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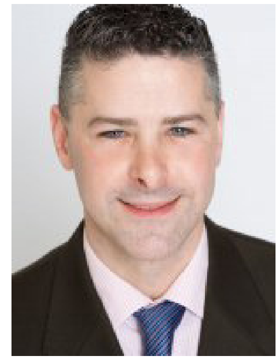


JULY 2015

Market Update

(all values as of 06.30.2015)

Stock Indices:

Dow Jones	17,619
S&P 500	2,063
Nasdaq	4,986

Bond Sector Yields:

2 Yr Treasury	0.64%
10 Yr Treasury	2.35%
10 Yr Municipal	2.37%
High Yield	6.92%

YTD Market Returns:

Dow Jones	-1.14%
S&P 500	0.20%
Nasdaq	5.30%
MSCI-EAFE	3.81%
MSCI-Europe	1.91%
MSCI-Pacific	7.50%
MSCI-Emg Mkt	1.67%
US Agg Bond	-0.11%
US Corp Bond	-0.92%
US Gov't Bond	-0.29%

Commodity Prices:

Gold	1,172
Silver	15.66
Oil (WTI)	58.33

Currencies:

Dollar / Euro	1.10
Dollar / Pound	1.57
Yen / Dollar	122.72
Dollar / Canadian	.80

Current Environment - Macro Overview

Greek turmoil was exacerbated when the Greek government announced that it would not pay the International Monetary Fund (IMF) a 1.6 billion euro payment due on June 30th. Greece's default on the payment due June 30th makes Greece the first developed country to default on IMF funds.

A conciliatory letter sent by the Greek Prime Minister to European Union (EU) officials on June 30th was followed by a defiant speech on July 1st confusing the markets and European leaders as to what Greece's intentions were.

Imposed capital controls on Greece were put into place to avert a run on assets and keep funds in the country. Capital controls are government-imposed restrictions curtailing the outflow of money from the country by restricting withdrawals, cashing of checks, and wiring money out of the country. Greek stock exchanges were also closed the final week of June.

Many believe that politics, not economics, is what has driven Greece to this point. Its current government has been reluctant to agree with the proposals made by its European creditors. The Greek government has had the opportunity of reforming its financial affairs since May 2010 when the first of assistance funds were deployed by the IMF, the European Central Bank (ECB), and the European Commission in the amount of 110 billion euros.

Headlines from Greece eclipsed more optimistic news from U.S. markets. May employment data released in June showed a gain of 280,000 jobs nationwide, greater than the estimated 226,000 figure. An increase in hourly earnings was also favorable, as such a rise had not been seen in some time.

Incredibly, the 5.6 million jobs created in the past 24 months is greater than the combined total created in the prior 13 years. The employment landscape is stronger than at any time over the past 20 years. Wage growth, a key indicator to employment health, increased 2.3% in May from the year before, the best rate in nearly two years. Auto sales, an indicator of disposable income, grew at an annualized rate of 17.8 million in May, well ahead of estimates.

The Federal Reserve held interest rates steady in June and indicated that it might start to raise rates gradually towards the end of the year. It also revised economic growth forecasts to 1.8-2.0% for the year, down from 2.3-2.7%. Many analysts are expecting a long and gradual increase by the Federal Reserve once it commences its rate hike.

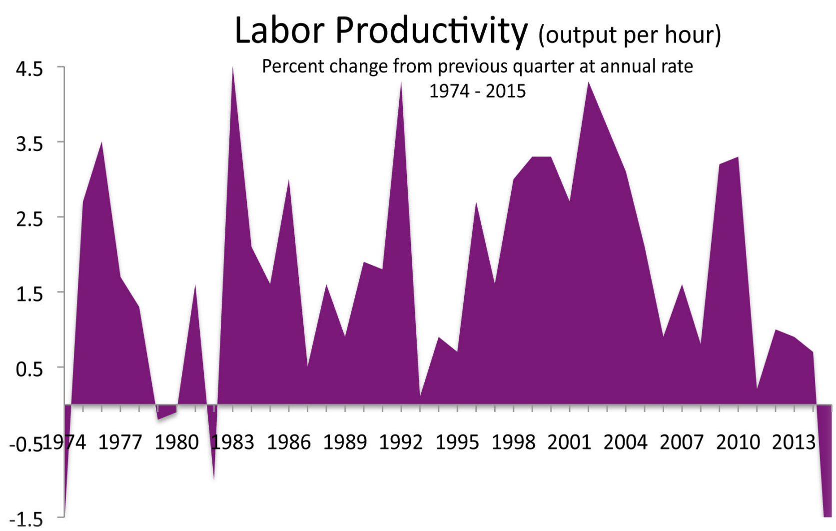
The IMF slashed its U.S. growth forecasts to 2.5% from 3.1% in difference to the Federal Reserve's economic forecasts, as reported in the Fed's latest Beige Book Report released in June.

