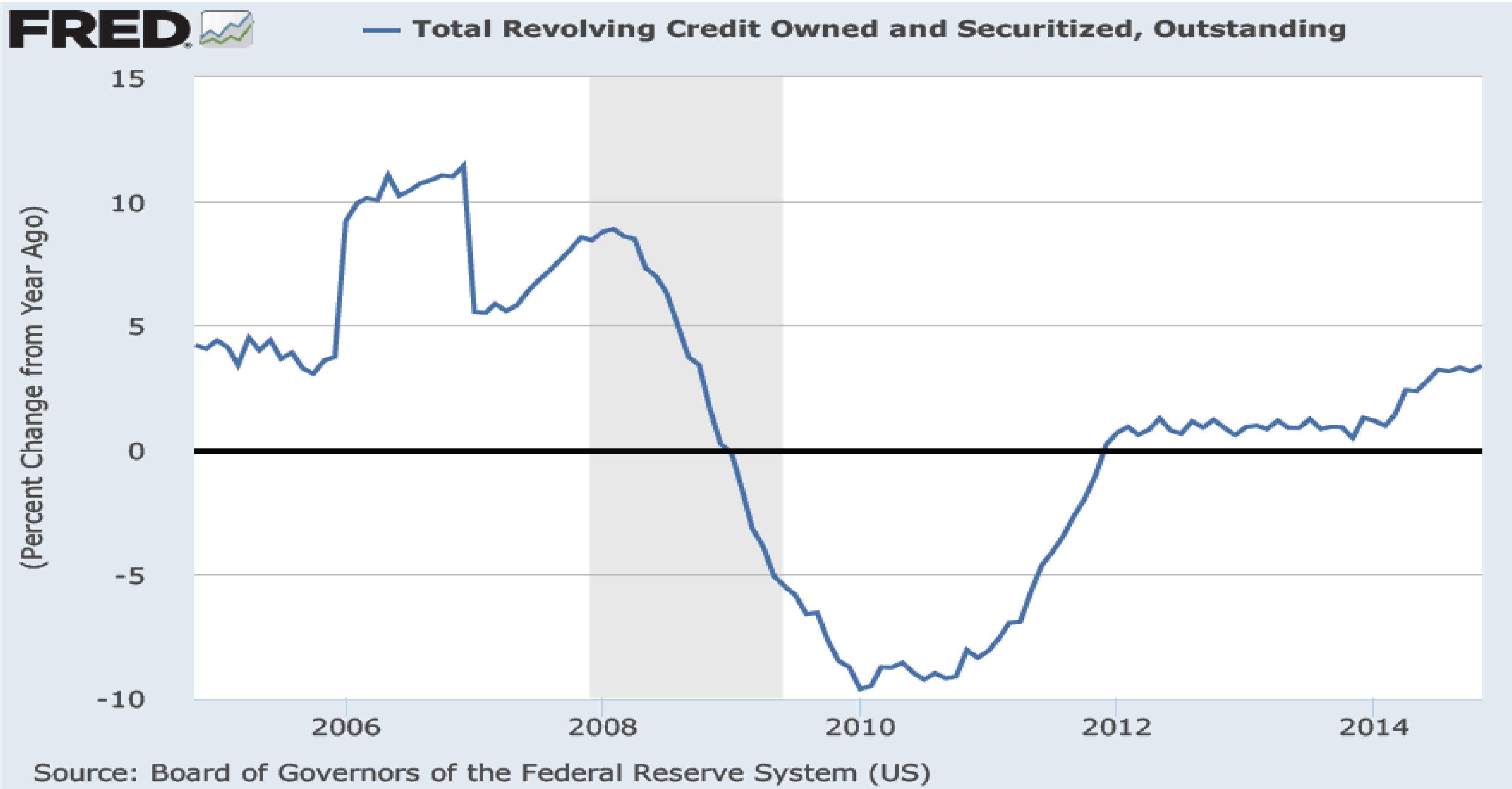
DMS Economic Outlook for next 12 months

- GDP growth will continue to grow modestly, slightly above a 2.5% annual pace. Personal consumption has improved, settling at a growth rate above 2.5%, which is positive for GDP growth.
- Low oil prices contributed to a strengthening U.S. dollar and to a growing domestic economy. The yield on the ten year Treasury opened the quarter at 2.51% and ended at 2.17%. Lower interest rates are the result of a “flight to quality” of global capital flows.
- International economies will continue to struggle to grow throughout 2015. Both the European Central Bank and the Bank of Japan will move forward with quantitative easing. The trend of the stronger U.S. dollar will persist due to the removal of Fed stimulus and modest, but firm, economic data.
- 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. Lower energy prices will be a longer term benefit to energy importing developing economies.

