



JANNEY UPDATE

MESSAGE FROM THE PRESIDENT

As spring arrives and the weather becomes warmer, you might be thinking about organizing and refreshing various aspects of your work or home life. We recommend considering your financial picture as part of this. Spring is a perfect time to refresh your financial plan, especially when it comes to speaking with your financial advisor about the life events that are the most impactful to your finances now—and those that you anticipate will be in the future.

Be sure to also familiarize yourself with the many convenient features of Janney Online Access. With services such as eDelivery, our My Net Worth complete financial picture aggregation tool, and secure Document Vault, we make it easier for you to manage your finances and important documents in one convenient location. All of these helpful features will allow you to organize your financial picture. Get started today at www.janney.com.

Economic Outlook

Janney's Chief Investment Strategist, Mark Luschini, reports, "Financial markets have become unsettled as interest rates moved higher, reflecting stronger economic growth and the broadening belief that the heretofore tepid pace of inflation may quicken. The unprecedented period of time without a measured pullback in stock prices finally came to an end rather abruptly at the end of January."

He continued, "By pulling the lens back, however, we know that corrections—Wall Street jargon for a drop in stock prices of more than 10%—are quite common and do not necessarily foreshadow a deeper or protracted decline. With the economy operating at a high level, and a fiscal boost coming from tax legislation plus the appropriations spending bill, the underpinnings for further positive growth are sound."

I encourage you to read Mark's full *Economic Outlook* included in this issue of *Janney Update* for more details.

The Value of Advice

Considering the recent market volatility, it is a great time to have a conversation with your advisor about the status of your portfolio as part of your long-term financial goals and plan. Reviewing your asset allocation, diversification, and risk tolerance are important within the frame of your financial goals and objectives. Whether it is saving for retirement or paying for your child's educational expenses, Janney is here to support you through a range of investment and planning services. From comprehensive, holistic advice to quick, modular, goal-based assessments for timely issues, your advisor can work with you to create a roadmap to fit your unique needs.

As we are nearing the end of tax season, we hope you have taken the time to discuss tax reform, tax planning, and tax-efficient investing with your Janney Financial Advisor and tax advisor. There are many resources available to help you understand tax reform and ensure you have the tax material and education you need for your 2017 tax filing such as key tax updates and top scams to avoid when filing your taxes. Visit www.janney.com/taxes or contact your Janney Financial Advisor for material.

The Importance of Trusted Contacts

The strength of our business is based upon the relationships we hold with our clients. Understanding who our clients' most trusted contacts are, in the event of any type of emergency or special circumstances, is becoming increasingly important.

(Continued on page 2)

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MEMBER: NYSE, FINRA, SIPC • MARCH 2018 • JANNEY UPDATE • PAGE 1

(Continued from page 1)

Sharing a trusted contact is especially important for our more senior clients, but we believe it is a best practice for all clients to consider. As identity thieves, fraud, or other threats to a personal financial situation increase, investors need to consider how best to protect themselves against financial exploitation. Creating a protection plan and important contacts list now, at any age, and sharing these trusted points of contact with your Janney Financial Advisor will help protect you in the future. You will be seeing more educational information about this from us in the future.

Janney continues to work hard to create and offer valuable tools and services to support you and your financial needs and goals, while protecting your best interests.

Thank you for your business and the continued trust you place in us each day.

Sincerely,



Timothy C. Scheve
President and Chief Executive Officer

DID YOU KNOW...?



Your Janney Financial Advisor can provide comprehensive solutions, service, resources, and advice in all areas of your financial life that even go beyond your primary investment needs. Our team of dedicated and experienced professionals can offer advice and guidance on the aspects of your financial life that are most important to you to help you reach your financial goals, such as:

- Retirement Income Planning
- Creating a Financial Plan
- Estate Planning
- Business Succession Planning
- Education Savings Planning
- Tax-Efficient Investing Strategies
- Trust Services
- Health Care and Asset Protection Planning
- Corporate Executive Services
- Life and Long-Term Care Insurance

Contact your Janney Financial Advisor or visit www.janney.com today to learn more. ■

FIXED INCOME CONFIRMATION CHANGES

In the coming months, there will be changes to your client confirmations when you purchase or sell Corporate, Agency, and Municipal Bonds, in an effort to provide transparency and clarity around these purchases and/or sales. The new confirms will include (1) the time your trade was executed, (2) a link to a third-party bond website with security details and trade history, (3) your financial advisor's compensation earned on the transaction, and (4) the difference between your trade price and the prevailing market price. Please stay tuned for additional communications from Janney regarding this matter. If you have any questions or concerns, please contact your Janney Financial Advisor. ■

ANNUAL DISCLOSURE STATEMENT TO ACCOUNTS APPROVED FOR MARGIN

Janney is providing this disclosure to inform you of some basic facts about purchasing securities on margin and to alert you to the risks involved with trading securities in a margin account. Before trading securities in a margin account, you should carefully review the margin agreement provided by Janney. Consult your Financial Advisor or contact Janney regarding any questions or concerns you may have with your margin account(s).

