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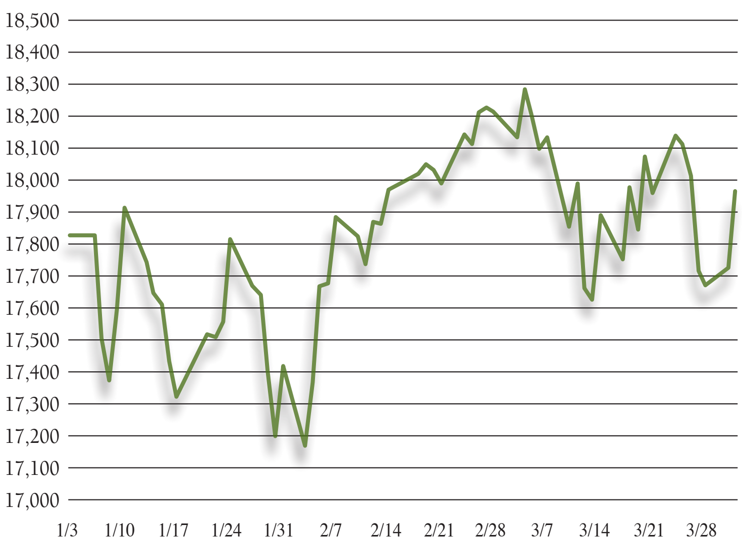
Market Comments

The first quarter of 2015 was eerily similar to the first quarter of 2014 when the Polar Vortex put the economy on hold. This year cold weather was only one factor: a West Coast port strike and the impact of a strong dollar on exports also hindered economic activity, while lower capital expenditures by the oil industry also affected manufacturing data.

Job growth, lower gas prices, and lower prices on imported goods due to the strong dollar have all been beneficial to the consumer. The top U.S. Large Cap sector performers of the first quarter, healthcare and consumer discretionary, benefited from a healthy consumer spending environment and continued strong demand for healthcare products and services. Within the consumer discretionary sector, retailers and automakers benefited from lower gas prices while housing data improved. The healthcare sector continued to gain support from promising drug developments, merger activity, and more insured patients under the Affordable Care Act. Energy remained a drag on the market as the sector lost about 3% due to further declines in oil prices. Rising interest rates in February hurt utilities, which suffered the biggest loss among S&P sectors during the first quarter. Small caps continued to do well with a solid 4.3% return.

Dow Jones Industrial Average • 2015 First Quarter



Developed international markets rebounded strongly during the first quarter and outperformed the U.S. market. The MSCI EAFE Index returned 5.0% during the quarter in spite of the strong dollar. Central bank stimulus was a big driver, as Europe launched and Japan continued Quantitative Easing, pushing interest rates and currencies lower; weakness in the euro and yen made European and Japanese exports more attractive. Cheaper foreign currencies resulted in improved economic data overseas, particularly in Europe, which led to improved investment performance. Emerging markets staged a similar rebound during the first quarter after trailing the U.S. stock market significantly in 2014, with the MSCI EM Index returning 2.3% during the first quarter.

Commodities suffered another negative quarter (-5.9%) thanks to weakness across all but a few constituents. Much of the pain was attributable to the sharp rise in the dollar (+8.9% in Q1). Since most commodities are priced in dollars, they typically weaken when the purchasing power of the dollar is on the rise.

In the end, the exposure to international and emerging markets helped our clients outperform the S&P 500 and start the year off on a positive track. This was not the case in 2014, and is why we will continue to encourage diversification. Exposure to International and Emerging markets can seem daunting at times, but is an important piece in the overall makeup of an efficient portfolio.

S&P Sector Performance • 2015 First Quarter