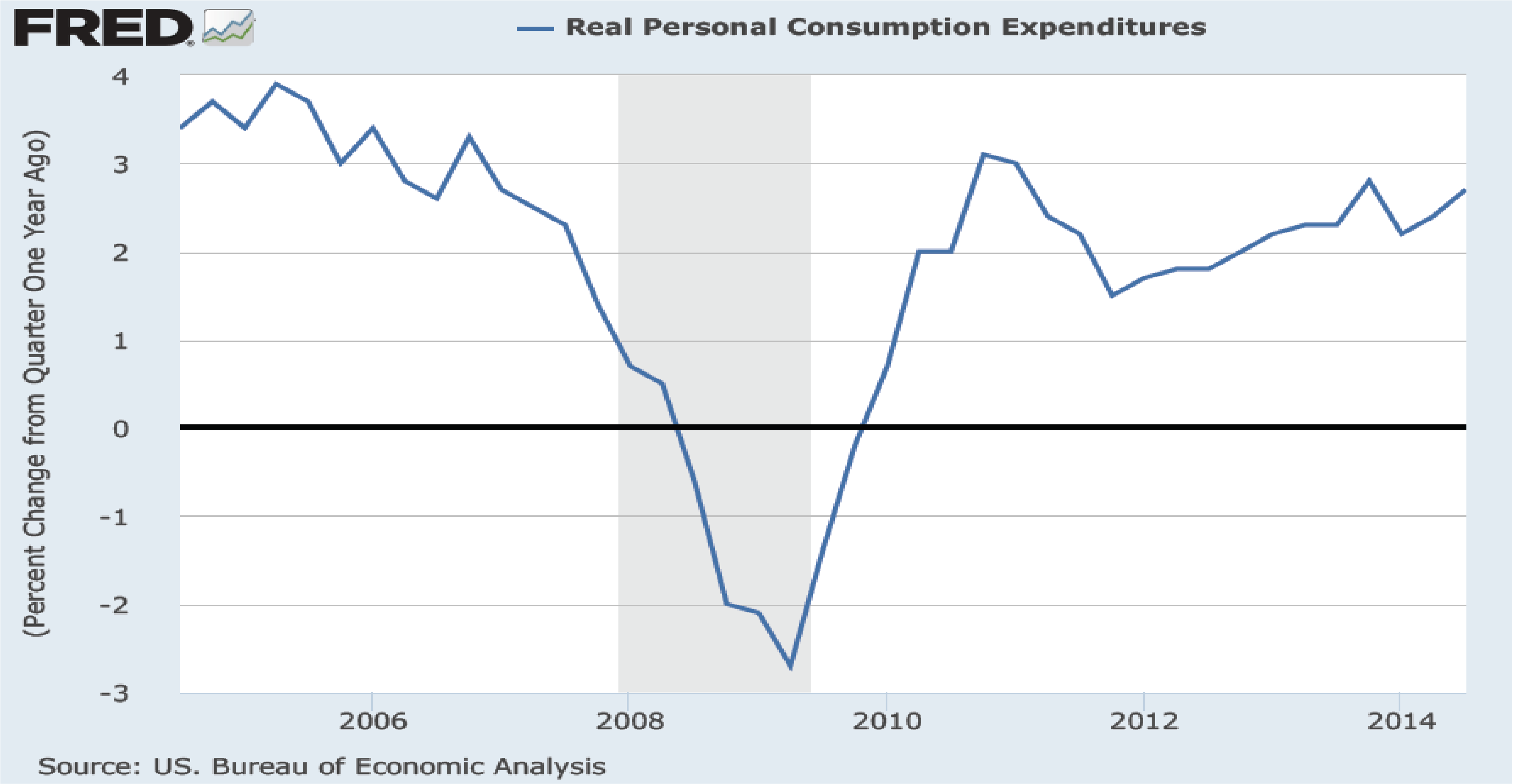
Economic Outlook

Discretionary Management Services, LLC

Economic growth is influenced by the ability to take on debt to fund consumption. Credit expansion has begun to pick up speed in the past several months.



