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# CALDWELL TRUST COMPANY

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PERSONAL · TRADITIONAL · INDEPENDENT

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## INVESTMENT LETTER

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# Investment Letter Commentary

## 2017 Mid-Year Review

The first half of 2017 produced solid returns for virtually all major asset classes both domestically and globally. We are optimistic about the balance of the year, though as time marches on market challenges become greater.

Entering this year, the domestic markets were driven by the prospects of President Trump's agenda of fiscal stimulus being implemented. Both the domestic equity market and bond yields moved higher. With legislation initiatives bogged down in Washington, the Trump trade has run its course for now.

However, the domestic equity markets have continued to move higher primarily because of the very robust earnings cycle we are currently experiencing. Corporate earnings ultimately drive stock prices and if earnings grow stock prices ultimately follow. The consensus expectations for 2017 and 2018 are high single digit earnings growth. This contrasts with 2014, 2015, and 2016 when S&P 500 corporate earnings growth was flat

three years running. The stagnation in earnings over those three years had a lot to do with the collapse in oil prices and the Energy sector. That trend began to reverse after oil prices hit a low in February of last year. From early 2015 to late last year quarterly year over year earnings growth was consistently negative. With the recovery in energy and other factors this reversed itself in the fourth quarter of last year. For the first quarter of this year S&P 500 earnings grew in the mid-double digits. As we enter the earnings season for the second quarter of this year S&P 500 earnings are expected to advance around 7%. The reversal in earnings growth has been a major catalyst for stocks and should continue to be into 2018.

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As earnings have been the primary catalyst for the market moving higher we are concerned about the advent of tougher quarterly year over year earnings comparisons commencing in 2018, especially given the lack of additional market catalysts currently. The logical catalyst currently absent is economic growth. The economic recovery continues to run at a sub normal level on a GDP growth basis. To date this year's economic releases have been mixed and growth relatively muted despite expectations of a pick up in GDP and inflation. We will continue to monitor the situation. On the upside, if economic growth does materialize or the Trump administration is able to implement meaningful fiscal stimulus through tax reform or an increase in infrastructure spending it will be additive to an already good fundamental backdrop for the market.

In summary, we continue to be cautiously optimistic on the domestic equity markets for the second half of 2017.







Domestic fixed income markets once again defied expectations for the first half of this year. Another aspect of the “Trump trade” was the assumption of rising interest rates as anticipated fiscal stimulus would bump inflation and economic growth higher. Consequently, yields initially spiked subsequent to the election. Yields on domestic bonds reversed as the difficulty of implementing Trump’s legislative agenda became apparent. The yield on the 10-year Treasury has traded primarily between 2.2% and 2.6% in 2017, trading on the low end of the range as the first half ended. We expect rates on the 10-year Treasury bond to remain below 3% for the balance of the year, and will look for a pick up in economic growth or inflation to propel rates higher. Consensus expectations are for the Federal Reserve to raise the Fed Funds rate once more between now and year end.

Even though rates are low and are forecasted to remain below normal within a historic context, bonds significance in a portfolio is volatility reduction. Historically, domestic bonds have had less than half the volatility of domestic equities, and their correlation with equities historically has been low. Bonds provide downside protection for investment portfolios when equities correct. In conclusion, we continue to believe that the fixed income space will be challenging from a return perspective but crucial to appropriate portfolio construction.

The first half of 2017 continued a relatively robust performance period for domestic stocks and bonds. Since the beginning of 2009 the total return on the S&P 500 has averaged 14.75% annually through the end of June of this year. The Barclay’s Aggregate has advanced 3.95% annually over the same period. The last market corrections were the beginning of last year and the previous one occurred in mid-2015. While we are optimistic for the balance of the year and into 2018 we are cognizant of the long duration of this bull market.