Sources: EuroStat, IMF, Fed, Labor Dept., European Central Bank

The Cycle Of Productivity & Earnings Has Historically Been Of Short Duration

Equity Overview - Domestic Equity Markets

Analysts are becoming increasingly sensitive to record high corporate margins and lower unemployment rates. While corporate profits have risen and more workers are employed, labor productivity has fallen over the past two quarters. Unless there is economic growth, earnings and stock prices will have a difficult time elevating from current levels. This cycle of productivity and earnings growth has historically been of a short duration as the companies and labor markets acclimate to new conditions.



Stock buybacks are starting to slow as buybacks financed by cheap corporate debt is starting to get more expensive. As yields have increased among corporate bonds, companies are finding buybacks less attractive.

The Nasdaq Index rose to successive records in June, yet ended the month lower. The S&P 500 and the Dow Jones Industrial Index have been trading in a range for the past six months within a -3.5% to 3.5% range. Both the S&P and the Dow indices ended the quarter just about flat.

Sources: S&P, Dow Jones, Bloomberg, U.S. Dept. of Labor

Financial Sector Update - Sector Focus

Companies in the financial sector haven't seen much in the way of mergers & acquisitions (M&A) activity for some time. Stringent regulations have limited what the largest financial institutions can do and how it is they do it. This dynamic has led to smaller entities getting smaller or not growing. Larger banks and financial institutions are now looking at smaller entities as opportunities for growth with the possibility of expanding into untapped markets. Small regional banks and institutions have always been able to fill a void that larger entities have not.

Analysts have noted that financial sector stocks are now trading at 13.5 times forward earnings, below the S&P 500. The financial sector is also one of the few sectors that can actually benefit from rising interest rates due to the increased spread in interest rates.

Before the credit crisis and the implementation of new international banking rules, banks provided an essential lubricant to the global government bond markets. Banks essentially bought and sold large volumes of bonds for profit, thus creating the need to carry vast amounts of bonds in inventory.

The buy and sell dynamics have allowed banks to act as a buffer by smoothing market volatility as prices and yields swung to news or financial events affecting the markets.

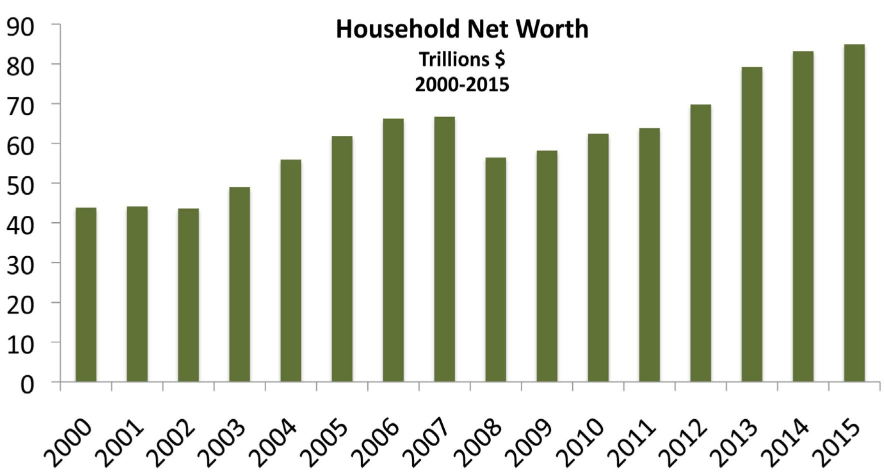
Sources: Bloomberg, S&P

U.S. Household Net Worth Rose To A Record Level Of Over $84 Trillion

Household Net Worth Continues To Climb - Domestic Economy

Every quarter the Federal Reserve releases its flow of funds survey, a report measuring the net worth of households. The report includes a “balance sheet” of assets such as real estate, financial assets, bank accounts, as well as outstanding debt.