Personal Consumption growth rates have been lower since 2011's recovery highpoint from the recession. However, the recent readings show an uptick.



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.

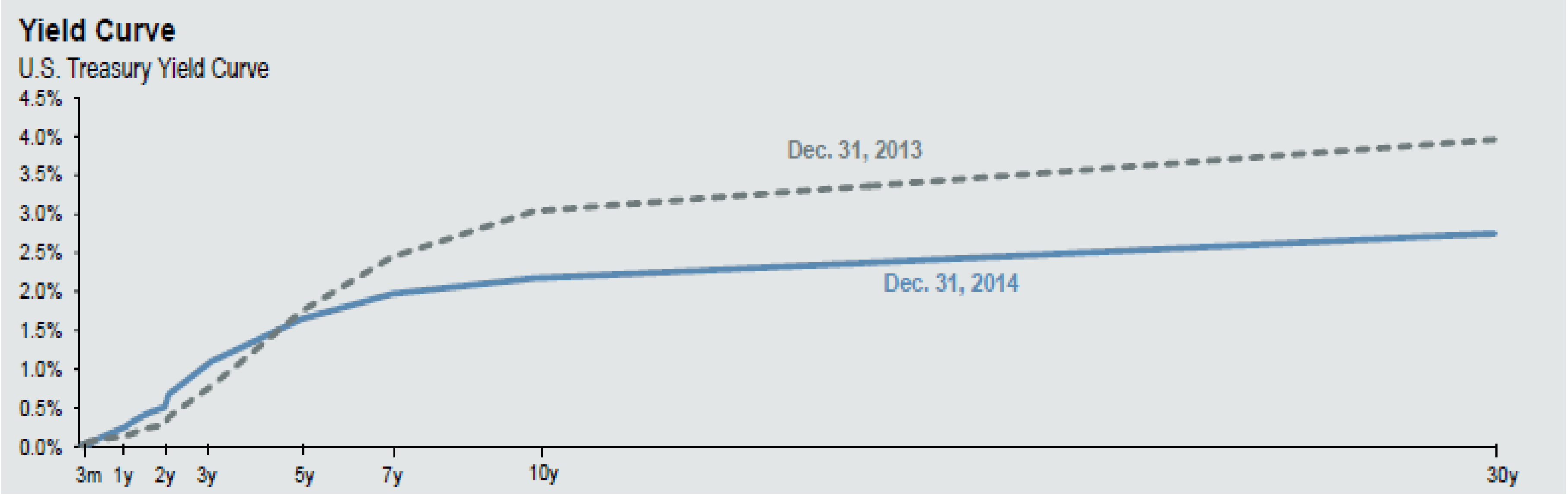
Tactical positions:

- High yield should outperform in a rising rate environment. 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 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.
- Hedge funds with a non-directional (or absolute return focus) are viewed as an attractive uncorrelated option.

Market Outlook

Interest rates remain near long term lows. Longer term interest rates have trended downward this year in response to global fund flows into US markets. As the economic fundamentals continue to show modest growth, interest rates should trend upward to normalized levels.

The slight upward trend in the shorter maturity end of the Treasury curve signals that the market is anticipating tighter Fed monetary policy.



DMS Strategic Outlook and Tactical Positions.

Strategic Outlook - Equities: The domestic stock market appears to be fully valued as earnings growth slows. A stronger dollar will ultimately have an 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:

