

Investment Manager Meetings Recap

February 17, 2015



Investment Managers we met with:

Calamos Investments, First Trust, Deutsche Bank, JP Morgan and Mainstay Investments/New York Life. In addition to the in person meetings, we reviewed several Non-traded REITs and two of us flew to California to have an onsite with another company researching Trust deed and real estate investments.

Macro Consensus:

We had a great week of investment manager meetings and were very encouraged by the overall consensus that we had on many fronts. One thing that is certain is that we had a major turning point for the markets and economy in October, 2014

So far this year, the S&P 500 is up 2.12%, MSCI EAFE is up 3.75% and US Barclays Aggregate Bond Index is up 0.83 (02/16/2015).

The US Fed came out in October, 2014 and called for an end to the Quantitative Easing program. They stated that the US economy is growing enough on its own that they no longer had to continue to inject more money into the economy. This is good news for the economy long-term. The market reacted however with an immediate increase in volatility.

Over the pond in Europe however, their Fed (the ECB/European Central Bank) decided in October that they needed to start Quantitative Easing and promised to inject \$50 billion Euros per month through September, 2016. This is key to the view of many managers.

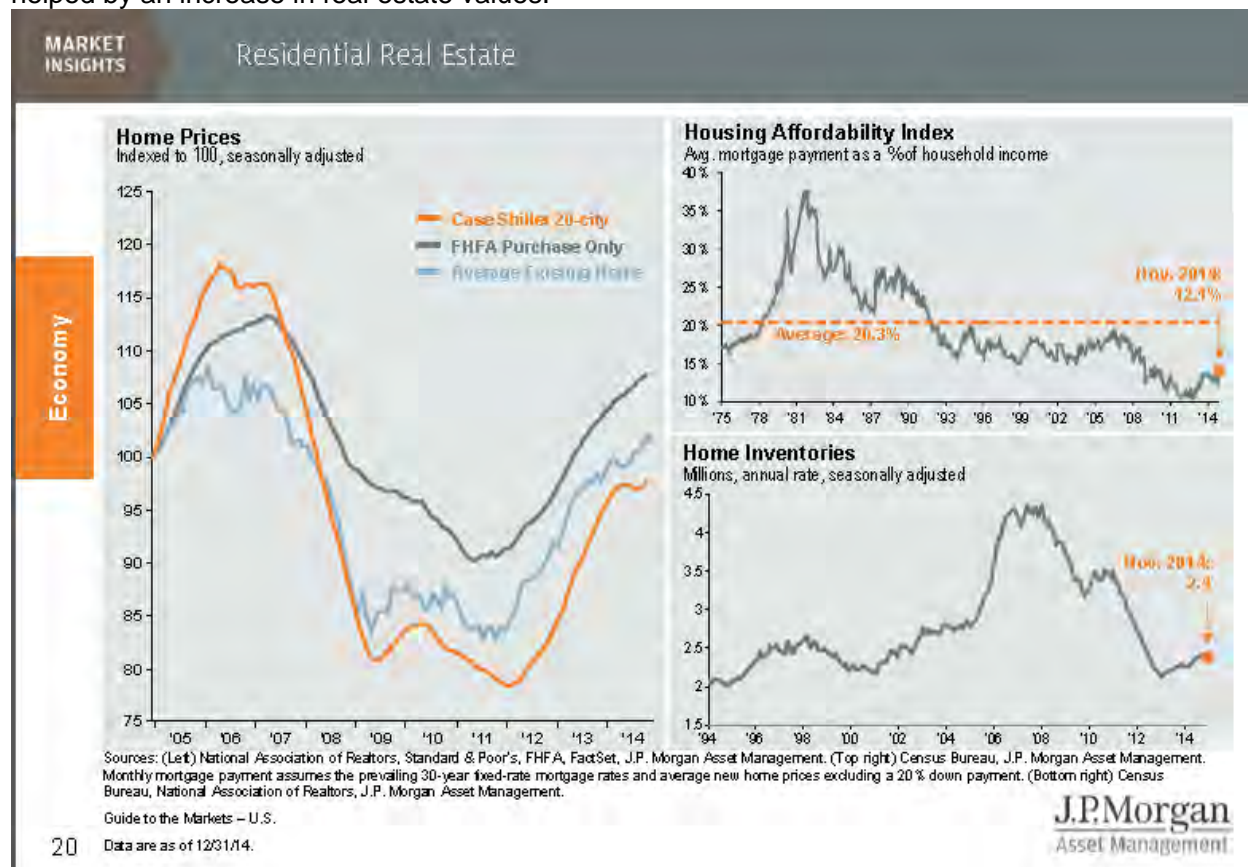
In the fourth quarter, we believed that US Equities were fairly valued and International Equities were still undervalued. International equities just needed a stimulus or reason to go up. We believe that this is it. We are now seeing this in performance with the MSCI EAFE (Europe/Asia/Far East) up more than the US year to date.

