

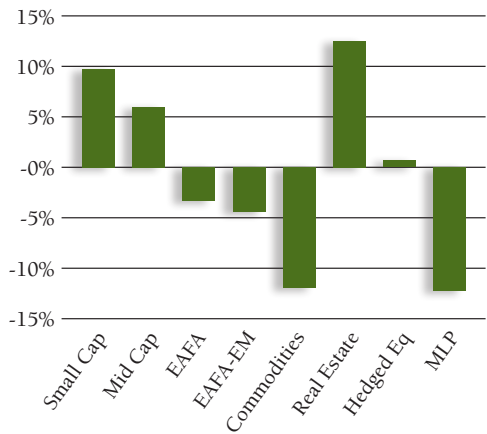
Market Comments

The fourth quarter of 2014 was a volatile end to a relatively quiet year. For the first three quarters of the year, volume and volatility remained well below average. Oil's rapid decline was the reason for most of the volatility, causing commodities to give their worst performance since the recession: -12% this quarter and -17% for 2014. Besides oil prices, economic soft spots overseas, tepid housing growth and slower business spending growth have all been headwinds in the fourth quarter. Wage growth remained modest and the labor participation rate fell to levels not seen since the 1970s. However, it was a good year for the fully invested "bear" with Health Care, Consumer Staples, and Utilities stocks outperforming and large caps beating small caps. The S&P returned 4.9% in the fourth quarter, for a total of 13.7% for the year. Utilities were the best performing sector in Q4 and 2014 as a whole. Consumer Discretion did well, as is expected during the holiday season, although December's sales came up surprisingly low. Staples and Healthcare continued to outperform, while Energy was the clear loser, racking up a -10.7% loss for the quarter and a total -7.8% loss for the year. The fourth quarter ended on a weak note, but started strong. Sales ex-autos and gas rose 5.0% at an annual rate in the quarter, the same

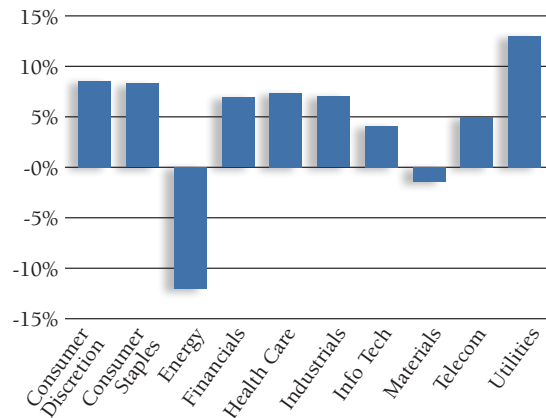
as in Q3. Hence, while it may no longer be safe to assume consumers spent some of the additional windfall from cheaper gas, they at least appeared to spend as much of it as they did in the third quarter.

As volatility picked up in the end of the year diversification remained critical for the long term investor. Exposure to multiple asset classes typically reduces the risk to a portfolio, but getting the weightings of those asset classes is a large part of the overall strategy. As the global economy slowed some areas rather dramatically, we saw international holdings struggle, with developed markets down more than the emerging economies. Domestic real estate was the best performing asset class for the quarter and the year. Large cap stocks were another area of the market that registered above trend returns, with SMID cap (small and mid-cap combined) rounding out the top three. Over time, no one asset class is the consistent winner year after year. Whether an investor is conservative with their equity holdings or willing to take on more risk, long term, broad based diversification results in a more efficient portfolio in a global market that is constantly changing.

Asset Class Returns • 2014 Fourth Quarter



S&P Sector Performance • 2014 Fourth Quarter



Dow Jones Industrial Average • 2014 Fourth Quarter

