

QUARTERLY PORTFOLIO REVIEW

March 31, 2015

The long winter has finally broken. It's time to break out your golf clubs, baseball glove and gardening tools.

Quarter in Review

- Volatility returned in a big way in the first quarter of 2015 as the market focused on everything from central-bank actions to Greek elections, a strong dollar, and a steady beat of merger activity.
- Fed watching was a full-time job in the quarter. With the U.S. economy showing signs of improvement, the central bank started to send signals that it was ready to raise short-term interest rates and create a more normal monetary-policy environment after the extraordinary measures put in place during the financial crisis.
- Geopolitical concerns also moved the market during the last three months. Greek elections in January brought to power a new government that had promised to renegotiate the country's bailout agreement. Despite a few tense days, Greece and its creditors reached a temporary agreement to allow a tranche of funds to be distributed, thereby avoiding a default. Negotiations to reach a long-term deal are still ongoing. Continued conflict in the Middle East was also a concern.

BENCHMARK CENTRAL 2015 Q1

Citi World Gov't Bond Index 3-7 Yr. Hedged	1.12%
MSCI EAFE (International Stock index)	4.19%
Russell 1000 Value (US Large Cap Value index)	-1.32%
Russell 2000 (US Small Cap index)	3.99%
S&P 500 (US Large Cap index)	0.44%
Wilshire 5000 (US Total Market index)	1.28%

PUT AWAY THE TORCHES AND PITCHFORKS!

Whenever there is a clear “loser” in any given year, market pundits and clients alike sing out in unison; “OFF WITH THEIR HEADS!” For 2014, that clear loser was international stocks. Last year, while U.S. **large cap** stocks (emphasis on large cap, as small caps had an underwhelming year) enjoyed a healthy 11% gain, international stocks, as represented by the MSCI EAFE, were off 6.99%. While many of you were concerned about your international exposure, we tried to assuage your fears by refocusing your attention away from short-term noise to more important long-term matters. We preached to not “sell low” and “buy high” by moving your assets out of international and into the recent winner, U.S. Large Cap. Rarely have we been rewarded so quickly.

Fast forward three months and international stocks have been the toast of the town! For the 1st three months of 2015, the MSCI EAFE is up 4.19% while the S&P 500 is barely above even (+0.44%). To make this turnaround even more pronounced, the DOW is actually down for the year, off .26% through March 31st.

This sort of a quick reversal of fortunes serves as a lesson against market timing. Often, when things look the worst for a segment or asset class, that is the exact right time to buy, not sell, as most people feel the need to do. Remember, it's buying low and selling high, not the other way around.

QUARTERLY CLIENT WEBINAR

Date: Wednesday, April 22nd, Starting time: 12:30 pm, Eastern Daylight Time

Meeting Number: 197 850 795

Website link: <https://meetings.webex.com/collabs/meetings/join?uuiid=M6ZH274URU1B75EMCA9501NW7W-5MWV>

To join the teleconference only: US TOLL: +1-415-655-0001 Access code: 197 850 795

If you cannot join us for this important webinar, we will post a recording of the entire presentation on our website at www.afadvisors.com.