7258 WEALTH MANAGEMENT

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Friends,

2016 was quite a year. It started with changing the name of the company to 7258 Wealth Management. Our founders met while teaching Investments and Finance at the United States Air Force Academy. We decided to rename the company 7258 (which represents the elevation of the Air Force Academy) to re-connect to our roots here in Colorado and further distance ourselves from Wall Street.

Our Firm

7258 crossed the $100 million assets under management threshold. While we are certainly thrilled with reaching that milestone in our first calendar year of business; I am most proud of how we achieved that level of assets. Our client base is comprised of successful entrepreneurs, attorneys, current and former portfolio managers, professionals, and retired CEO's. They have funded their accounts from assets held at Alliance Bernstein, Bessemer Trust, Goldman Sachs, JP Morgan Chase, Morgan Stanley, and many other fine firms. Our clients have asked us to manage an average of $7 million and have an average net worth in excess of $25 million.

Steve Trainer joined the 7258 Team as a Global Markets Analyst in February. Prior to joining 7258, he was an Associate at Arcstone Partners, a Product Manager at Wall Street on Demand, and an analyst on the original Bernstein Team in Denver (with me). Steve has an MBA from the Daniels College of Business at the University of Denver and a BS in Industrial Engineering from Lehigh University. Steve passed Level II of the CFA Exam in June.

Dr. William Jennings, our Director of Research, published two articles this year: "Fees Eat Diversification's Lunch in the *Financial Analysts Journal* and "Five Tools for Wealth Managers" in the *Journal of Wealth Management*.

7258 has partnered with The Aperio Group, BlackRock, Dimensional Funds, and Vanguard for the management of our client assets. Each of them play key roles in our focus on managing client assets in a tax-efficient, cost-effective manner. We spent much of the year working with The Aperio Group to develop a portfolio that uses the evidence our colleagues at Dimensional Funds have uncovered which demonstrates portfolios tilted toward value stocks and smaller, more profitable companies have delivered a historical premium to the markets.

Dimensional Funds uses a mutual fund structure; the 7258 Global Equity portfolio with Aperio is delivered in a separately managed format which allows us to consider the unique tax situations of each of our clients. This solution represents a key cog in our efforts to maximize clients' after-tax returns.

We continue to operate as a division of SRS Capital Advisors who oversees over $500 million for clients across the nation.

Markets

Rough Start: The Dow Jones Industrial Average kicked the year off with the worst first five days in history. The S&P 500 dipped 1.5% on the first trading day of the year and proceeded to fall another 10% before bottoming on February 11th. Since that day (when we serendipitously rebalanced our client portfolios), the S&P 500 climbed over 24% to end the year with a 12% gain.

Energy Soars and Health Care Falters: All sectors in the S&P 500 with the exception of health care were positive in 2016. The 2016 gains in the S&P 500 were fueled by energy stocks, which rose by 27.4% and financial stocks, which gained 23.5% (with virtually all of those gains coming since the election). Health care stocks fell by 2.7% in 2016. Crude Oil opened the year at $44.81, bottomed at $35.10 in February, and ended the year at $53.89.

Brexit: In what served as a preview to the US Presidential Election, the pollsters got it completely wrong. Polls in the United Kingdom suggested the "Stay" Camp would win comfortably in the referendum held to gauge the will of the people on the UK leaving the European Union; the "Leave" Camp won and markets fell sharply all over the world (the Dow fell by over 600 points the next day.) At year-end, the global implications of the exit are still unknown, but the sell-off in the British Pound suggests U.K. Trade might suffer.

Wait, Who Won? The results of the U.S. Presidential Election defied the pollsters as well, and Donald Trump was elected to be our 45th President. Markets reacted negatively overnight on this news but rallied with the S&P 500 gaining 4.6% and the Russell 2000 (a measure for smaller stocks) delivering a remarkable 13% move from the election through year-end.

What Goes Down Must Come Up. The Ten-Year Treasury opened 2016 with a 2.24% yield; this fell to 1.67% when the equity markets bottomed on February 11th; fell again to 1.37% (not a typo) on July 7th; rose to 1.88% on Election Day, peaked at 2.60% on December 15th and then settled at 2.45% at year-end. The 10% increase in yields (from 1.88% to 2.07%) the day after the election was one of the bigger one-day moves in history. The effect of this move over the last seven weeks of the year rippled through the fixed income world as rising rates meant falling prices and bond investors saw a decline in values (something they haven't seen in a long, long time).

