KCM'S KOMMENTS—KURRENT NEWSLETTER

KELLY CAPITAL MANAGEMENT, LLC

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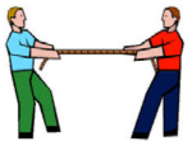

SEPT 2017 KOMMENTS
3rd QUARTER UPDATE

SEPT 2017— KOMMENTS
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MARKETS AND ECONOMY:

The third quarter looked much like a tug-of-war between large, mid and small capitalization stocks. The same can be said of the energy, financial and technology sectors as well as domestic versus foreign stocks and value versus growth stocks. The bickering on Capitol Hill continued as we saw the failure to amend Obama Care as well as get a tax revision plan going. Of course, we also saw markets respond to the back and forth between the White House and Pyongyang. Lastly, the devastating hurricanes that whipped the southern US and our Caribbean possessions caused infrastructure related concerns that affected our markets.

Thoughts of potential FED interest rate increases returned as well as the need for personal income growth as higher yielding bonds matured without coupon equivalent replacements. Throughout the quarter we saw strong inflows into the technology and finance sectors and in September money chased high yield bonds and corporate bonds. On balance, it was a positive growth economy with limited inflation increases and benign interest rates that helped both the US and foreign economies' stock markets to move up. Overall, only the real estate sector showed much weakness nationally.

RESULTS:

Real estate indices showed negative returns for September but were basically flat for the quarter as evidenced by the Dow Jones Real Estate Index return of only 0.18%. Our real estate strategy experienced a very small negative return for the quarter (about 1/10th of 1%) as a result of the weak September that reflected hurricanes and interest rate increase concerns. We did sell our long-held position in NNN which was a retail shopping center oriented security. Although September reflected an across-the-board negative trend for fixed income (bonds), our continuation of limiting long term bond exposure helped protect clients' investments in our bond strategy during September and also generated a positive return for the quarter.

Selective stock picking helped our domestic equity, large cap value strategy to soundly beat its value stock index benchmarks for the quarter. Our all cap multi-style domestic ETF based stock strategy also eclipsed its S&P 500 Index benchmark. Emerging Market stocks soundly beat domestic equity returns but our approach to the Emerging Markets emphasized the correct country specific ETFs and produced returns that beat the relevant benchmarks. On balance, the quarter was again a positive one. We stayed invested and our clients made money in our domestic stocks, foreign stocks, and fixed income strategies. For clients needing income, we again reliably generated the needed cash when expected through our yield oriented strategy. We also limited trading during the quarter which limited deleterious tax impact on clients' portfolios.

We expect the conflict with Korea will become less of an issue. We also don't expect the FED will raise interest rates again until 2018. We think the tax policy revisions to be worked out throughout 4th quarter will be beneficial for all Americans and that will be reflected in various markets' returns.