DMS Economic Outlook for next 12 months

- GDP growth will be modest at approximately 2% but the economy will experience periods of sluggishness such as the first quarter 2015 which was impacted by the weather. Personal consumption will remain below longer term trends at around 2.5% annual pace.

- Job creation will be stable and the unemployment rate will remain in the 5.0 to 5.5% range. Eventually the labor market will tighten enough to provide a boost to wages.

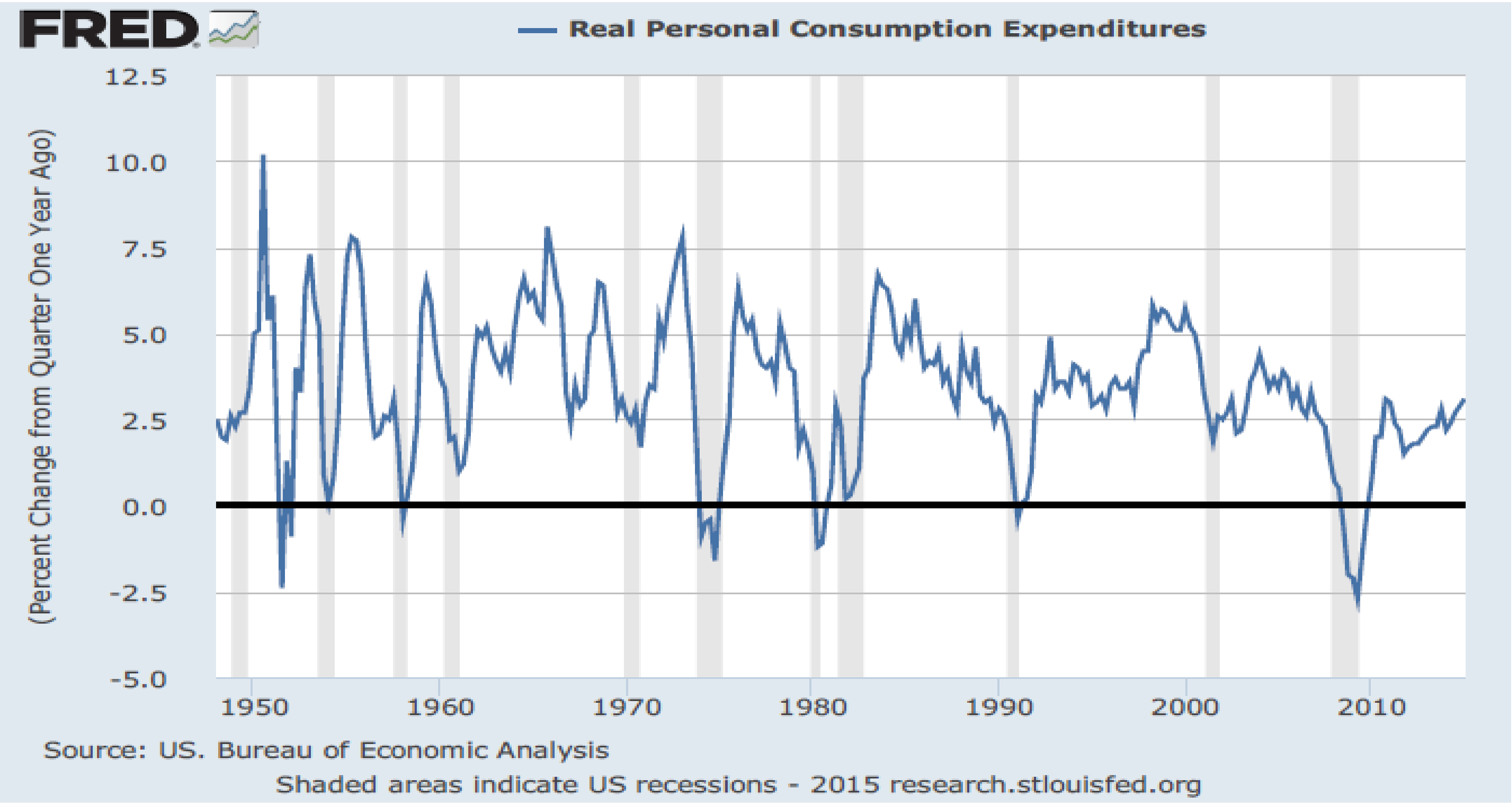
- The dollar will maintain strength relative to other currencies. The strength is due to the removal of domestic quantitative easing and continuing QE programs in Europe and Japan. The strong dollar will ultimately impact the rate of earnings growth, particularly in domestic large cap companies which will limit the upside potential of stocks.

