

WHITENER

CAPITAL MANAGEMENT, INC.

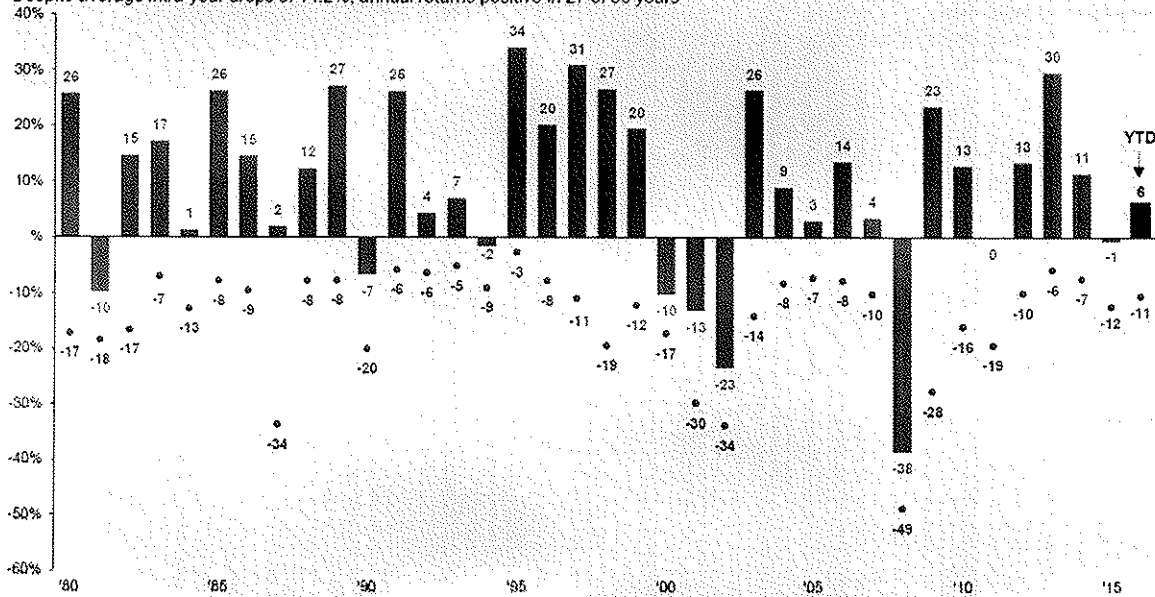
Registered Investment Advisors

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We are finally able to see the light at the end of the tunnel and the election season is almost over. Many investors have expressed concern over the market “crashing” after the election and I would like to take a moment to address those concerns. Regardless of the winner, the market could experience a correction but it will be short-lived and not a basis for panic. In any given year, the markets correct down around 14% and recover. The chart below shows every year since 1980. The number below the bar shows the correction/pull-back during the year and the number above the bar shows how the year finished. The S&P500 has already had an -11% correction this year. The media makes this out to be newsworthy but for long-term investors, this should barely raise eyebrows.

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

Despite average intra-year drops of 14.2%, annual returns positive in 27 of 36 years



*Source Factset, Standard & Poor's and J.P. Morgan Asset Management.

Nobody ever wants to invest in the markets only to find it lower next month. We all want to feel like we are getting a deal and buying at a discount, but that isn't the way the markets work. We focus on value and not price. We focus on the potential return and the valuation of the company, not the potential volatility. Traders have been trying to capitalize on these bounces for years with little long-term success. Long-term investors have proven that buying good companies is how you get ahead.

This is what the markets looked like at the end of the 3rd quarter of 2016.

Valuation Measure	Description	Latest 09/30/2016	25 year average
P/E	Price to Earnings	16.8x	15.9x
P/B	Price to Book	2.6	2.9
P/CF	Price to Cash Flow	11.7	11.4
Div./Price	Dividend Yield	2.2%	2.0%

*Data as of 09/23/2016 - Current price divided by consensus analyst estimates of earnings, book, cash flow, sales and earnings growth for the next 12 months. Data provided by J.P. Morgan Asset Management

Equity

As of September 30, 2016 the S&P500 is up 7.8% and will finish the year higher given the current data. There are a couple of speed bumps that can knock us from this target but excluding exogenous events, moving up from here is reasonable. Many investors are jittery with the potential Fed hike that is coming. I personally feel that a rate hike has been priced into the market and doesn't pose a real threat to a year-end upswing in the markets. The state and federal elections are also a touchy subject with investors but the markets will have almost 60 days to digest the results as we head towards year-end. On a valuation basis, the S&P500 is trading about where it has been for the last 18 months and an increase in earnings coupled with a slight expansion in multiples should result in more upside growth.

Fixed Income

The Federal Reserve Board has raised rates once this year and I fully anticipate that they will do it again. They should have done it at one of the meetings prior to the end of the third quarter but I do think that we will see another increase before year-end. Bond investors will see price adjustments and bond fund investors should be very careful of their choices. A bond fund can react violently to small interest rate moves and predicting that reaction is almost impossible. Beware of bond funds!

Economic Overview

The United States economy is still growing at around 2%. This is well below the long-term average but it is a far cry from recessionary. We continue to grind out miserably slow growth but we continue to be one of the better places to invest in the world. New capital flowing to our markets has helped keep rates low and the stock market fully valued. There is no indication that we will get back to a more normal growth rate of 3-4% in the next few years but there is also nothing out there to indicate that we will slip into a contraction and enter a recession. Employment rates are climbing but labor participation rates are not increasing at the same rate.

Household debt is down 30% from the highs in 2007 and corporate debt per dollar of assets is down 50% over the same time period. People and corporations have stronger balance sheets and are more prepared for hard financial times. If people or corporations felt more comfortable we would most likely see economic growth. We would see an increase in investment and spending but we are all sitting on our cash and preparing for bad times. We need somebody to put in place consistent tax policy, foreign policy and monetary policy. There needs to be transparency in monetary and fiscal policy with a level of predictability. If there were a higher level of comfort, there would be a higher level of investment.

Conclusion

The United States has a very important election coming up in less than a month. The House of representatives and the Senate is up for grabs. The choice of President will mold the direction of the United States Supreme Court for the next few decades. There is a tremendous amount at stake with diametrically opposed candidates that feel that they have the answers. The outcome of this election will be important and it has the potential to alter aspects of the business climate but I don't feel that it will affect earnings in the near term and any market movement immediately following the election will revert back to the long-term mean established by earnings and earnings growth. It always comes back to the fundamentals.

A handwritten signature in black ink, appearing to read 'Rick Sanford', with a long, sweeping flourish extending to the right.

Richard L. "Rick" Sanford, II
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