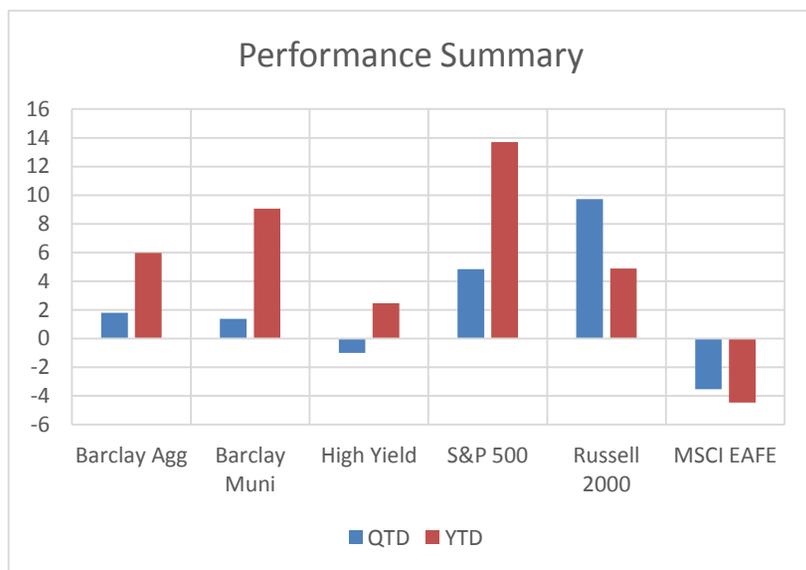


Q4 Investment Commentary

By the AWM Team

U.S. stocks finished the year on a strong note with large-cap stocks up 4.93% and small-cap stocks doing even better at 9.73%, for the quarter. The S&P 500 finished the year up 13.7%, making it the third consecutive year of double digit returns, something that has only happened four times since 1929. Meanwhile, slow economic growth and a rising dollar continued to pressure international markets. Foreign developed market stocks finished the quarter down 3.4% and emerging markets were down 4.6%. Bond market performance diverged during the quarter, with higher quality municipal and intermediate bonds up 1.37% and 1.79% respectively, while lower quality and foreign bonds were negative. High yield bonds lost 1.7% and emerging market bonds were down a sharp 7.16% as investors fled the asset class.



The U. S. economy showed signs of improvement in the quarter. The most encouraging development being the rapid decline in joblessness. The next critical step in the economy's return to full health will be a meaningful acceleration in wage growth.

We expect moderate global economic growth and the decline in oil and commodity prices to keep inflation in check this year, giving the Fed flexibility to keep monetary policy accommodative, even if they do a token increase in rates this year, as expected. We believe there are several themes that will influence financial markets this year, including the following:

2015 Investment Themes:

- Diverging economies in a low growth world:** we expect U.S. growth to be positive near-term relative to other regions, while the Euro area, Japan, China and are expected to slow.
- End of the Debt Super-cycle:** consumers have reached the limit of their ability to take on

more debt. It will remain a challenge to de-lever in a slow growth world.

3. Monetary policy: global policy should remain loose, though divergent. We expect the U.S. and BoE to begin tightening (slowly) this year, while the Euro area may see QE and Japan will stay accommodative.

4. Geo-political: the global distribution of power is becoming fragmented, and thus multi-polar, leading to a likely increase in conflicts and volatility.

5. The USD, oil/commodities and emerging markets: the dollar increase is pressuring oil and commodities, which is a net positive for the global economy. Although, this will pressure producing countries and increase volatility in the emerging markets.

6. Dependable income to stay in favor: with inflation low and accommodative monetary policy the search for dependable income will continue.

See next page for more details

Asset Class Views

Asset Class	View*	Comments
Equities		
U.S. Large Cap	↔	Markets have reached a moderately overvalued level; although momentum and cycle analysis continue to be favorable, we would not be surprised to see an increase in volatility.
U.S. Small/Mid Cap	↓	We believe this segment of the market is overvalued and should be underweighted, expected returns over the next five years look sub-par.
International Developed	↔	Valuations are more attractive than U.S. stocks; we expect to increase positions on pull-backs. These markets will be volatile but should outperform US stocks over the next five years.
Emerging Markets	↔	We think valuations are reasonable and long-term potential is good; however we are concerned near-term about currency and liquidity risk.
Fixed Income		
Investment Grade	↓	Valuations look rich; keep exposure for risk management and diversification
High-Yield Bonds	↓	Even with the pull-back we believe valuations are full; they are likely to have substantial risk if the economy slows down or we enter another recession
Municipal Bonds	↔	Valuations are fair, however they look attractive for high tax-bracket investors
TIPS	↔	Valuations are improved; make sense in tax-deferred accounts as a hedge against inflation
Floating-Rate Loans	↔	We do not believe investors are being adequately compensated for the potential risks in this somewhat illiquid asset class. We suggest small, if any, exposure to higher quality segments
Emerging Markets	↔	This year's pull-back has restored reasonable valuation, however rather than dedicated exposure we prefer to invest with diversified Int'l manager's that have a broad mandate
Alternatives		
Absolute-Return/Alternatives	↑	We like this asset class and believe it can improve the risk/reward profile of portfolios that hold traditional asset classes; investors need to maintain a long-term perspective.
REITs	↓	Valuations for the general asset class look overvalued; selectively we see opportunities in individual health-care related REITs
Commodities/Gold	↔	We view gold as an "insurance" asset and recommend holding small positions, if the dollar continues to appreciate and gold breaks support we would suggest a stop/loss

* ↔ Neutral weight ↓ Underweight ↑ Overweight

U.S. Stocks**Market Performance, Fourth Quarter 2014**

Index	Q4 2014	YTD
S&P 500	4.93%	13.69%
Russell 1000	4.88%	13.24%
Russell 1000 Value	4.98%	13.24%
Russell 1000 Growth	4.78%	13.05%
Russell Midcap	5.94%	13.22%
Russell 2000	9.73%	4.89%

Source: Morningstar

- Stocks were up strongly across the board. The S&P 500 was up 4.93%, while small-cap stocks were up sharply at 9.73%.
- The markets strong performance is attributable to an improving economy and lower oil/commodity prices. Which is likely to keep inflation low and give the Fed flexibility to stay accommodative for longer.
- Growth and value had similar performance for the quarter. We have a slight bias to growth in portfolios, we also favor large-cap over small-cap due to better valuations.