The biggest surprise in our meetings had to be on currency. We knew that the dollar had appreciated greatly against other currencies. What surprised us was the impact this might have on US Large cap earnings over the coming quarters. For example, a strong dollar is hurting companies like Coca Cola that derives a lot of their revenue overseas.

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As most consumers are seeing at the pump, oil had a 50% drop in the last 6 month time period. This is great for consumers and means more dollars in their pockets to spend. We are continually seeing the health of the US consumer balance sheet getting stronger and stronger. This has been helped by an increase in real estate values.



Thoughts on our Strategic Portfolios:

As normal we will be completing our annual rebalance for these portfolios in the next several days. We have made some tweaks however not many were needed based on the opinions of the managers we met with.

JP Morgan again had their analyst do a deep dive into our portfolio and they had very few suggestions on how we can improve based on their current market and economic views.

We feel confident with our current positions and believe that the increased volatility will be positive for clients that are in the Wealth Accumulations phase however could be a little more problematic for those that are in the Strategic Income Phase.

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Energy

MARKET INSIGHTS Energy: Supply, Demand and Prices

Economy

Change in Production and Consumption of Oil

Production, consumption and inventories, million barrels per day

	2013	2014*	2015*	Growth since 2013
Production				
U.S.	12.3	13.9	14.9	20.7%
OPEC	36.0	36.0	35.9	-0.3%
Other	41.8	42.1	41.9	0.4%
Global	90.2	92.0	92.8	2.9%
Consumption				
U.S.	19.0	19.0	19.1	0.7%
Europe	13.6	13.5	13.4	-1.9%
Japan	4.5	4.4	4.2	-6.4%
China	10.6	11.0	11.3	6.9%
Other	42.8	43.6	44.3	3.6%
Global	90.5	91.4	92.3	2.0%
Inventory Change				
	-0.3	0.5	0.4	

Price of Oil

Brent crude, nominal prices, USD/bbl

U.S. Natural Gas Production**

Trillions of cubic feet, USD

Legend: Other***, Shale Gas

Country	Price
Japan	\$13.86
Germany	\$10.16
U.S.	\$3.66

Source: EIA, FactSet, J.P. Morgan Asset Management. *Forecasts are from EIA Annual Energy Outlook and start in 2013. **Production numbers as of 2013. ***Other includes conventional on and offshore natural gas drilling, tight gas, and coalbed methane. Natural gas prices are \$/mmBtu and are as of December 2014.

Guide to the Markets - U.S. Data are as of 12/31/14.