## Honors Received

### Sarasota Chamber grants two top honors to Caldwell Trust Company

The Greater Sarasota Chamber of Commerce has named Caldwell Trust Company the winner of its 2017 Frank G. Berlin, Sr. Small Business Award in the category of professional services. Caldwell was doubly honored when it was also chosen as winner of the Chamber’s Top Honor Small Business of the Year Award.

The prestigious honors were announced before an audience of over 400 attending the Chamber’s annual awards luncheon at the Hyatt Regency Sarasota. The Frank G. Berlin Award recognizes member businesses and individuals with locally owned and operated companies while the Top Honor Small Business of the Year Award chooses its winner across all six categories.

R. G. “Kelly” Caldwell Jr., CEO, president, and co-founder of Caldwell Trust Company, accepted the awards on behalf of the 24-year-old company. “We are truly honored and humbled,” he said. “When we started in 1993, we pledged to offer traditional financial services in a highly personal way, and we vowed always to remain independent. We felt that this was the right path to serve our clients and grow the business.” The founding philosophy has proven accurate as the company nears the mark of \$1 billion in assets under management.

Previously, the Venice Area Chamber of Commerce chose Caldwell as its 2014 Large Business of the Year.





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## Anniversary

### Wendy L. Fishman, CTFA celebrates 10 years with Caldwell Trust Company

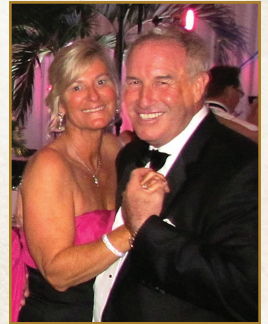


Wendy L. Fishman, CTFA, recently celebrated her 10th anniversary with Caldwell Trust Company. She has achieved a record of successes through her in-depth knowledge of the trust industry, her effective use of that information, and the implicit trust of her clients.

Wendy brought nearly a quarter-century of experience in trust banking when she joined Caldwell in 2007. At that time, CEO and president R. G. "Kelly" Caldwell, Jr. said, "Her special strengths are in tax regulations, especially for estate planning, and trust administration and operations—but her true expertise is in personal relationships with clients." She also brought a long-established passion for community service. Her personal philosophy says it all: "Adhering to the principles of client service and personal accountability."

Based in the Venice office, the executive vice president and senior trust officer readily fulfills her many job responsibilities and still manages to donate talent and time to area organizations, most notably the SKY Family YMCA, where she has served on the board since 2001.

She finds her work with Caldwell to be extremely rewarding. "One of the truly exciting advantages is being able to service my clients at the level they deserve," Wendy said. "The company's consistency with management and employees is key to delivering highly personalized service."



Wendy lives in Venice, Florida, with her husband C. J. Fishman, who she calls "probably one of the most community-minded individuals I've ever known." To contact her, email [wendy@ctrust.com](mailto:wendy@ctrust.com) or phone 941.493.3600.

## Caldwell Cares

### Saluting George Donald Fraley and The Wilson-Wood Foundation

Despite his quiet manner, George Donald Fraley has achieved a significant record of accomplishments in our community, most recently with the Wilson-Wood Foundation. The foundation board recently met and was joined by its accounting firm, Kerkerling, Barberio, and its investment adviser, Caldwell Trust Company, in honoring Don for over 30 years of service to the Wilson-Wood Foundation. "Our focus is on children, older people, ethnic minorities and mental health," Don said. As foundation vice president, he reviews grant applications along with secretary/treasurer/executive director Susan Wood – daughter of foundation co-founder John Wood – and her husband, Thomas Faessler, the president.







Longtime Sarasotans may remember Fraley Oldsmobile, one of Don's successful automobile dealerships. John Wood was that company's attorney. Don semi-retired in the mid-1980s and joined the board of United Way, where he generated a significant increase in contributions and won the United Way's Angel Award. In October 1985, John invited Don to join the foundation's board.

The simple bobby pin is the underpinning [pun intended] of the Nokomis-based Wilson-Wood Foundation, which has awarded grants exceeding \$10 million to more than 32 area organizations since 1983.