The net worth of U.S. households and nonprofit organizations rose in the first-quarter to $84.9 trillion, making it the highest on record according to the Federal Reserve. Rising home prices in addition to an increase in the equity markets this past year helped propel household net worth.
Real estate makes up the single largest component of household wealth, representing about 30%. Corporate equities (individual stocks) make up another 15% of net worth. The components making up household wealth fluctuate in value and are affected by different factors, including monetary and fiscal policy. All in all, a rise in the overall value of these assets is of benefit to economic well-being.



Some economists that follow consumer behavior believe that increases in wealth could make consumers feel more comfortable spending their money, thus contributing to economic growth.

Source: Federal Reserve

Bond Volatility Increases - Global Fixed Income & Interest Rate Update

Fixed income volatility rose in June as uncertainty with Greece elevated concerns along with liquidity issues among banks due to not holding bond inventories.

The market for two of the largest government bond sectors, U.S. Treasuries and German bunds, has started to see less liquidity, resulting in sporadic price and yield swings not usually seen. The lack of liquidity became very evident in June as yields on both German and U.S. government bonds had strong increases.

German bund yields nearly doubled in early June as the 10-year bund reached 1%, a dramatic increase from just above a 0% yield the month before. The increase in German yields amounted to a steep drop in government bond prices. U.S. government bond yields have increased from a low of 1.64% on the 10-year Treasury at the end of January, to over 2.35% at the end of June, their highest levels since October 2014.

The IMF announced that it was concerned about the Fed’s indecision as to when to start raising short-term rates. Worried about additional and unforeseen volatility in the global bonds should the Fed decide to increase at perhaps an inopportune time, the IMF urged the Fed to put off any rate hike until at least 2016.

Sources: IMF, Bloomberg, Fed, EuroStat

GREECE OWES GERMANY OVER 56 BILLION EUROS

The Euro's Purpose & Challenges - Currency Markets

Since the introduction of the euro to the financial markets in 1999, the intent was to integrate all of the banking activity among countries sharing the newly created currency. This would provide credit to smaller countries, while allowing larger country banks to diversify their loan exposure among various European countries. This process would reduce lending risks and increase liquidity across the region.

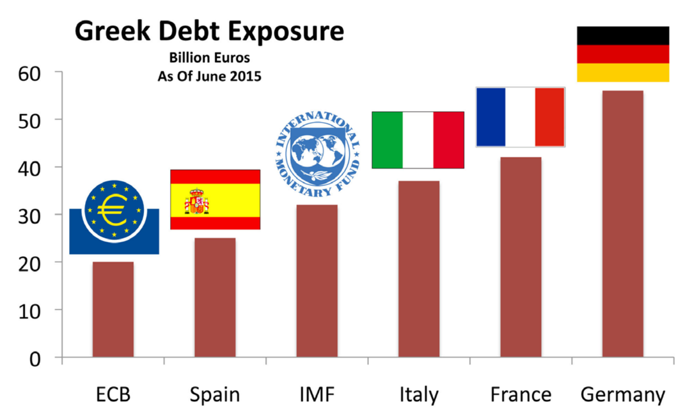
By 2009, European banks were the most international in the world, with over 50% of their banking business derived from outside their home country, compared with 28% for U.S. banks in 2009.

The opposite has been occurring for the past few years, where "fragmentation" is becoming an issue. This is when the larger healthier banks are not willing to lend to the smaller banks in less desirable economies, thus dramatically decreasing the access to cheap credit for smaller economies. This unraveling of the cross-border integration of European banks is what has threaten southern and eastern European countries of credit availability.

Cognizant of tight credit availability, the IMF, ECB, and EU members established procedures to better accommodate such dynamics when circumstances dictated it. Thus, Greece was granted generous assistance in 2010 with the onslaught of over 100 billion euros. Since the implementation of IMF support for Greece in 2010, the EU has been preparing for a "Grexit". Because of carefully monitored capital structures, the EU today is more stable and economically sound than it was in 2010.

Sources: IMF, CIA Factbook

Who Greece Owes Money To - Market Fact



Sources: IMF, ECB, World Bank