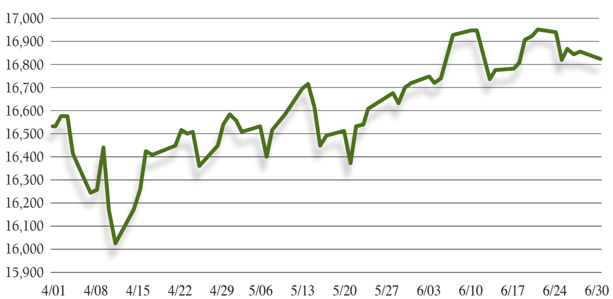
Equity Markets

Market Comments

In the second quarter equity returns were surprisingly strong – the S&P 500 returned 7.2%, its best second quarter advance since 2009. Results were also stronger in International developed markets and emerging markets as well. These returns were posted in spite of the drop in first quarter GDP in the U.S., renewed East West tensions in the Ukraine, the worry that the pace of Europe's recovery is slackening and the worsening crisis in Iraq. The more difficult news throughout the period was not enough to keep investors on the sidelines – not enough to overcome the positives of an expected bounce back in output in the current quarter and beyond, producing earnings growth heading into the balance of the year, and the continuation of Fed ease into 2015.

Dow Jones Industrial Average • 2014 Second Quarter



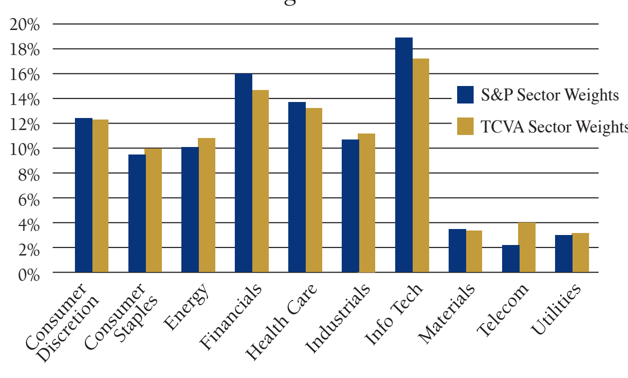
The Large Cap Core

Our large cap core equities in the Value Model underperformed the S&P 500. Technology and Consumer Staples were the lowest performing, while Utilities and Industrials outperformed. The defensive nature of our portfolio contributed the most to this underperformance, especially in Technology, where the growth stocks in the S&P garnered the most gains. In the ETF Model, the large cap portion was in line with the S&P 500, as the ETFs we use closely mirror the index.

Sector Weighting

Sector Weighting was beneficial this quarter, as we were overweight in Energy and Industrials, and market weighted in Utilities, all of which outperformed. We were underweight in Financials and Technology, both of which underperformed. Unfortunately we were slightly overweight in Staples, which underperformed.

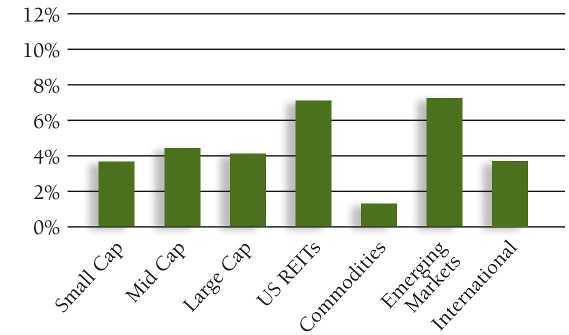
Sector Weights as of 6-30-14



The Diversifiers

The asset classes added for diversification helped our performance in the second quarter. Emerging Markets, REITS, and Mid-Cap asset classes all outperformed. REITS have continued to outperform, while Emerging Markets have bounced back substantially from their lows last quarter. Commodities, which did well in the first quarter, lagged behind in the second.

Asset Class Returns • 2014 Second Quarter



Summary

For the second quarter, the Value Model slightly underperformed our Equity Blended Benchmark, but is outperforming overall year to date. The underperformance was almost entirely due to our defensive stance in our Large Cap Equities. The ETF Model outperformed, as it was able to capture some of the higher performance in the growth stocks included in the S&P 500. Overall, the diversified nature of our portfolios was able to effectively capture the market gains even in a defensive approach.

TCVA Value Model