When you purchase qualified securities, you may pay for the securities in full, or you may borrow part of the purchase price from Janney. If you choose to borrow funds, you must open a margin account. The securities purchased as well as other securities in your margin account are Janney's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and as a result, we can take action, such as issuing a margin call and/or selling securities or other assets in any of your accounts held at Janney in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

You can lose more funds than you deposit in the margin account. A decline in the value of securities that are purchased on margin may require you to provide additional funds to Janney to avoid the forced sale of those securities or other securities or assets in your account(s).

Janney can force the sale of securities or other assets in your account(s). If the equity in your account falls below the maintenance margin requirements or Janney's higher "house" requirements, the firm can sell the securities or other assets in any of your accounts held at Janney to cover the margin deficiency. You will also be responsible for any shortfalls in the account after such a sale.

Janney can sell your securities or other assets without contacting you. Janney will attempt to notify our clients of margin calls; however, we are not required to do so. Even if Janney has contacted a client and provided a specific date by which the client can meet a margin call, we can still take necessary steps to protect our financial interests, including immediately selling the securities without notice to the client.

In the event of a forced liquidation, you are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call. Because the securities are collateral for the margin loan, Janney maintains the right to decide which security to sell in order to protect our interests.

Janney can increase "house" maintenance margin requirements at any time, and we are not required to provide you with advance written notice. These changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Failure to satisfy the call may require Janney to liquidate or sell securities in your account(s).

You are not entitled to an extension of time on a margin call.

Janney is required to send clients with margin accounts the preceding information on an annual basis. We believe the following additional information will assist our clients in understanding the various aspects of margin borrowing, especially the risks.

How Does Margin Work?

When utilizing margin to purchase securities, borrowed money is being used to fund the transaction. While market appreciation will increase your return on an investment, a depreciation may result in an increased loss greater than the amount of money originally supplied.

| | Using Cash Only | Using Margin |
|---|-----------------|--------------|
| Value of Purchase | \$10,000 | \$10,000 |
| Investor's Cash Payment | \$10,000 | \$5,000 |
| Margin Loan from Janney | \$0 | \$5,000 |
| Assume Value Increase of \$1,000 | | |
| New Value | \$11,000 | \$11,000 |
| Profit | \$1,000 | \$1,000 |
| Cash Investment | \$10,000 | \$5,000 |
| Return on Investment | 10% | 20% |
| Assume Value Decrease of \$1,000 | | |
| New Value | \$9,000 | \$9,000 |
| Loss | \$1,000 | \$1,000 |
| Cash Investment | \$10,000 | \$5,000 |
| Return on Investment | -10% | -20% |

The above example demonstrates that an investor who makes a cash purchase either loses or gains 10%, while the margined investor loses or gains 20%. For this reason, investors who employ margin usually have a more aggressive approach to investing with a willingness to take a larger risk. Investors who use margin will also be charged interest on the borrowed amount as explained in the section titled "Margin Interest." Before choosing to invest using margin, you should consult your Janney Financial Advisor to determine if the risk is appropriate for your investment objectives and risk tolerance.

Initial Margin Requirements and Maintenance Requirement

The initial margin requirement is the percentage amount required as initial equity from the investor. Federal Reserve Board Regulation T establishes a minimum account equity value of \$2,000 when placing orders on margin. For most equity securities, which meet standards

as defined in the regulation, this requirement is 50%—the investor must have 50% of the purchase amount by settlement date, plus Janney also requires the price of the stock to be above \$5 per share. Some securities, including many U.S. Treasury issues, have lower margin requirements. Your Janney Financial Advisor can provide further information upon request.