- The Federal Reserve will finally increase interest rates and the result will be a flatter, yet higher Treasury interest rate curve. Global capital will flow into Treasuries to garner relatively higher global interest rates.

- Economic growth in emerging markets will be higher than developed markets, even with slowing GDP growth in China. Lower energy prices will be a longer term benefit to energy importing developing economies.

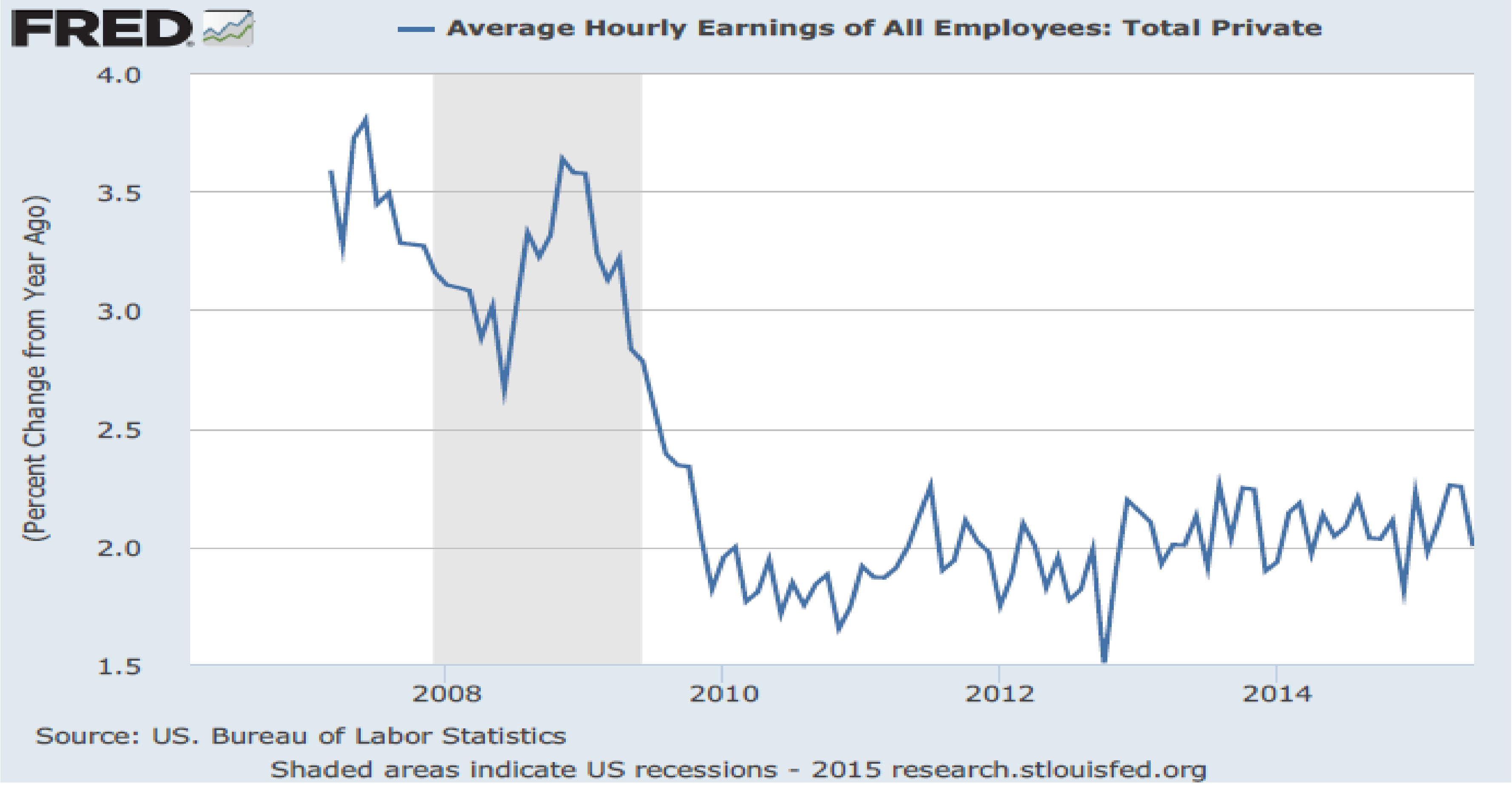
Economic Outlook

Economic growth is influenced by the ability of consumers to take on debt to fund consumption. Credit expansion has begun to pick up speed in the past several months and should impact GDP growth positively.



