DMS Economic Outlook for 2014

- GDP growth of 2% should be constrained as growth in personal consumption remains slow (approximately 2%). Personal income growth remains below longer term trends due to continued slack in labor markets.
- Inflation is expected to remain muted through 2014. However, improvements in job growth will give room for the Fed to maintain the "tapering" of quantitative easing.
- The yield on the ten year Treasury fell during the quarter from above 3% to approximately 2.75%. The continuation of the "taper" will put upward pressure on rates despite any short term "flight to quality" due to stock market volatility.
- International economies will continue their slow recovery throughout 2014. Both the European Central Bank and the Bank of Japan will continue with quantitative easing in attempts to spur GDP growth. The U.S. dollar will strengthen versus the euro and the yen due to the removal of Fed stimulus.
- Growth in emerging markets will be higher than developed markets, even with slowing GDP growth in China. Consumers in emerging market countries continue to increase their percentage of global consumption.

DMS Strategic Outlook and Tactical Positions

- **Strategic Outlook – Fixed Income**: The trend toward higher interest rates should continue but expect "flight to quality" events as the markets readjust to more volatility in the equity markets.
  - **Tactical positions**:
    - High yield should outperform in a rising rate environment despite current tight credit spreads. Credit is overweighted versus Treasuries and duration is tilted shorter than benchmarks.
    - Commercial real estate is viewed as attractive as a yield alternative to bonds, however, queues can delay additions to positions and an increase in interest rates could damper valuation improvements.
    - International bonds are viewed as an attractive complement to domestic bonds due to a mismatch in interest rate cycles.
    - Emerging market debt provides diversification and yield potential. Central banks in countries such as Brazil, India and Turkey have increased interest rates and currencies have stabilized as a result.
    - Hedge funds with a non-directional (or absolute return focus) are viewed as an attractive uncorrelated option.

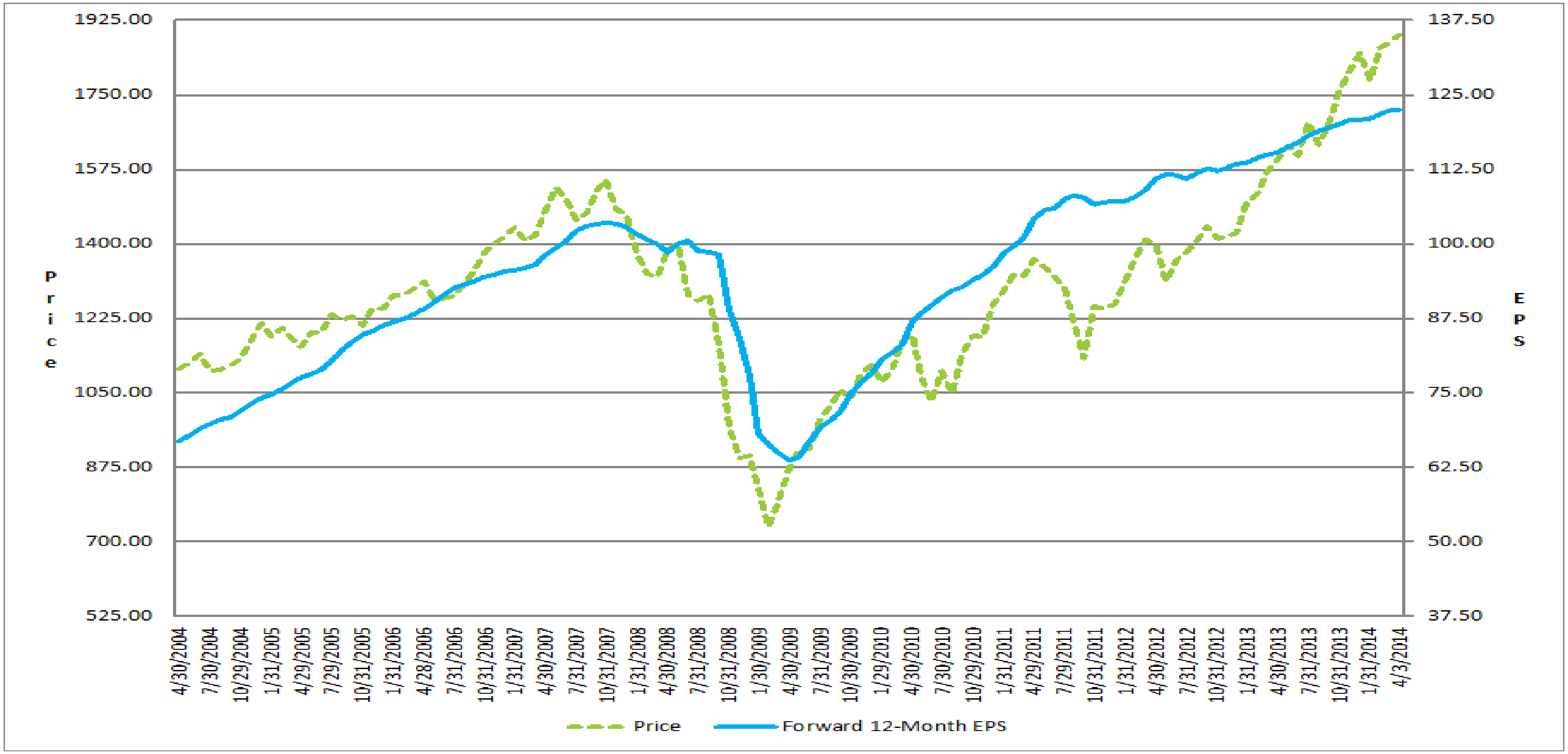
DMS Strategic Outlook and Tactical Positions.

