
Venture Capital & Private Equity Firms		
Adveq	Masthead	Pomona
	TA Associates	

In the United States, stocks have proven resilient to recent macroeconomic shocks. These include fluctuations in the value of the Dollar and devaluation of the Chinese Yuan, the Euro crisis, a collapse in the oil price, and most recently the Brexit vote. Despite the resiliency of equity markets remaining at or near all-time highs, we fully anticipate further episodes of volatility

Continues on Page 3

brought on by the election cycle, worldwide political unrest, and most importantly the ongoing lack of trading liquidity.

Against this backdrop, we are focusing on franchise quality, earnings and dividend growth, and valuation as the primary determinants of stock selection. We also have sought to identify companies in our portfolios which may be less immune to either macro or individual corporate earnings risks, and we anticipate further trimming or in some cases an outright sale of these positions. While we are always looking to identify attractive investment candidates to add to portfolios, in the current environment we are generally carrying slightly higher cash balances. The primary reason for this is to have liquidity available as “dry powder” to take advantage of market corrections, and to guard against having to sell equities at inopportune prices in the event that client cash needs arise over the near term.



FIXED INCOME

Unlike the equity market, where investors benefit from growth in corporate earnings and dividends, bond investors traditionally focus on income yield and capital preservation from the return of principal. This remains a formidable challenge. Due to radically unconventional policy, an astonishing forty percent of the developed world’s government bond market now trades at negative yields. This is truly an upside down world – investors who purchase these bonds are actually willing to forgo a positive nominal return in exchange for safety, security, and liquidity. These policies also have had the effect of encouraging investment in riskier assets, lowering the cost of capital for corporate borrowers so that they might be willing to finance capital projects. The United States has so far avoided negative interest rates. However, with the short-term policy rate at 0.25% and the 10-year U.S. Treasury bond yielding less than 1.50%, our nominal rates are approaching rock bottom levels. We do not expect to see rates fall below zero at any point along the yield curve for U.S. Treasury bonds. This is primarily because financial conditions in the U.S. are more robust than in Europe and Japan where deflationary pressures have been mounting for some time. Nonetheless, we don’t expect interest rates to rise much over the next year.

So how are we positioning income oriented portfolios? We have been purchasing high quality, investment grade corporate bonds as a core holding within fixed income allocations. These bonds offer between one and two additional percentage points of yield relative to government bonds with very little risk. As previously mentioned, corporate balance sheets are generally in very good shape (excluding energy-related companies), and the probability of default risk is low relative to historical measures. The additional yield primarily comes as compensation for reduced liquidity in the corporate bond market. For an investor willing or able to hold bonds until they come due at maturity, as we typically do, this liquidity premium can have a positive impact on investment performance.

The second area of the market where we are looking for value is in high quality municipal bonds. While weaker municipal bond issuers such as Puerto Rico or the State of Illinois have garnered headlines, the majority of the municipal market is very high quality. Municipal bonds look attractive to us on a taxable equivalent basis relative to other high quality sectors of the market, and we expect to add selectively to our holdings as new issues come to market and older bonds mature.

TAXING MATTERS

- It has become increasingly difficult to tell whether **communications from the Internal Revenue Service** are genuine or from a scammer attempting to steal your personal financial information. The Service has recently been writing to taxpayers asking for information needed to verify the taxpayer's identity because it suspects the taxpayer's personal information may have been stolen. This particular letter is in fact from the Service, and is referred to as a "5071C" letter. This letter is sent by mail to the taxpayer's address because the Service will never contact you by email or by telephone unless they have first written to you. In addition, the Service has issued an Information Release explaining the purpose of the "5071C" letter. The best procedure to follow is to forward any request from the Internal Revenue Service to your tax advisor, and let him/her follow through with it.

- By June 30th of each year, taxpayers are required to report any **foreign bank or brokerage account(s)** where the aggregate value exceeds $10,000 at any given point during the year. We come across a few of these every year when working with tax clients. Accounts that have been dormant and virtually forgotten may have grown to exceed the threshold. The penalties for not disclosing these accounts can be as much as 50% of the highest account value per year. Yes, you read that correctly; after 2 years the entire account can be wiped out by penalties for non-disclosure. Another scenario to consider is if you have signature authority on a foreign account which belongs to a friend or family member. This scenario could require disclosure as well. If you have any questions concerning foreign accounts, please contact our tax group.

- A number of large employers are starting to assist their employees in **paying off student loans.** Unlike tuition assistance, which can be a non-taxable fringe benefit, payments to reduce student loans are taxable income to the recipient.

- Did you know that every state that has a sales tax also has a **use tax?** Also, many states now ask payers to list the dollar value of items purchased for which no sales tax has been paid. **If you purchased items over the internet and the vendor did not charge you sales tax then technically the use tax is due.** While use tax reporting is probably the least observed tax provision, states are beginning to find clever ways to collect it. Some states, **such as Colorado and Oklahoma,** are now requiring out of state retailers to report annually customers who have purchased more than $500 worth of goods from them in a calendar year. So far this has been allowed by a federal appeals court. Do not be surprised if, in the future, you receive a notice from your state looking for the use tax.

- In this election year we have heard a number of people claim they will **renounce their citizenship** if a particular candidate wins in November. Folks who decide to give up their citizenship could owe an exit tax if their average annual income for the previous five years exceeds $161,000 or they have at least $2 million of net worth. In this case, they will be treated as if all of their assets were sold for fair market value on the day before their expatriation date. There is, however, a profits exemption of almost $700,000. So, once again, escaping death or taxes is highly unlikely!