Economic Outlook

Average hourly earnings have slowly picked up in the last few years, but are still below pre-recession highs. As the unemployment rate continues to fall, wages have the opportunity to grow at a pace faster than 2.0%. If so, higher rates of inflation will follow.



DMS Strategic Outlook and Tactical Positions

Strategic Outlook – Fixed Income: A trend toward higher interest rates is expected as the Fed is removing monetary stimulus. Macro economic events will periodically spur a “flight to quality” and capital will flow into US Treasuries, pushing yields downward at times.

Tactical positions:

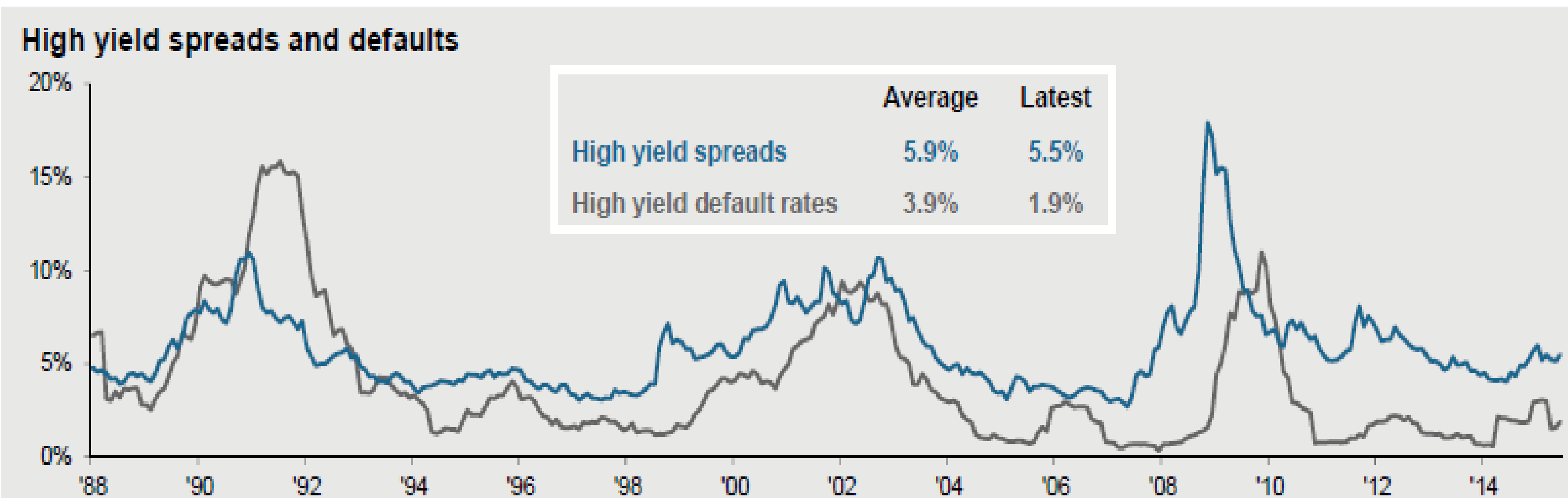
- High yield should outperform in a rising rate environment. Lower oil prices have impacted energy company debt and credit spreads have widened, presenting a buying opportunity. Credit is weighted more heavily than Treasuries and duration is tilted shorter than benchmarks.
- Commercial real estate is viewed as an attractive yield alternative to bonds, however, queues can delay additions to positions and an increase in interest rates could dampen valuation improvements.
- International bonds yields have been pushed lower due to quantitative easing in Europe. The stronger dollar is negative for US holders of international bonds. Emerging market debt denominated in US dollars provides diversification and yield potential.
- Hedge funds with a non-directional (or absolute return focus) are viewed as an attractive uncorrelated option.

Market Outlook

Discretionary Management Services, LLC

High yield bonds weathered the brief credit event caused by lower energy prices. As economic fundamentals continue to show modest growth, interest rates should trend upward to normalized levels. High yield bonds, due to their higher coupon rates, are positioned to outperform Treasuries in a rising rate environment.

In addition, the negative credit event caused by lower energy prices was contained. Defaults have not expanded but slightly higher credit spreads have presented a buying opportunity.



DMS Strategic Outlook and Tactical Positions.

Strategic Outlook - Equities: The domestic stock market appears to be fully valued as earnings growth slows due to a relatively strong dollar and its impact on domestic firms with global earnings. We expect more volatility in domestic equity markets due to the slowing earnings momentum. The European Central Bank's quantitative easing project should bolster equity returns despite slow economic growth. Emerging market stocks are viewed favorably due to stronger economic growth and attractive valuations relative to developed nations.

