IdahoTrust

November 2015

WealthManagement

SOLUTIONS FOR YOUR LIFENEEDS™

Market Insights

A periodic newsletter from Idaho Trust

Uncertainty about when The Federal Reserve Bank will raise interest rates has impacted the fixed-income markets. Investors are confused by the intension of the members and the timing of future interest rate increases. Market volatility and global economic weakness has contributed to the concern, which has impacted both municipal and high-yield debt in different ways.

The Municipal Bond Market

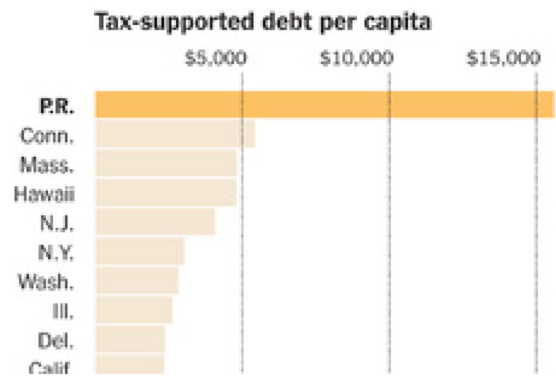
Credit quality in the municipal bond market has improved. The credit rating agency, Standard & Poor's (S&P), reported that there has been more municipal bond upgrades than downgrades over the past 12 months. Revenues and tax receipts have risen in most major regions over the past few years. Additionally, general fund balances continued to be replenished after having been drained in the Great Recession. For example, Chicago recently proposed a substantial property tax increase along with other efforts to enhance its revenue collections. While these actions are not enough to resolve their serious fiscal challenges, its represents a major effort to begin to address their weak financial position.

One area in the municipal bond market that remains a major concern is Puerto Rico. This territory of the United States has an enormous debt burden and a slow down in their economy has called into question the territory's ability to cover these

Idaho Trust Bank offers total wealth solutions including its LifeNeeds™ investing process. The LifeNeeds™ investment process utilizes proven strategies and techniques delivered by a highly trained staff of wealth management professionals.

LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.

obligations. The attached chart shows the level of tax-supported debt per capita, which represents the value of government debt that is attributable to each citizen in that jurisdiction. During the third quarter of the year, the Puerto Rico Electric Power Authority (PREPA) barely avoided default by tapping reserves and it's general obligation fund. The PREPA reached a preliminary agreement with it's creditor group on a debt exchange. It is likely that Puerto Rico's troubles will continue to draw headlines as the issues are complex and any resolution will involve trade-offs.

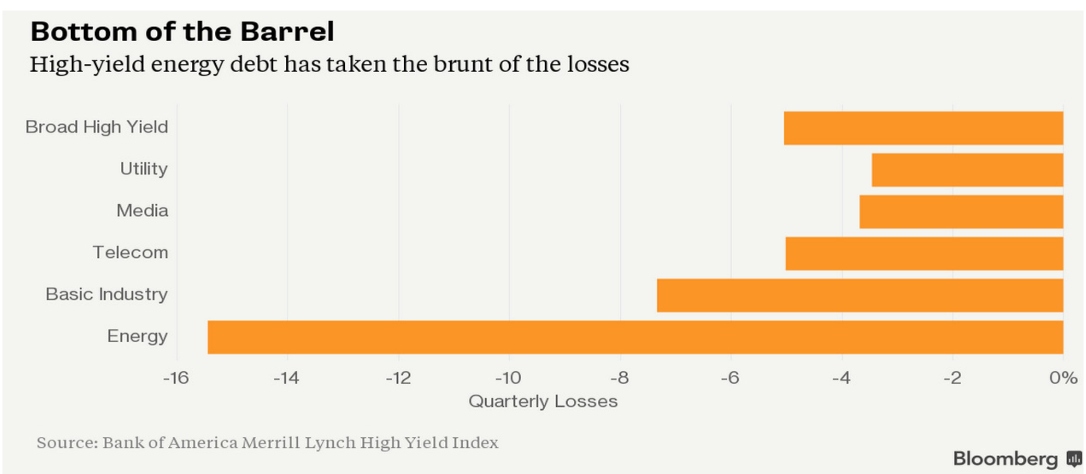


During the first nine months of this year, new municipal bond issuance was higher than for the same period in the prior year. This was likely due to municipalities issuing debt while the appetite for muni bonds remains strong and before the cost of issuing bonds increases.

