Client Name

Market Analysis / First Quarter 2015

IWM

INDEPENDENT WEALTH MANAGEMENT

Market Review 2015

- U.S. stocks were slightly positive this quarter, despite lackluster economic data and downward revisions to earnings growth and revenue growth estimates.
- In a noticeable change from the trend of recent years, developed international and emerging-markets stocks outperformed the U.S.—despite the effects of weaker foreign currencies relative to the U.S. dollar.
- International stocks were boosted by the Eurozone QE program launched in January while emerging-markets stocks benefited from strong performance in China and India.
- Interest rates declined slightly over the quarter resulting in the fifth consecutive quarterly gain for core bonds. Interest rates in other major global bond markets remain very low or, in some cases, negative.

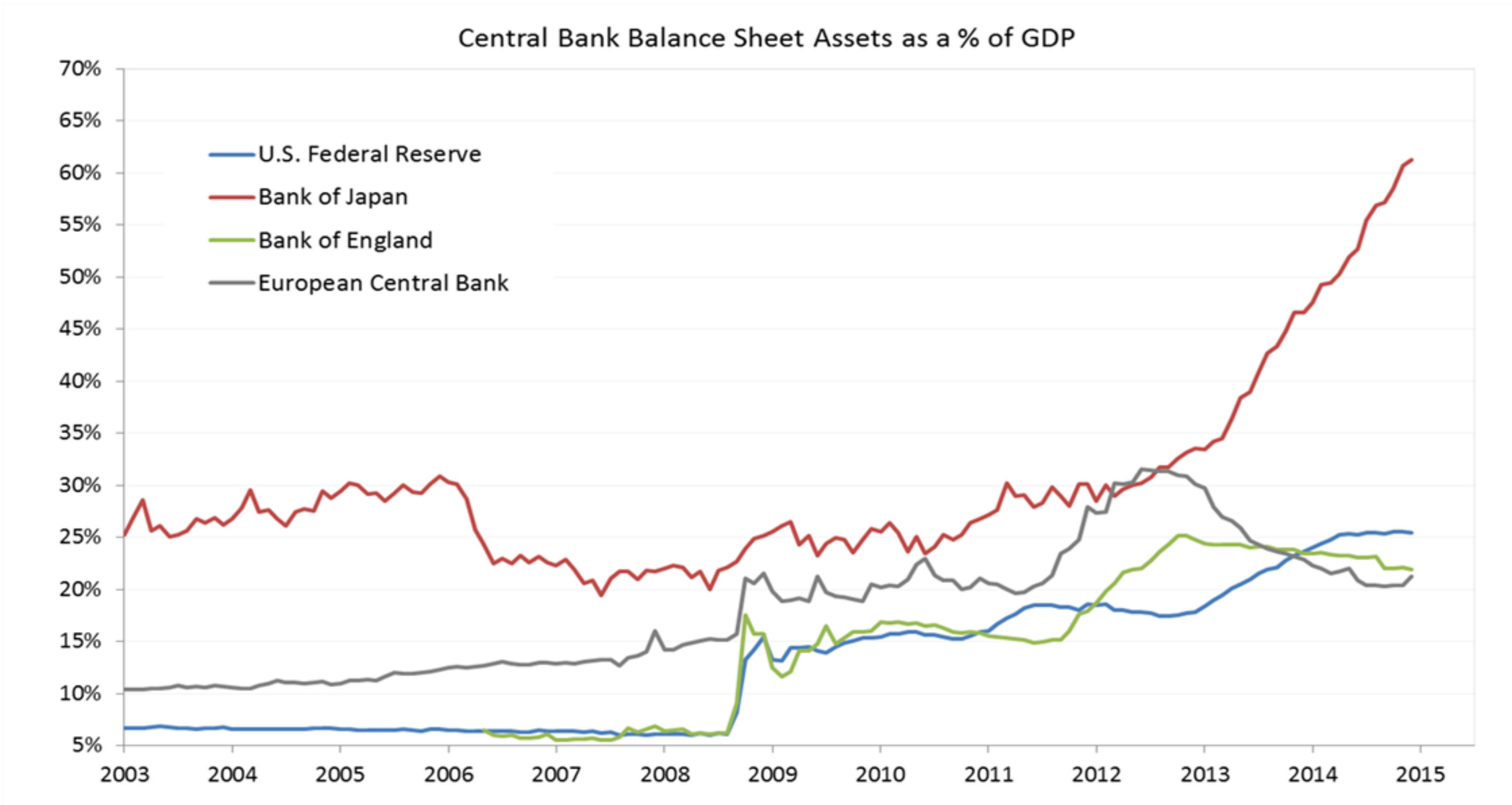
Asset Class	Q1 2015	Year to Date (3/31/2015)
U.S. Treasurys	1.64%	1.64%
U.S. Investment-Grade Bonds (Intermediate-Term)	1.62%	1.62%
Municipal Bonds	1.01%	1.01%
Floating-Rate Loans	2.13%	2.13%
High-Yield Bonds	2.54%	2.54%
U.S. Larger-Cap Stocks	0.92%	0.92%
U.S. Smaller-Cap Stocks	4.30%	4.30%
Developed International Stocks	5.62%	5.62%
Emerging-Markets Stocks	2.30%	2.30%