7258 WEALTH MANAGEMENT

The Demand for the Dollar. While President-Elect Trump's comments on free trade undoubtedly impacted currency valuation, the increase in US interest rates also had a profound impact as demand for the US dollar increased as foreign investors sought out the higher yields of US Treasuries. Signs of inflationary pressures and expectations for economic growth also contributed to the increase in rates post-election. The strong dollar makes imports cheaper, exports more expensive, and traveling overseas more affordable.

	JAPANESE YEN		EURO		MEXICAN PESO	
	Pre-Election	Post-Election	Pre-Election	Post-Election	Pre-Election	Post-Election
US DOLLAR[1]	-13%	+10%	-2%	+6%	+10%	+9%

Portfolio Positioning

Our equity portfolios will continue to be globally diversified but tilted toward: a) holdings in the United States, b) value stocks, c) smaller cap stocks and d) more profitable companies. The average turnover of within our equity funds is less than ten percent which is consistent with our commitment to more tax-efficient solutions. While the US market has been the place to be invested over the last few years, we remain committed to investing outside of the United States as well. Europe faces unique challenges dealing with anemic growth and subsidizing weaker members of the European Union while Japan has been fighting deflation for decades. Investors are well aware of these challenges and price these markets at a discount to the US; this won't last forever and, due to our longer-term perspective, we want to be adding to our positions overseas while valuations appear to be compressed.

We have reduced the interest-rate sensitivity of our bond portfolios and generally avoid longer bonds. Treasury Inflation Protected Securities (TIPS) fill an important role in many of our client's accounts; especially with our more conservative clients. We do not take meaningful credit risk in our fixed income holdings (all are investment grade with most holdings being rated AA or higher); we manage risk for our clients through their asset allocation. Rising interest rates are a little like going to the gym – I don't really want to go, it hurts while I'm there, but the outcome is good. Rising rates will hurt bond prices in the short-term but higher interest rates reflect a growing economy and will eventually get us back to being able to earn income in the fixed income portions of our portfolios.

The post-election rally in the equity markets was buoyed by expectations for higher economic growth, which would be boosted by less regulation and a friendlier tax regime. All indications are personal and corporate tax rates will go down in 2017, which frees up more discretionary income. We expect this to be additive for the economy and the equity markets.

At some point, markets will correct and investor risk tolerance will be tested. While we are certain this will happen; we wish we knew when this will happen.

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[1]*Source: Morningstar.com*

Concluding Thoughts

2016 was quite a year. We are proud to have eclipsed the $100 million mark, and we will stay true to who we are as we continue to grow our business. At 7258, we remain steadfast in our commitment to delivering customized solutions to our clients. Our portfolios are designed to maximize the probability of helping our clients achieve the different objectives in their lives. We will never outgrow this.

I feel very blessed to be able to work with dedicated colleagues, talented advisors, and an amazing group of clients.

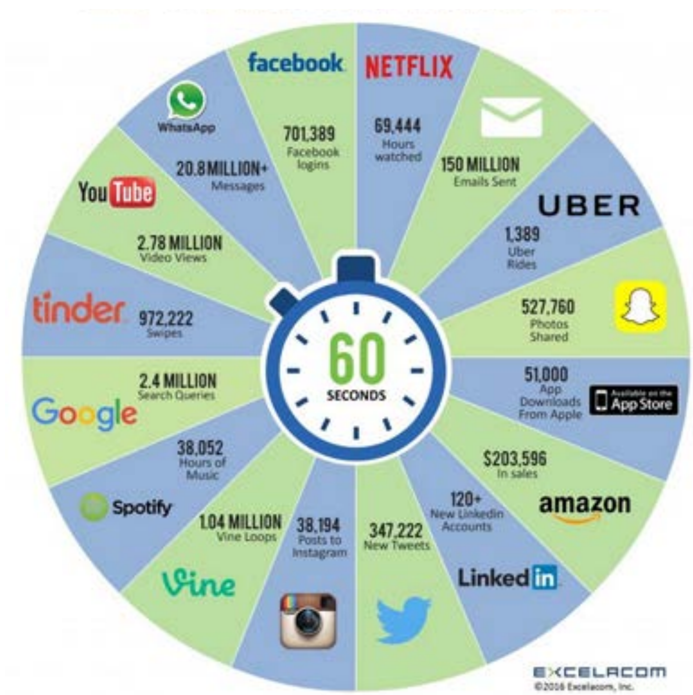
Thank you for your time, confidence, interest and support.