When an investor borrows on margin, there is an ongoing minimum equity requirement called the maintenance requirement, usually 30%. In some cases, Janney may have a "house" requirement that is above 30%. For example, Janney has a maintenance requirement of 75% on certain stocks and 100% on others (100% means these securities are not eligible for margin). As another example, when a stock's price falls below \$4 per share, Janney applies a 100% maintenance requirement.

If the value of the securities in a margin account falls so that the equity is below the maintenance requirement, a margin call will be issued requiring the client to deposit cash or acceptable collateral into the margin account to bring the equity value up to the required maintenance level. As noted earlier, Janney can change maintenance requirements at any time without prior notification.

Consider the table below showing a decline in value. The example assumes that the maintenance level on all securities in the account is 30%. When the value of the securities in the account falls below \$7,000, the equity falls below 30%, which will trigger a margin call.

| Impact of Decrease in Value | | | | |
|--|----------|---------|---------|---------|
| Account Value | \$10,000 | \$9,000 | \$8,000 | \$7,000 |
| Margin Loan | \$5,000 | \$5,000 | \$5,000 | \$5,000 |
| Equity (value minus loan) | \$5,000 | \$4,000 | \$3,000 | \$2,000 |
| Equity Percent (equity divided by value) | 50% | 44% | 38% | 29% |

When equity falls below the maintenance requirement and a margin call is issued, Janney will try to contact the client. As noted in the required disclosures listed at the beginning of this page, however, Janney can sell securities to meet a margin call at any time without notice. Janney can also change the maintenance requirements at any time without prior notification.

Margin Interest

Janney will charge interest to margin accounts based on the Janney Base Rate. The Janney Base Rate is an internally calculated rate established by Janney that changes from time to time based on Janney's cost of funds and Janney's assessment of the rates charged in the financial markets.

The interest rate you will be charged for borrowing on margin will increase or decrease as the Janney Base Rate increases or decreases. The Janney Base Rate is published on Janney's website and is subject to change without prior notice to you. We encourage you to check our site frequently to be sure you are aware of the current Base Rate at all times. The Janney Base Rate is 4.5%.

To determine your margin account's interest rate, we will use the following schedule, which reflects the annual interest rate being charged on all margin loan balances:

| If the Debit Balance Is This: | Percentage of Interest Charged: |
|--------------------------------------|--|
| Less than \$25,000 | Janney Base Rate Plus 5.875% |
| Between \$25,000 & \$49,999 | Janney Base Rate Plus 5.25% |
| Between \$50,000 & \$99,999 | Janney Base Rate Plus 4.75% |
| Between \$100,000 & \$249,999 | Janney Base Rate Plus 4.25% |
| Between \$250,000 & \$499,999 | Janney Base Rate Plus 4.00% |
| Between \$500,000 & \$999,999 | Janney Base Rate Plus 3.75% |
| \$1,000,000 & Above | Janney Base Rate Plus 3.50% |

For example, a margin client with a debit balance or margin loan of \$300,000 will pay an interest rate of 8.5%. As the Janney Base Rate changes, so does the rate charged to the margin borrower. If you have any questions, please contact your Janney Financial Advisor.

Conclusion

While investors who use margin may increase the profit potential of investing, there are significant risks to margin borrowing that should be understood before embarking on a margin strategy. Your Janney Financial Advisor can provide you with further information and help guide you in making wise investment decisions. For more information on margin borrowing, there are several websites with valuable information, including the following:

Securities and Exchange Commission
<http://www.sec.gov/investor/pubs/margin.htm>

Financial Industry Regulatory Authority
<http://www.finra.org>

As always, we welcome any comments or questions. Please contact your Janney Financial Advisor or write to us at the following address:

Margin Department/Disclosure Information
 Janney Montgomery Scott LLC
 1717 Arch Street, Philadelphia, PA 19103 ■

Economic Outlook

Mark Luschini, Chief Investment Strategist

As the economic expansion in the United States approaches its nine-year anniversary, representing the third longest stretch of positive growth in more than a century, activity is actually poised to improve. Consumer spending, which represents about 70% of our Gross Domestic Product (GDP), has been humming. Rising stock market and home values have lifted aggregate household net worth to a record high, 46% above its pre-financial crisis peak. In addition, job growth and wage gains have helped to elevate confidence levels to heights last seen more than a decade ago. That formula is helping to propel consumption. With the likelihood high that strong labor conditions will persist, the impulse for the consumer to further fuel economic growth is firmly in place.