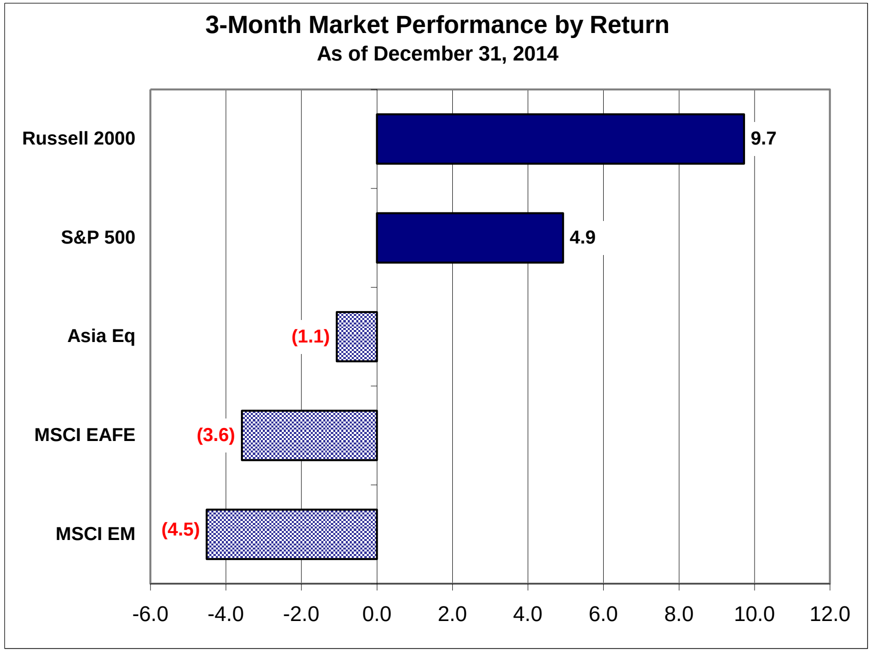
- Small cap stocks are weighted less than large cap stocks due to above average P/E multiples. Equities are tilted toward lower beta, higher dividend stocks to reduce volatility and to generate income. We are looking for corrections in the market as points to "buy in" and bolster small cap positions.

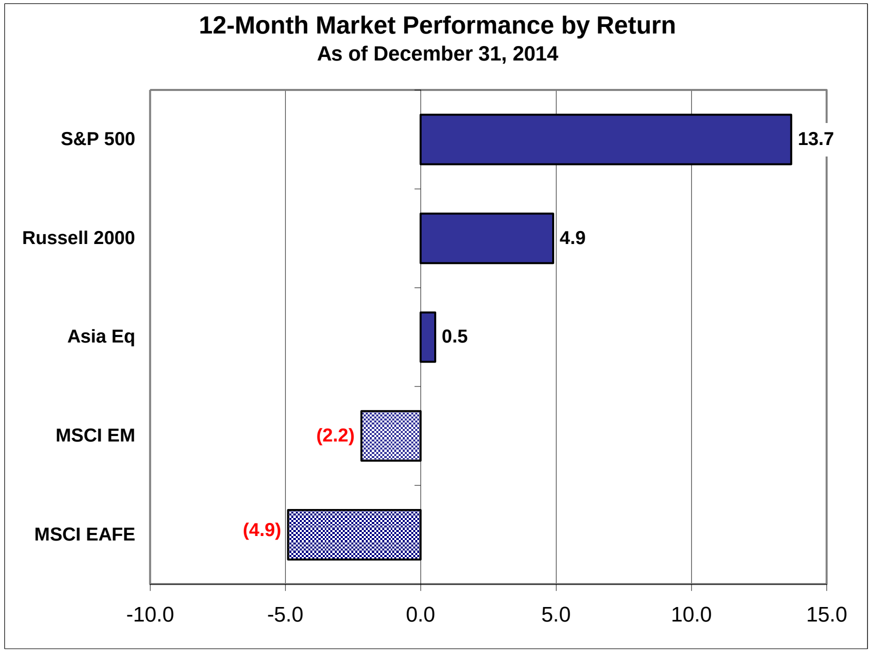
- Stock allocations in developed markets lean toward high quality stocks as they appear to offer relative safety. The relative attractiveness of multinational stocks takes into account the lackluster economic growth in Europe and Japan. The European Central Bank and the Bank of Japan will continue their 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.

Equity Returns by Tactical Strategy

- Added to U.S. Small Cap positions upon sell off as risk/reward tradeoff now looks more favorable. Still below target weights in accounts.
- Added slightly to International Equity positions, taking advantage of low relative P/E multiples. Positions are slightly underweight to target.
- 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. Added to positions upon modest spread widening in the quarter.
- Continued the overweight in investment grade credit as yield is attractive relative to U.S. Treasuries.
- Continue to maintain a shorter duration of portfolios versus the benchmark in anticipation of increasing interest rates.