- **Strategic Outlook - Equities**: The domestic stock market looks to be fully valued as earnings growth slows. We expect more volatility in domestic equity markets as companies' earnings momentum slows. International developed stocks appear to be undervalued relative to domestic stocks despite already slow growth in those countries. Emerging market stocks are viewed favorably due to stronger economic growth and attractive valuations relative to developed nations.
  - **Tactical positions:**
    - Small cap stocks are more underweighted than large cap stocks due to above average P/E multiples. Equities are tilted toward lower beta, higher dividend stocks to reduce volatility and generate income.
    - Stock allocations in developed markets lean toward international stocks as they appear to be undervalued relative to domestic stocks. The relative attractiveness takes into account the lackluster economic growth in Europe and Japan. The ECB and the Bank of Japan will continue their quantitative easing programs.
    - Within international equities, emerging markets stocks, comparatively attractive due to their low relative P/E multiples, are equally weighted to target. Unfavorable economic news has been priced into valuations.

Corporate earnings growth has been advancing since 2011, but at a slower pace.

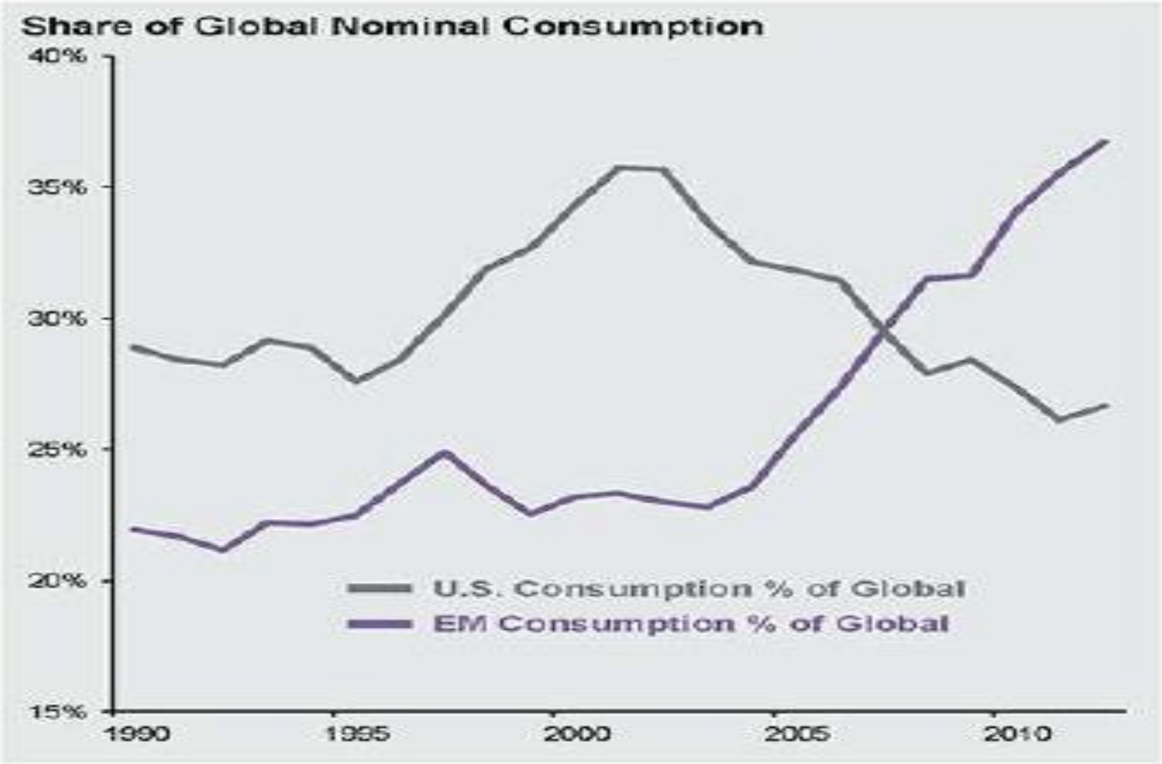
Typically when stock prices have advanced more quickly than earnings, prices slow or decline, causing a reversion to lower P/E levels.

S&P 500 Forward 12-Month EPS versus Price



Source: FactSet

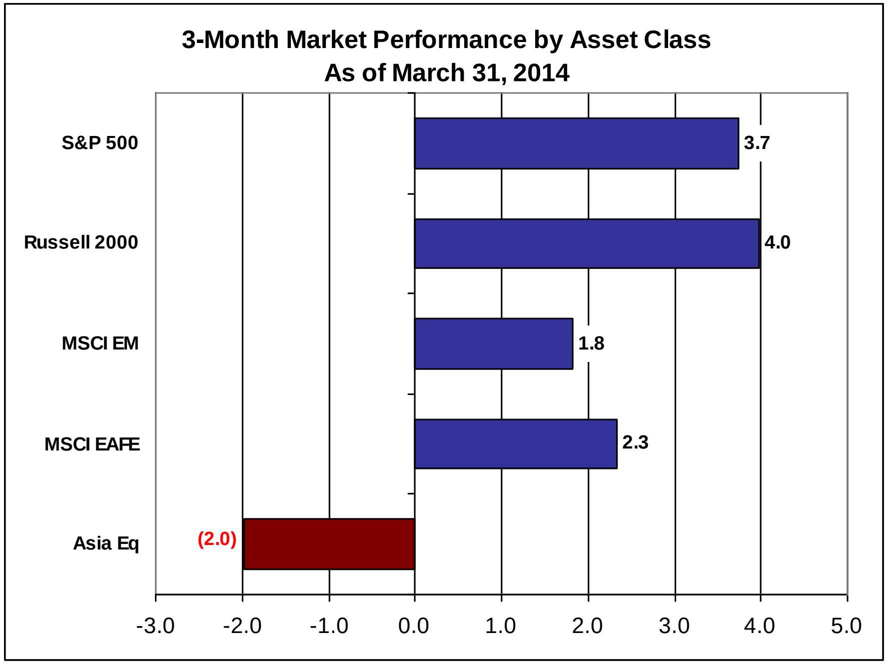
The rate of change in consumer spending in emerging countries is above that of developed countries.