Tactical positions:

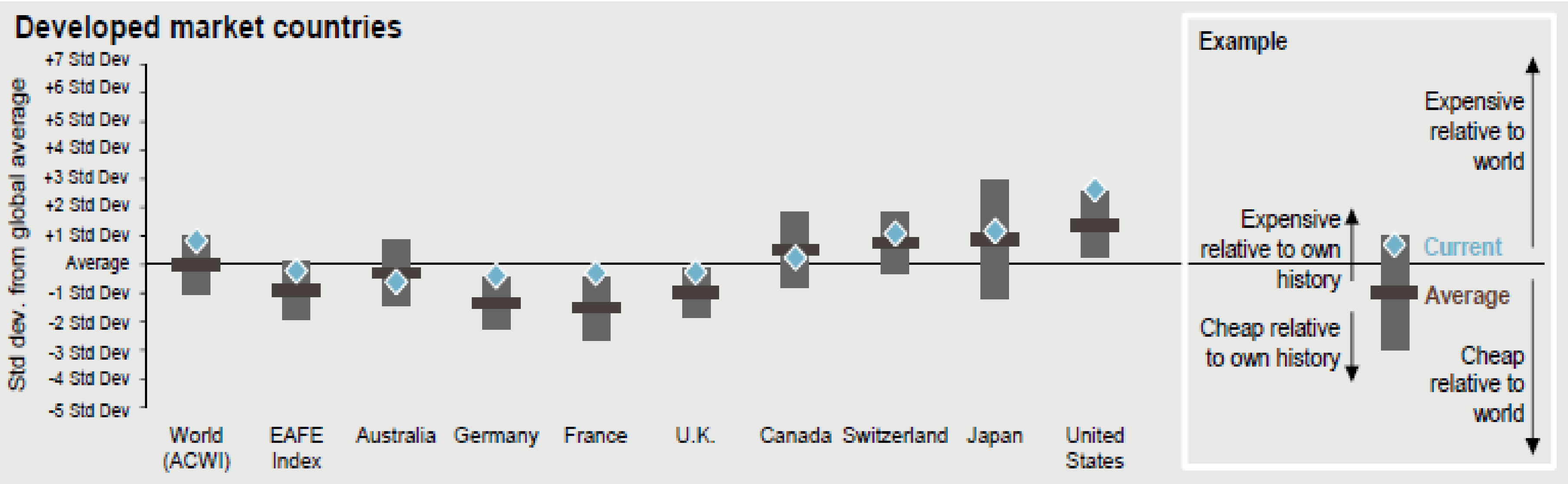
- Small cap stocks are equally weighted to large cap stocks in portfolios. Small cap stocks, while more inherently volatile, are impacted less by currency fluctuations than multinational large cap stocks. Equity positions have a higher dividend component to generate income in a low interest rate environment. We are looking for corrections in the market as points to "buy in" and bolster small cap positions.
- In addition, we are looking for corrections to "buy in" to international stocks. The quantitative easing programs in Europe and Japan should provide a tailwind to stocks at just the same time the Federal Reserve is poised to raise interest rates at home. The relative attractiveness of international stocks takes into account the lackluster economic growth in Europe and Japan.
- Within international equities, emerging markets stocks, comparatively attractive due to their low relative P/E multiples, are over weighted to target. Unfavorable economic news has been priced into valuations.