After a lengthy stretch of weak, if not shriveling, capital investment, corporate purchasing departments have been busy scribbling on their new order forms. Business capital expenditures are up and accelerating, and expectations are high that this phase is likely to continue for an extended period. Corporate profit growth precedes business spending, and news on that front has been impressive. Not only are businesses spending to account for growth, but the advanced age of plant equipment suggests a replacement cycle is long overdue. Recently passed tax legislation is helping to ignite animal spirits within the business community and, in turn, the view that not only spending, but also hiring, compensation plans, and the general business outlook is brighter.

In our view, this expansion will usurp the longest in U.S. history by lasting at least through mid-2019. The momentum of job creation, above-trend growth, non-threatening inflation, and not-as-yet restrictive monetary policy should enable the economy to overcome most variables that could undermine this positive state. The two endogenous risks we identified in our forecast for 2018 that could “snatch defeat from the jaws of victory” were an unanticipated spike in inflation and a trade policy blunder. While there are emerging signs of inflation that lead us to conclude it will move closer to the Federal Reserve’s target of 2% by year-end, it seems that its glide path will not be steep. Trade policy, on the other hand, could become an issue for both the economy and markets alike. The gesture of imposing tariffs on solar panels, washing machines, and now steel and aluminum could impose higher costs on consumers and thwart spending. Even trade with partners in North American Free Trade Agreement (NAFTA) or others could be jeopardized. Inviting a retaliatory trade war with large trade partners may not only have a deleterious effect on business, but the spill over to sentiment and geopolitical relations could boost unwelcome tensions. The developments around the issue of trade will bear our close attention, particularly since it appears probable that it will metastasize into other forms as the year unfolds.

In the meantime, financial markets have become unsettled as interest rates moved higher, reflecting stronger economic growth and the broadening belief that the heretofore tepid pace of inflation may quicken. The unprecedented period of time without a measured pullback in stock prices finally came to an end rather abruptly at the end of January. By pulling the lens back, however, we know that corrections—Wall Street jargon for a drop in stock prices of more than 10%—are quite common and do not necessarily foreshadow a deeper or protracted decline. With the economy operating at a high level, and a fiscal boost coming from tax legislation plus the appropriations spending bill, the underpinnings for further positive growth are sound. The global backdrop is equally healthy, confirmed by worldwide readings of manufacturing activity that are the best since 2011. Corporate earnings are rising at a double-digit pace, which should ultimately drive common stocks higher. To be sure, corrections usually take time to resolve, but we believe the fertile landscape for business profits will be sustained by the tailwinds coming from the well-entrenched strength in macroeconomic conditions. Trade, shifting monetary conditions, and geopolitical conflicts are all likely to buffet financial markets from time to time, but at the moment, none seem likely to undermine our sanguine view of risk assets. ■

Statement of Financial Condition

Janney Montgomery Scott LLC is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission and is required to maintain a minimum amount of net capital. As of December 31, 2017, Janney’s Net Capital and Net Capital Requirement were \$78,878,814 and \$8,115,614 respectively. You may obtain a copy of this Statement of Financial Condition as of December 31, 2017, at no cost by accessing our website at www.janney.com or by calling our toll-free number at 800-526-6397 and requesting a copy. ■

Account Information Verification

The Financial Industry Regulatory Authority (FINRA) and other securities regulators require that broker-dealers maintain certain information about their clients and verify this information periodically. At the time your account was established and perhaps on additional occasions since that time, you provided Janney with account information such as your name, address, investment objective, and other data. On your June 2018 client statement, this information will be listed on the last page of your statement. When you receive your June 2018 statement, please review the last page carefully, and promptly notify your financial advisor if anything is incorrect. If your information is correct, no action will be required. If you have any questions, please contact your financial advisor. ■

Privacy Notice

Janney is committed to using your personal financial information responsibly. We understand your desire for discretion in handling your financial matters and we appreciate the trust you have placed in us to keep that information confidential. We have enclosed our Privacy Notice with your statement.

Our Privacy Notice is published annually and explains the policies and procedures for protecting your personal information. The Janney Privacy Notice also provides you with contact information in the event that you have any questions or concerns about the way your personal information is handled. Our Privacy Notice is also available on our website at www.janney.com/privacy-policy. ■

Janney Montgomery Scott LLC

1717 Arch Street, Philadelphia, PA 19103

1.800.JANNEYS

www.janney.com

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MEMBER: NYSE, FINRA, SIPC • MARCH 2018 • JANNEY UPDATE • PAGE 4