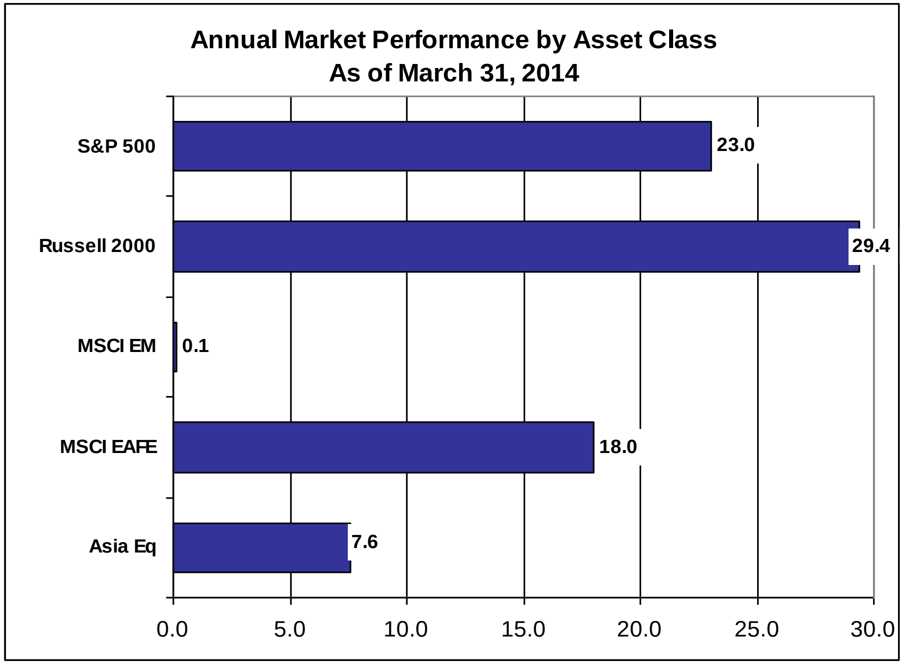


Source: JP Morgan

Equity Returns by Tactical Strategy

- Trimmed US Small Cap positions due to high P/E multiples brought about by strong performance.
- International Equities underweight position reduced to take advantage of low relative P/E multiples.
- Added to Emerging Markets Equities during quarter to take advantage of relative undervaluation.

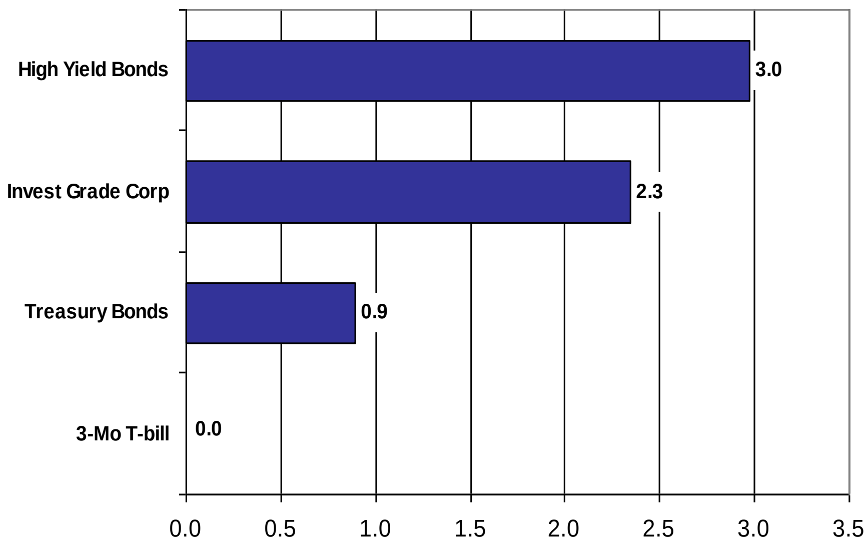




Fixed Income Returns by Tactical Strategy

- High-yield corporate bonds are still viewed favorably given a mildly improving economic outlook and continuing low default rates.
- Continued the overweight in investment grade credit as it is attractive relative to US Treasuries.
- Shortened the duration of portfolios in anticipation of increasing interest rates.

3-Month Market Performance by Asset Class
As of March 31, 2014



Annual Market Performance by Asset Class
As of March 31, 2014