All my best,

Eric Holt

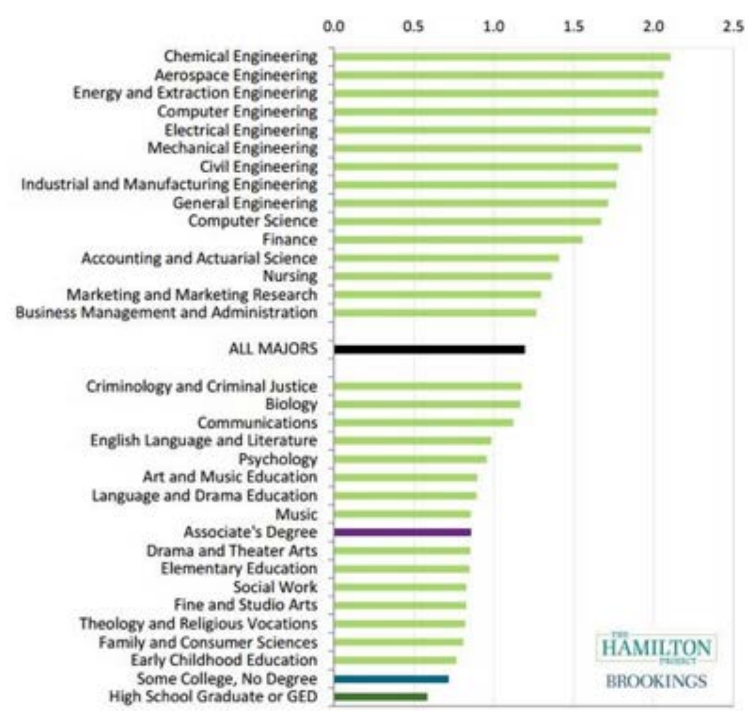
7 (258) INTERESTING CHARTS

1 2016 What happens in an internet minute?



2 Median Lifetime Earnings for Select Majors

(In Millions of Dollars)



3 Top 20 US Metro Areas by Economic Activity, Renamed for Countries with Similar GDPs (2015)

4 30-Year Fixed Rate Mortgage Average in the United States©

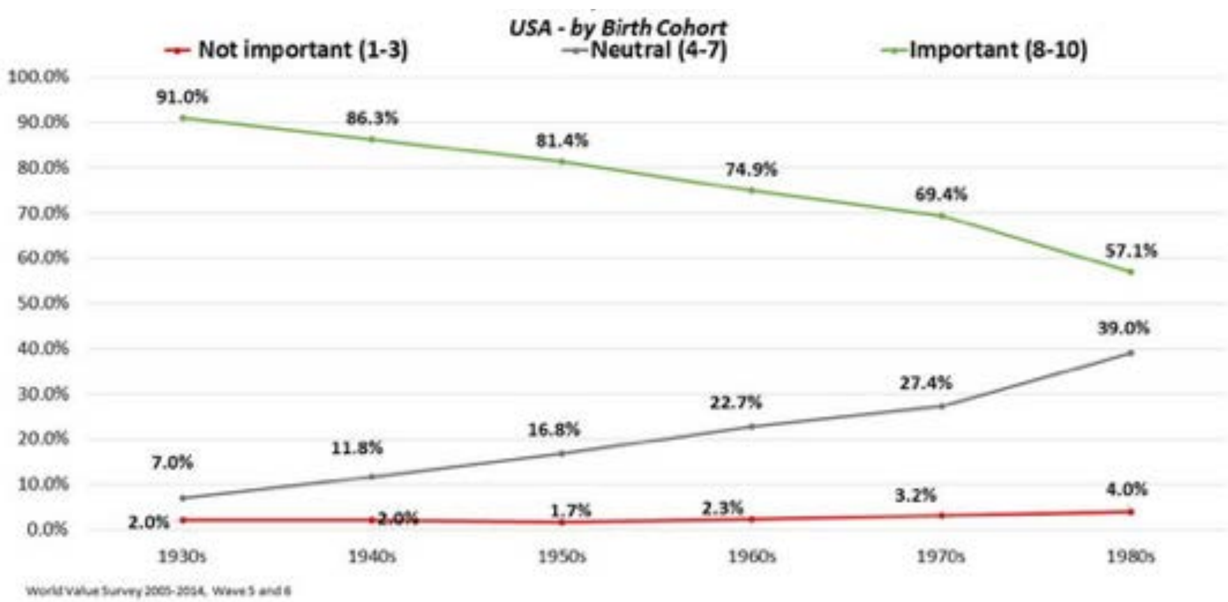
5 U.S. Election Impact on Global Markets

Source: @ReutersJamie, @DeanDijour

7258 WEALTH MANAGEMENT

6

How important is it for you to live in a country that is governed democratically? On this scale where i means it is "not at all important: and 10 means "absolutely important" what position would you choose?



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American Centenarians (From 1950-2060)