High Yield Bonds

When the Federal Reserve Bank (Fed) decided to hold rates steady at the September meeting, most investors think that an increase at the December meeting is very likely. However, the level of uncertainty has increased and now speculation has begun that a rate increase will not happen until 2016. We maintain our belief that whenever the rate hike occurs, the likelihood is that rates all along the yield curve will remain near their historically low levels, since growth rates and inflation levels are likely to remain subdued. Although oil prices have moved up from their August lows, they are unlikely to move materially higher in the near-term. The U.S. and global economies have experienced slowdowns which further adds to our belief that rates are not likely to move much higher in the near to intermediate future.

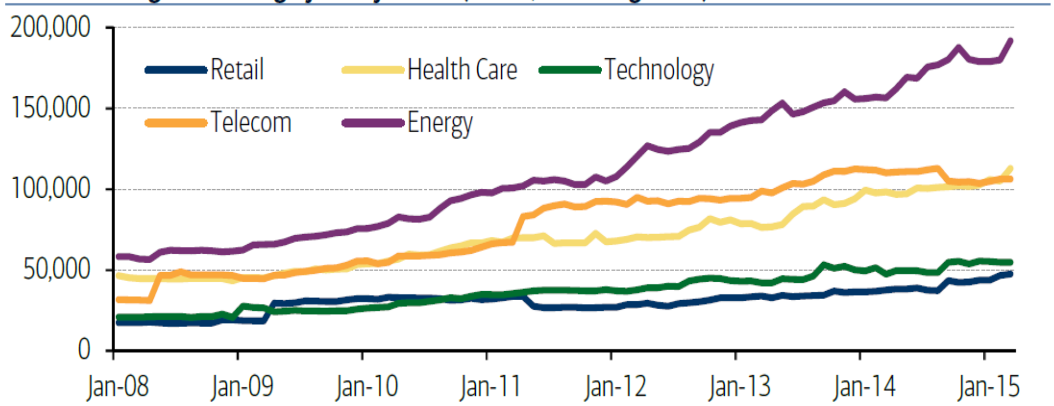
High yield bonds have struggled during the past few months, especially



for the energy related bonds. See chart of high-yield bonds performance during the third quarter. Fed policy uncertainty in a weaker global economic environment has resulted in more-attractive valuations in the high yield market. The Fed's confusing message was followed by a weak September jobs report, reducing the probability of the Fed tightening interest rates in the near term.

This long period of low interest rates has encouraged some of the riskiest corporate borrowers to issue bonds to finance their growth. Some of the lowest rated debt is triple-C (CCC); such bonds are just a few notches above D which means "default" and are typically classified as carrying "substantial

Chart 5: Debt growth in high yield by sector (bonds, excluding loans)



Source: BofA Merrill Lynch Global Research

risks." A large percentage of CCC rated bonds have come from energy companies such as shale drillers. These companies have aggressively expanded their business to take advantage of high energy prices and have used debt to help finance their expansion. Two other sectors that have also expanded their high-yield bond issuance is Telecoms and Health Care, as industry wide consolidation has boosted debt issuance for companies looking to expand. Our investments have very low exposure to CCC rated bonds.

However a sharp drop in energy prices that started in late 2014 has created concerns about the ability of these companies to service their bonds. In fact, the lowest-rated segment of the junk bond market has been the worst performer so far in 2015. Despite the risks of a slower economic environment as well as lower commodity prices, high yield bonds outside of the energy and material sectors appear to offer more value. High yield debt from metal and mining companies has fallen nearly 9% and bonds of independent energy companies have declined 5%. Despite the risk associated with lower commodity prices to this segment of the high yield market, other areas should benefit from lower energy prices as well as the positive demand effect from a pick-up in consumer activity.