J.P.Morgan Asset Management

Diversification/Asset Class Returns

MARKET INSIGHTS Asset Class Returns

10-ys. '05-'14 Cum. Ann.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	4Q14	10-ys. '05-'14 Cum.	10-ys. '05-'14 Ann.
MSCI EME 34.5%	REITs 35.1%	MSCI EME 35.0%	Banla:1 Agg 6.2%	MSCI EME 79.0%	REITs 27.5%	REITs 8.3%	REITs 19.7%	Russell 2000 33.3%	REITs 28.0%	REITs 12.5%	MSCI EME 132.0%	MSCI EME 8.0%
Eberg Cmdb: 21.4%	MSCI EME 32.6%	Eberg Cmdb: 16.2%	Cash 1.8%	MSCI EAFE 32.4%	Russell 2000 24.5%	Banla:1 Agg 7.8%	MSCI EME 10.4%	S&P 500 32.4%	S&P 500 13.7%	Russell 2000 5.7%	REITs 122.3%	REITs 8.3%
MSCI EAFE 14.0%	MSCI EAFE 26.5%	MSCI EAFE 11.6%	Market Neutral 1.1%	REITs 28.0%	MSCI EME 15.2%	Market Neutral 4.5%	MSCI EAFE 17.5%	MSCI EAFE 23.3%	Banla:1 Agg 6.0%	S&P 500 4.5%	Russell 2000 111.3%	Russell 2000 7.2%
REITs 12.2%	Russell 2000 10.4%	Market Neutral 9.3%	Asset Alloc. -24.8%	Russell 2000 27.2%	Eberg Cmdb: 16.3%	S&P 500 2.1%	Russell 2000 16.3%	Asset Alloc. 19.0%	Asset Alloc. 5.2%	Asset Alloc. 2.0%	S&P 500 109.4%	S&P 500 7.7%
Asset Alloc. 8.3%	S&P 500 16.8%	Asset Alloc. 7.1%	Russell 2000 -33.5%	S&P 500 26.4%	S&P 500 15.1%	Cash 0.1%	S&P 500 16.0%	Market Neutral 9.3%	Russell 2000 4.5%	Banla:1 Agg 1.8%	Asset Alloc. 51.7%	Asset Alloc. 6.7%
Market Neutral 6.1%	Asset Alloc. 15.2%	Banla:1 Agg 7.9%	Eberg Cmdb: -35.6%	Asset Alloc. 22.2%	Asset Alloc. 12.5%	Asset Alloc. -0.6%	Asset Alloc. 113%	REITs 2.9%	Cash 0.0%	Market Neutral 1.0%	MSCI EAFE 61.5%	MSCI EAFE 4.9%
S&P 500 4.9%	Market Neutral 11.2%	S&P 500 5.4%	S&P 500 -37.0%	Eberg Cmdb: 10.3%	MSCI EAFE 8.2%	Russell 2000 -4.2%	Banla:1 Agg 4.2%	Cash 0.0%	Market Neutral -0.4%	Cash 0.0%	Banla:1 Agg 50.4%	Banla:1 Agg 4.7%
Russell 2000 4.6%	Cash 4.3%	Cash 4.3%	-37.7%	Banla:1 Agg 5.9%	Banla:1 Agg 6.5%	MSCI EAFE -11.7%	Market Neutral 0.5%	Banla:1 Agg -2.0%	MSCI EME -1.3%	MSCI EAFE -2.5%	Market Neutral 54.0%	Market Neutral 4.4%
Cash 3.0%	Banla:1 Agg 4.3%	Russell 2000 -1.6%	MSCI EAFE -43.1%	Market Neutral 4.1%	Cash 0.1%	Eberg Cmdb: -15.3%	Cash 0.1%	MSCI EME -2.2%	MSCI EAFE -4.4%	MSCI EME -4.4%	Cash 15.7%	Cash 1.5%
Banla:1 Agg 2.4%	Eberg Cmdb: 2.1%	REITs -15.7%	MSCI EME -33.2%	Cash 0.1%	Market Neutral -0.3%	MSCI EME -1.8%	Eberg Cmdb: -1.8%	Eberg Cmdb: -3.4%	Eberg Cmdb: -17.0%	Eberg Cmdb: -17.1%	Eberg Cmdb: -17.1%	Eberg Cmdb: -1.5%

Source: Russell, MSCI, Bloomberg, Standard & Poor's, Credit Suisse, Barclays Capital, NAREIT, FactSet, J.P. Morgan Asset Management. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays Capital Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the CS/Tremont Equity Market Neutral Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. All data represents total return for stated period. Past performance is not indicative of future returns. Data are as of 12/31/14, except for the CS/Tremont Equity Market Neutral Index, which reflects data through 11/30/14. "10-ys" returns represent period of 12/31/04 - 12/31/14 showing both cumulative (Cum.) and annualized (Ann.) over the period. Please see disclosure page at end for index definitions. *Market Neutral returns include estimates found in disclosures. Guide to the Markets - U.S. Data are as of 12/31/14.

J.P.Morgan Asset Management