The Wilson-Wood story began in Illinois in 1949, when Hugh and Mary Wilson started Wil-Hold, a company that manufactured millions of "Bob pins," along with hair clips, barrettes, and even those unforgettable pink, hard-plastic hair rollers. In 1959 the Wilsons moved Wil-Hold to Sunbury, Pa., where it ultimately offered over 300 items. [The company was sold to American Greetings in 1989.]



**George Donald Fraley**  
**Right: The Bobby Pins**



While living on Longboat Key as snowbirds, the Wilsons met John Wood. Orphaned at a young age, John had found a home with the U.S. Army Air Corps. He endured brutal treatment when he was captured in the Philippines by the Japanese. Once freed, he was sent to MacDill Air Force Base in Tampa where young Army Air Corps nurse Sadie Leshy cared for and married him. Both attended college on G.I. bills and both graduated summa cum laude, John from Stetson University College of Law. He practiced law in Sarasota for 55 years including two terms as a judge.

John and Sadie Wood knew what it was like to grow up poor, and Hugh and Mary Wilson had a special interest in helping less fortunate people. The Wilsons asked John to establish the Hugh and Mary Wilson Foundation as a not-for-profit, private foundation. This was accomplished in 1983.

The foundation was fully funded in the mid-1980s after the Wilsons died and John settled their estates. Shortly afterwards he tapped Don for his experience with 501(c)(3) organizations. John's daughter Susan and son John II [now deceased] were hired in 1989 and 1990 respectively. In 1995 John and Sadie Wood merged their family investments into Wilson's foundation, creating the Wilson-Wood Foundation. The Foundation's assets have also grown exponentially and are now valued at approximately \$10 million. "We invested our funds with Roland Caldwell and have watched them grow," Don said. "He was the architect of our investments." Don, too, has made a difference with the foundation. "He's a gentleman of the old school, just a good person," Susan Wood said. Since inception, the Wilson-Wood Foundation has worked with 270 different organizations reviewing 1200 grant requests; 850 of which have been funded.





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## Profile

### Tony Blasini, CPC, QPA Vice President, Employee Benefits



Tony Blasini, CPC, QPA, joined Caldwell Trust Company in March as vice president, employee benefits. He is based in the company's headquarters in Venice.

"Tony brings extensive knowledge and experience, which he has acquired over his 30 years in the employee benefits industry," said R. G. "Kelly" Caldwell Jr., CEO and president. "He joins John Tufaro, director of our employee benefits department. Tony's background nicely augments the capabilities of that department, which manages 401(k) and 403(b) plans for employers."

Blasini has been certified since 2000 by the American Society of Pension Professionals Actuaries as a Certified Pension Consultant [CPC], and since 1998 by the American Society of Pension Actuaries as a Qualified Pension Administrator [QPA]. His work with retirement and pension plans has involved plan design, sales and administration, implementation, document review for legal compliance, and educational meetings for plan participants.

Before joining Caldwell, Tony had been with Orlando-based United Retirement Plan Consultants [URPC] since 2011, working as vice president and regional sales director. Prior to that he was a pension consultant for Bates and Company, Inc., in Orlando. His talent has led him to positions with leading financial and trust companies around the U.S. and beyond, including businesses in Montgomery, Alabama; Albuquerque, NM; Tampa, Florida; and San Juan, Puerto Rico.

Tony earned a B.S. at Iowa State University, majoring in mathematics and statistics. "Once I started in those subjects, there was no turning back," he said.

A pilot since high school, Tony maintains an energetic life outside of work. He's been a weight-lifter for about 30 years, a golfer for two decades and a recreational boxer for about two years.

Tony and his wife Yanira have two children, Anthony and Janneidy.

To reach Tony, email [tblasini@ctrust.com](mailto:tblasini@ctrust.com) or phone 941.493.3600.





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