S&P 500 Index

3 Month	-0.63%
Year-to-Date	2.70%
1 Year	5.19%
3 Year	16.18%
5 Year	14.14%

MSCI EAFE Net Index

3 Month	-5.19%
Year-to-Date	2.13%
1 Year	-0.07%
3 Year	7.83%
5 Year	4.59%

Barclays Aggregate Bond Index

3 Month	0.55%
Year-to-Date	1.14%
1 Year	1.96%
3 Year	1.71%
5 Year	2.99%

As of 10.30.2015

Boise Branch
888 W. Broad St.
Boise, Idaho
208.373.6500

Coeur d'Alene Branch
622 E. Sherman Ave.
Coeur d'Alene, Idaho
208.664.6448

Las Vegas Trust Office
2850 W. Horizon Ridge PKWY, Ste 200
Henderson, Nevada
702.430.4747

Info@IdahoTrust.com
www.IdahoTrust.com

1. Consult an Idaho Trust Bank financial consultant for more details. Securities and insurance products are offered through LPL Financial and its affiliates, Member FINRA/SIP. Idaho Trust Bank is not a registered broker/dealer and has a brokerage affiliate arrangement with LPL Financial. Idaho Trust Bank is a separate company from LPL Financial. Investment accounts generally under $300,000; Insurance and Annuities of all sizes.
2. Pleas see the Idaho Trust Bank Schedule for Fees. Investment accounts generally over $300,000.
3. Please see the Idaho Trust Bank Schedule of Fees. Investment accounts generally over $500,000.
Certain products may be provided by a Financial Consultant of Idaho Trust Financial is utilized: (1) Securities and insurance products are offered through LPL Financial and its affiliates, Member FINRA/SIPC; (2) Idaho Trust Bank is not a registered broker/dealer and has a brokerage affiliate arrangement with LPL Financial; and, (3) Idaho Trust Bank is a separate company from LPL Financial, Idaho Trust Bank does not provide tax or legal advice. Overlay Asset Management utilizes external and/or internal managers selected by Idaho Trust Bank.
4. Certain products may be provided by a Financial Consultant of Idaho Trust Financial. Securities and insurance products are offered through LPL Financial and its affiliates, Member FINRA/SIPC. Idaho Trust Bank is not a registered broker/dealer and has a brokerage affiliate arrangement with LPL Financial. Idaho Trust Bank is a separate company from LPL Financial. Idaho Trust Bank does not provide tax or legal advice.
5. Exchange Traded Funds (ETF), mutual funds and individual stocks are subject to risks and fluctuate in value. Neither asset allocation nor diversification assure a profit or protect against loss. International investing involves special risks including increased volatility, political risks, and differences in auditing and other financial standards. Small-cap stocks have historically experienced greater volatility than average. High yield, lower-rated securities generally entail greater market, credit and liquidity risks than investment grade securities and may include higher volatility and higher risk of default. Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices. Past performance is no guarantee of future results. No representation is hereby made of the risk and/or return of any particular portfolio. There is no guarantee that any suggested investment strategy will work in any market. You should fully and carefully consider all objectives, risks, expenses and fee before you invest.
6. Portfolios are illustrative only. ActualLifeNeedsTM Portfolios will vary from time to time as determined by Idaho Trust Bank. No representation is hereby made of the risk and/or return of any particular portfolio. There is no guarantee that any suggested investment strategy will work in any market. You should fully and carefully consider all objectives, risks, expenses and fees before you invest. Past performance is no guarantee of future results.

Exchange Traded Funds (ETF), mutual funds and individual stocks are subject to risks and fluctuate in value. Neither asset allocation nor diversification assure a profit or protect against loss. International investing involves special risks including increased volatility, political risks, differences in auditing and other financial standards. Small-cap stocks have historically experienced greater volatility than average. High yield, lower-rated securities generally entail greater market, credit and liquidity risks than investment grade securities and may include higher volatility and higher risk of default. Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices. Past performance is no guarantee of future results. For more information about performance of Idaho Trust Strategies and our performance calculation methodology, please contact us. Actual client performance may vary from the performance of model portfolios and/or any strategy. No representation is hereby made of the risk and/or return of any particular portfolio. There is no guarantee that any suggested investment strategy will work in any market. You should fully and carefully consider all objectives, risks, expenses and fees before you invest.

Portfolios are illustrative only. Actual LifeNeeds™ Portfolios will vary from time to time as determined by Idaho Trust Bank. The Idaho Trust investment strategies will vary from time to time as determined by Idaho Trust Bank. The information and analysis expressed herein are for general information only and are not intended to provide specific advice or recommendations for any individual or entity. Information contained herein has been obtained by sources we consider reliable, but is not guaranteed. Any opinions expressed are based on our interpretation of data available to us at the time of the original publication of the report. These opinions are subject to change at any time without notice.

NOT A DEPOSIT • NOT FDIC INSURED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • NOT GUARANTEED BY THE BANK • MAY GO DOWN IN VALUE