International Stocks**Market Performance, Fourth Quarter 2014**

Index	Q4 2014	YTD
MSCI EAFE	(3.53%)	(4.48%)
MCSI EME	(4.44%)	(1.82%)
MSCI BRIC	(4.05%)	(2.56%)

Source: Morningstar

- International developed stocks continued their sell-off as economic growth remained sluggish and the U.S. dollar strengthened relative to global currencies. Valuations look attractive relative to the U.S., and longer-term we expect them to outperform.
- Emerging markets also sold off for the quarter and are negative for the year. Near-term we expect volatility to remain high, due to slower growth, currency and liquidity risks. We are content to sit on the sidelines but are looking for opportunities (corrections) to buy.

Fixed Income**Market Performance, Fourth Quarter 2014**

Index	Q4 2014	YTD
Vanguard Total Bond Index	1.69%	5.76%
Barclays Muni Bond	1.37%	9.05%
Barclays US Corp High-Yield	(1.00%)	2.45%
JPM GBI- EM Global Diversified	(5.71%)	(5.72%)
iShares TIPS Bond	(0.08%)	3.49%
BofA Merrill Lynch 3 month Treasury Note	0.01%	0.04%

Source: Morningstar

- Similar to last quarter, fixed income saw big divergences, with Muni and core bonds up 1.37% and 1.69%, respectively, while lower quality high yield bonds were down (1.00%) and more volatile emerging market bonds were down (5.71%).
- The Federal Reserve is expected to begin increasing rates in the middle of this year. We believe low oil prices and inflation will give them the flexibility to maintain an accommodative policy, even if they do a token increase this year.
- We own bonds mostly for diversification and we have low expectations for returns in the coming years. We are selectively using absolute return and flexible bond managers to add value.

Alternative Assets**Market Performance, Fourth Quarter 2014**

Index	Q4 2014	YTD
PIMCO All Asset All Authority	(4.46%)	(2.35%)
AQR Diversified Arbitrage	(3.84%)	(5.07%)
Gateway	0.50%	3.58%

Source: Morningstar

- In general, alternative strategies underperformed our expectations for the quarter and the year. The All Asset All Authority fund was hurt by its exposure to emerging market and inflation protection asset classes.
- AQR struggled as some of their M&A deals fell thru. Longer-term we expect diversified arbitrage strategies to deliver mid-single digit returns and to maintain a low correlation with traditional assets.
- We continue to recommend moderate allocations.

Appendix:

Benchmark Definitions

U.S. Equity		Description
S&P 500	Index	The index includes 500 leading US companies and captures approximately 80% coverage of available market capitalization.
Russell 1000	Index	The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe and includes approximately 1000 of the largest securities. The Russell 1000 represents approximately 92% of the U.S. market.
Russell 1000 Value	Index	The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.
Russell 1000 Growth	Index	The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
Russell Midcap	Index	The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership.
Russell 2000	Index	The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.
International Equity		Description
MSCI EAFE	Index	The EAFE (Europe, Australasia, Far East) index consists of 21 developed market country indexes, excluding the US & Canada. It is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets.
MCSI EME	Index	The index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets and includes 23 emerging market countries in the index.
MSCI BRIC	Index	The index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the following four emerging market country indexes: Brazil, Russia, India and China.

Fixed Income		Description
Vanguard Total Bond Index	Index Fund	This index measures a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than 1 year.
Barclays Aggregate Bond	Index	The U.S. Aggregate Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM pass-through bonds), ABS, and CMBS sectors.
Barclays Muni Bond	Index	The U.S. Municipal Indices cover the USD-denominated long term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.
Barclays US Corp High-Yield	Index	The index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market and excludes Emerging Markets debt.
JPM GBI- EM Global Divers	Index	The index tracks returns for actively traded external debt instruments in emerging markets. Included in the index are US-dollar denominated Brady bonds, Eurobonds, and traded loans issued by sovereign entities.
iShares TIPS Bond	ETF	The iShares TIPS Bond ETF seeks to track the investment results of an index composed of inflation-protected U.S. Treasury bonds.
BofA Merrill Lynch 3 month Treasury Note	Index	The 3-month US Treasury Note Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into a newly selected issue.
Alternative Assets		Description
PIMCO All Asset All Authority	Mutual Fund	The investment seeks maximum real return, consistent with preservation of real capital and prudent investment management. The primary benchmark for the fund is the S&P 500, with a secondary objective of Consumer Price Index +650 basis points.
AQR Diversified Arbitrage	Mutual Fund	The investment seeks long-term absolute (positive) returns. It invests in a diversified portfolio of instruments, including equities, convertible securities, debt securities, loans, warrants, options, other types of derivative instruments.
Gateway	Mutual Fund	The investment seeks to capture the majority of the returns associated with equity market investments, while exposing investors to less risk than other equity investments. The fund invests in a broadly diversified portfolio of common stocks, while also selling index call options and purchasing index put options.