Market Outlook

Discretionary Management Services, LLC

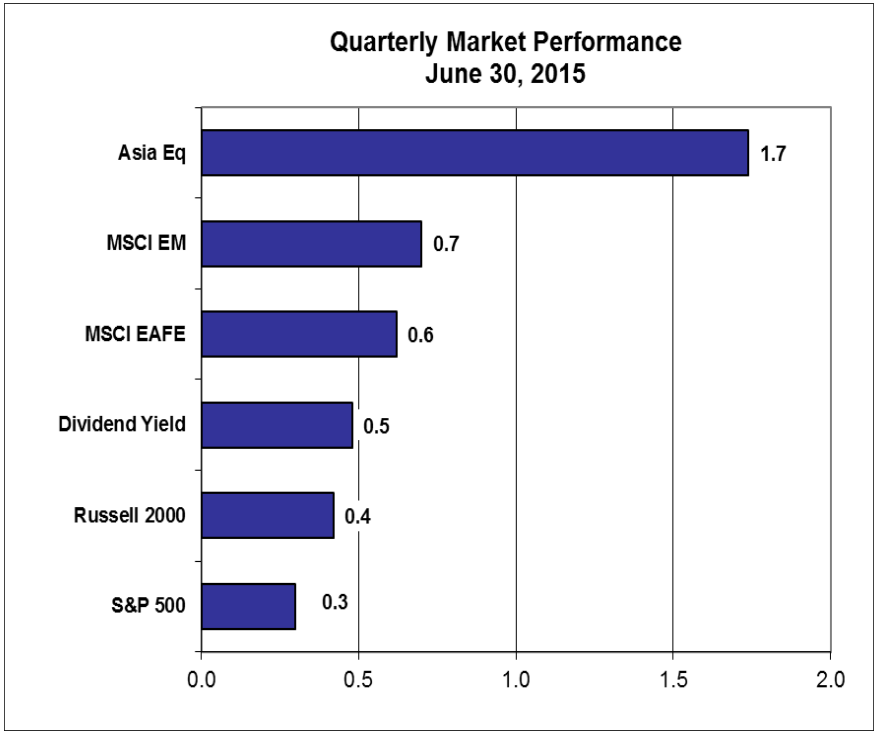
International stocks are undervalued relative to domestic stocks. Domestic stocks appear to be valued at the top of their historical range and have more expensive valuations when compared to the rest of the world. This chart also shows that international developed stocks are cheaper relative to the rest of the world.

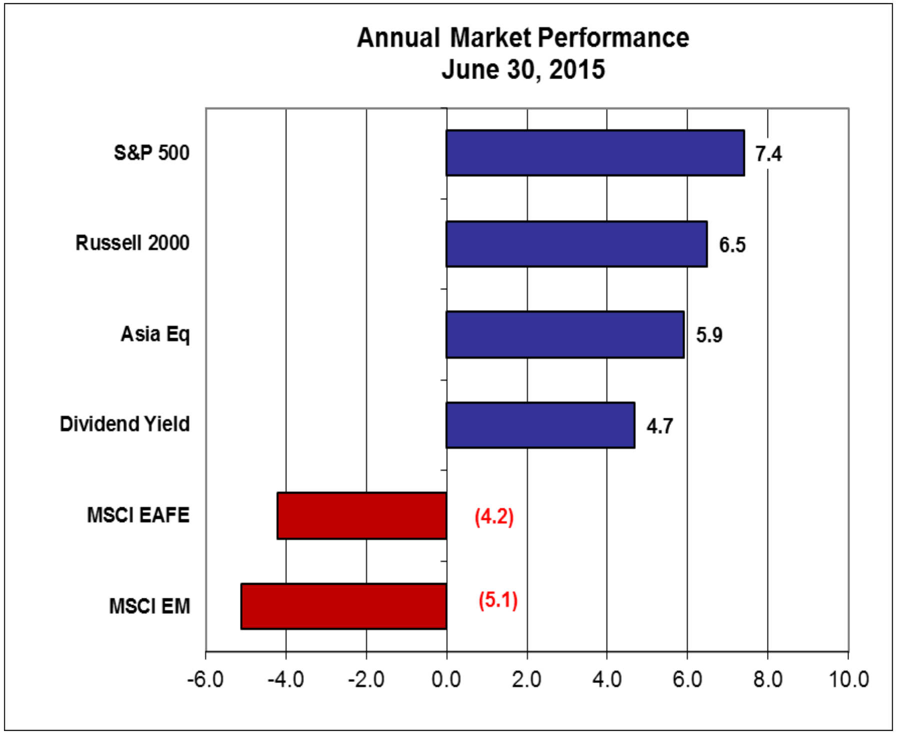
In conjunction with the Federal Reserve poised to begin raising interest rates, the US market may experience a period of relative underperformance to the rest of the developed markets.



Equity Returns by Tactical Strategy

- Added to domestic small cap positions upon sell-off as the risk/reward tradeoff now looks more favorable. Still below target weights in accounts. Looking to bolster small cap positions.
- Added slightly to international equity positions, taking advantage of low relative P/E multiples. Positions are slightly underweight to target.
- Maintained weighting in 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. High yield bonds responded well in the quarter and rebounded from the energy credit event that impacted one year returns.
- Continued the overweight in investment grade credit as yields are attractive relative to U.S. Treasuries.
- Continue to maintain a shorter duration of portfolios versus the benchmark in anticipation of increasing interest rates. Rising rates impacted returns in the quarter and Treasuries posted more negative return.