Fixed Income Market Comments

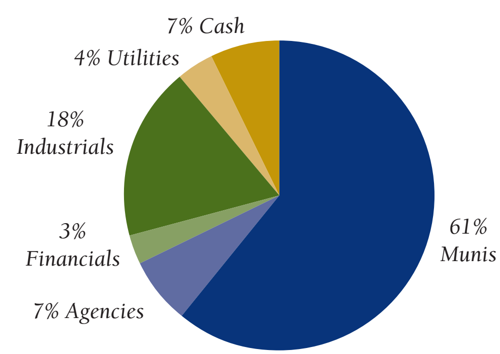
Quantitative easing ended as anticipated during the last quarter of 2014. In statements made by the Federal Reserve overall domestic economic growth continued moving forward at a solid pace. While there is always much dissecting of the language used by the Fed, the most recent statement was adjusted, but did not indicate a change in current policy. In terms of the U.S. economy, substantial improvements were seen in the labor markets; however, wage growth is not expanding enough to warrant a move in monetary policy. The housing market remains unstable due in large part to an increase in mortgage rates and inflationary pressures continue to run below the target level of 2.00%. The short term impact of the drop in oil prices should have a positive effect on consumer spending, but has yet proved evident in the data. The concern will be if the drop in oil prices turns into a prolonged decline and fears of deflation become more prominent. The Fed rarely makes policy decisions based upon global concerns ahead of the U.S. economic environment, but the fact remains that worldwide growth has slowed significantly and the continual plunge in oil prices will result in inaction on the part of the FOMC. In response to all these concerns, U.S. interest rates have declined over the quarter on the longer end of the yield curve and have risen slightly on the shorter end. The markets are anticipating a rate increase, but the timing remains data dependent. At this time it appears the Fed remains on track to make adjustments to short term interest rates towards the middle of 2015. When a change in monetary policy does occur, it will be very gradual, measured and policy will still be considered accommodative. In spite of all the Fed posturing, interest rates continued to trade in a narrow range and returns are flat to slightly negative for the fourth quarter, but still positive for the year. The yield curve continues to flatten, signaling more moderate growth, reduced supply and increased demand for domestic credit markets.

A fixed income portfolio provides a consistent stream of income, principal protection and a reduction in the overall volatility of a balanced portfolio. In spite of which direction interest rates move, we believe fixed income exposure is a necessary part of overall asset allocation and individual objectives will determine how much should be allocated to this asset class.

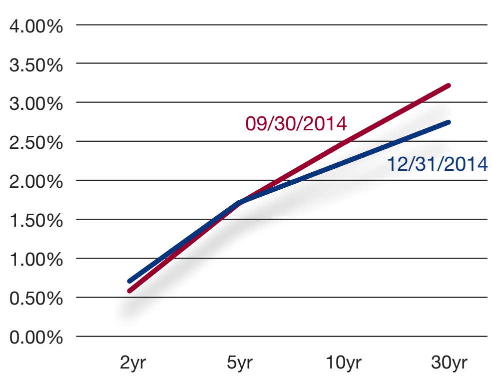
Taxable Fixed Income Performance Composite

The TCVA taxable, fixed income composite outperformed its benchmark for the quarter and the year ending December 31, 2014. The composite has maintained an average weighted maturity and duration shorter than the benchmark. Characteristics of the composite included an increasing exposure to taxable municipal bonds in order to capitalize on relative value in the sector and high overall credit quality. Maintaining above average income levels continues to be a challenge without compromising on the quality of the securities. The yield curve continues to flatten, making a barbell approach to the management of assets more appealing. However, building and monitoring a fixed income portfolio with weighted average durations shorter than the respective benchmarks remains the best defensive strategy in the current rate environment.

Fixed Income Sector Breakdown



Treasury Yield Curve



Portfolio Characteristics:

Average Maturity	3.2 yrs
Average Duration	2.9 yrs
Average Yield to Maturity	2.6%
Average Coupon	4.48%
Average Quality	AA

Credit Quality:

AAA	20%
AA	49%
A	23%
BBB	8%