DANN ASSET ADVISORS, LLC

First Quarter 2015 Update

April 20, 2015

1Q15 Highlights

- U.S. economic growth expected to decelerate further following slowing in the fourth quarter
- Despite uncertainty around Greece, the eurozone economy shows signs of stabilizing
- Oil prices fall further even with an unprecedented decline in U.S. drilling rigs
- International stock indices outperform the U.S. for the first time since the third quarter of 2013

The table below summarizes the performance of some key indices during the first quarter:

Market Performance Index	% Ch. 1Q15
S&P 500	1.0
MSCI Developed Markets (excl US)	4.9
MSCI Emerging Markets	2.0
MSCI All Country World	2.3
US Aggregate Bond (1)	1.6
Liquid High Yield (1)	2.1
US Dollar Emerging Markets Bond (1)	2.0

(1) Barclays indices

Equities. The large cap S&P 500 index eked out a small 1.0% return for the quarter, the ninth straight quarter of gains and the longest such streak since 1998. Except for modest volatility in January as energy stocks were falling, it was a quiet quarter for the large cap index. However, below the surface, sectors were more volatile with healthcare leading the way and utilities lagging. Small cap stocks (as measured by the Russell 2000 index) outperformed larger stocks with a 4.3% return, probably due to investors focusing on companies with primarily domestic businesses (not negatively impacted by the appreciating U.S. dollar). The S&P 500 ended the quarter trading at a not inexpensive 17.3x reduced 2015 estimated earnings.

As a broad group, international stocks had their best quarter relative to the U.S. market since the third quarter of 2013. Developed markets excluding the U.S. were the strongest, likely due to central bank policies and the declining euro leading investors to believe the eurozone economy will improve. Emerging markets were led by another strong quarter from China, whose government and central bank also are promising continuing easy money policies. Local currency returns (not hurt by the strengthening dollar) for international markets were greater than the dollar denominated gains shown in the table.

Fixed income. Yields on 10-year U.S. Treasury bonds declined from 2.17% to 1.93% during the quarter. This decline masked greater volatility, as the yield hit 1.65% at the end of January and peaked at 2.26% in early March. In addition to reacting to monthly economic numbers and signals from the Fed, the bond market, we believe, continues to be impacted by even lower rates in other highly rated international markets and the strong dollar enhancing the relative attractiveness of U.S. securities. As indicated in the table, more speculative fixed income generated modestly higher returns than investment grade U.S. debt (as measured by the Barclays U.S. Aggregate Bond index).

General Comments. As discussed in the Economy section below, we believe U.S. growth will pick up following what likely was a sluggish first quarter. However, we judge that the negative impact of a stronger dollar on U.S. multinationals' earnings, weak results in energy and related industries and generally anemic demand from abroad will weigh significantly on U.S. corporate earnings – this issue could be exacerbated if wage pressures develop. As a result, we expect modest returns at best for the U.S. stock market over the near term.

Portfolio Positioning

The fixed income component of most diversified (fixed income and equity) portfolios remains largely in short duration (three years and under), investment grade corporate and municipal bond funds. During the quarter, for many diversified portfolios, we added to a small position in an intermediate term, investment grade bond fund with roughly a five-year duration. Still, for most diversified portfolios, short duration securities comprise more than 80% of the fixed income allocation.

With respect to equities, the best performing broad U.S. market sectors during the first quarter were healthcare (helped by biotechnology), consumer discretionary (retail, entertainment, autos, etc.) and real estate investment trusts. Healthcare has been exceptionally strong the past three years, roughly doubling the return of the S&P 500. While the first quarter was a continuation of this trend we believe healthcare valuations on the whole are full. Consumer discretionary stocks likely rose due to investors' focusing on sectors that potentially should benefit from lower energy prices. REITs may have benefitted from the decline in interest rates during the quarter as well as generally strong real estate markets.

The worst performing sectors were utilities, energy and financials. In our opinion, the decline in utilities likely represented profit taking after a very strong 2014 that ended with the group seemingly overvalued. The energy sector continued its decline, although at a moderated pace, reflecting continued weakness in commodity prices. Given that financials were down less than 1% and just modestly worse than the broad market, we don't place much significance on the group being the quarter's third worst performing sector.

For most equity-only clients we had an active quarter, selling two stocks and initiating positions in four securities. Stocks sold were a semiconductor manufacturer focused on wireless markets and a company providing industrial test equipment and sensors with a significant portion of its business outside the U.S. The purchases included two exchange traded funds (ETFs) – one focused on energy and the other on homebuilding. The two stocks bought were a company providing barge transportation and other commodity (including oil) related services, and a diversified cable network with multiple stations and operations in the U.S. and abroad.

The energy ETF and transportation company purchases represented our first direct exposure to the energy sector in a year, reflecting our belief that, at prices reached in the first quarter, energy securities offered relatively good value for the long term. We finished the quarter with cash in most all-equity accounts at 10%-15%, consistent with year-end 2014 levels.

Economy

The economy grew 2.2% in the fourth quarter of 2014, a deceleration from 4.5%-plus growth over the middle of 2014. While consumer spending remained strong, lower federal government outlays and higher imports restrained growth. Expectations for the first quarter of 2015 (to be reported

later this month) have come down over the past two months with the consensus currently around 1.5%. Estimates have declined due to continued strengthening of the U.S. dollar (restraining exports), harsh winter weather in the eastern third of the country and the West Coast ports labor slowdown that ended late February.

As usual, various crosscurrents are impacting the economy. Consumer spending has been weaker than expected in the first quarter; this is surprising given low energy prices (gasoline and heating fuels) and generally strong employment numbers. Part of this may be due to the types of jobs being created; however, we believe the bigger impact has been weather. Buttressing our belief is that homebuilders reporting recent results are seeing good traffic/demand trends in areas that have had normal weather. We expect housing and consumer spending in general to pick up with warmer weather and will be looking to housing and retail sales numbers to confirm this in coming months.

The industrial side of the economy clearly has slowed from very strong growth through last fall. Part of this may be due to the weather and the ports slowdown as well as recently weak consumer spending. The strong U.S. dollar (up about 20% over the past year against a broad basket of international currencies) also is making U.S. produced goods more expensive abroad. Finally, the unprecedented slowdown in U.S. oil and gas drilling/spending is negatively affecting the industrial economy beyond that specific industry, with impacts being felt by capital goods companies, a diverse and large supplier base and lenders.

With its March 18th statement, the Fed downgraded its 2015 GDP forecast by 30 basis points to 2.3% to 2.7%, in line with the 2.4% reported for all of 2014. We believe that if consumer spending picks up as we expect, 2015 growth could come in closer to 3%. Achieving this better result likely also will require that easy money policies being pursued by many international central banks work to improve those economies later this year. The outlook for the eurozone, in particular, seems to have improved recently with the weaker euro, decline in oil prices and signs of stronger consumer spending.

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