Asset Class Returns

Through 03/31/2015 **Past performance may not be indicative of future returns.**

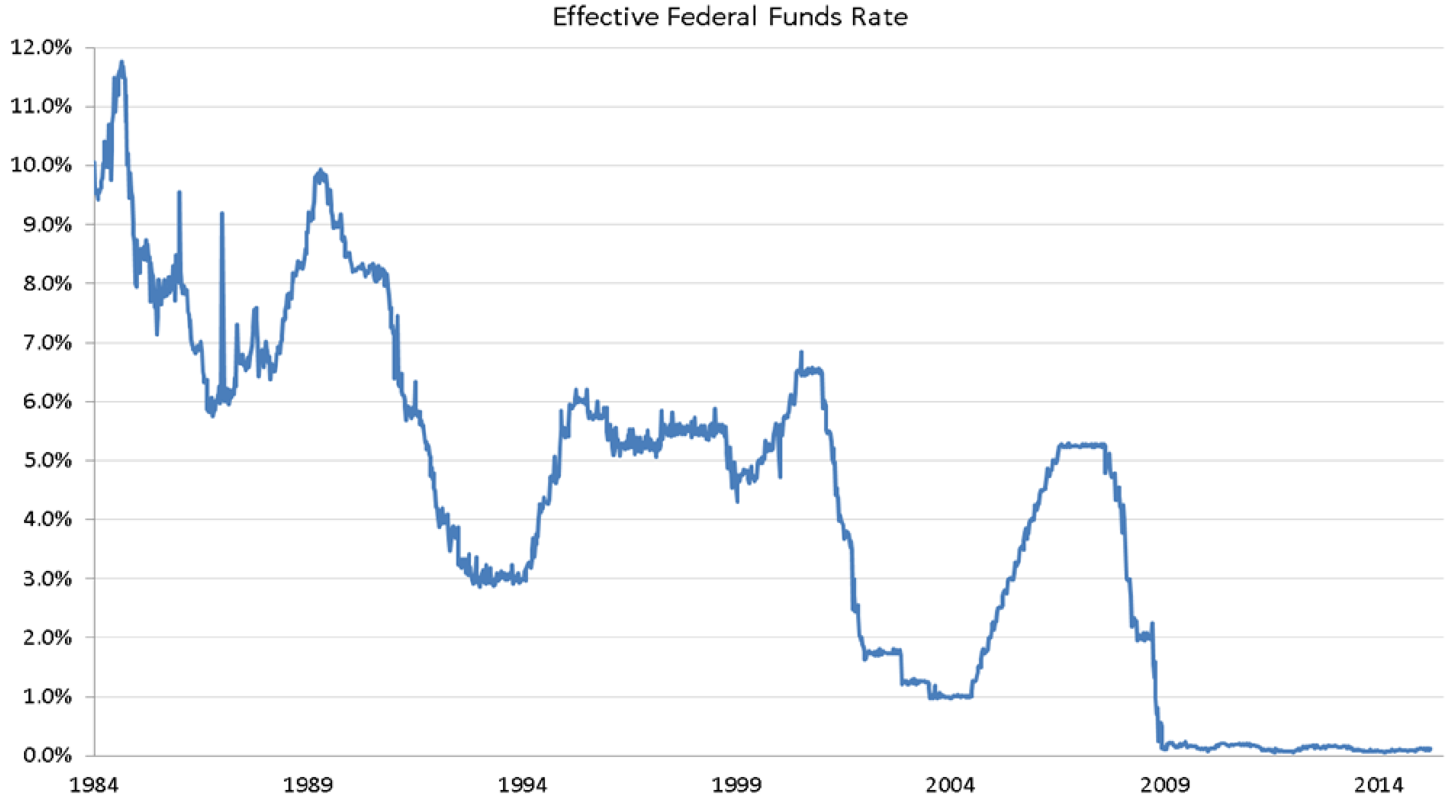
Asset Class	1st Qtr. 2015	12 Months	5 Years (Ann.)
Russell 1000 Value iShare (Domestic Large-Cap Value)	-0.77%	9.05%	13.51%
Russell 1000 Growth iShare (Domestic Larger-Cap Growth)	3.80%	15.89%	15.42%
Vanguard 500 Index (Domestic Larger-Cap Blend)	0.92%	12.56%	14.29%
Russell 2000 Value iShare (Domestic Smaller-Cap Value)	1.92%	4.36%	12.39%
Russell 2000 Growth iShare (Domestic Smaller-Cap Growth)	6.65%	12.25%	16.70%
Russell 2000 iShare (Domestic Smaller-Cap Blend)	4.30%	8.34%	14.59%
Vanguard FTSE Developed Markets ETF (Foreign Stocks)	2.30%	3.37%	1.81%
Vanguard REIT Index (Real Estate Investment Trust)	4.67%	24.00%	15.68%
Merrill Lynch High Yield Master (High-Yield Bonds)	2.54%	2.02%	8.82%
Vanguard Total Bond Mrkt Index (Domestic Invest-Grade Bonds)	1.62%	5.49%	4.23%
Citigroup World Gov't Bond (Global Invest-Grade Bonds)	-2.51%	-5.49%	1.42%
Dow Jones-AIGCI (Commodity Futures)	-5.94%	-27.04%	-5.51%
JP Morgan Emg Local Mrkt+ (Short-term Local Currency Emg Markets Bonds)	-3.96%	-11.14%	0.73%

Global Monetary Policy Continues To Strongly Influence Financial Markets



Source: Federal Reserve, Bureau of Economic Analysis, Bank of Japan, Bank of England, U.K. Office of National Statistics, European Central Bank, Eurostat. Data as of 12/31/2014.

US Monetary Policy Remains Extremely Accommodative



Source: Federal Reserve. Data as of 3/25/2015.

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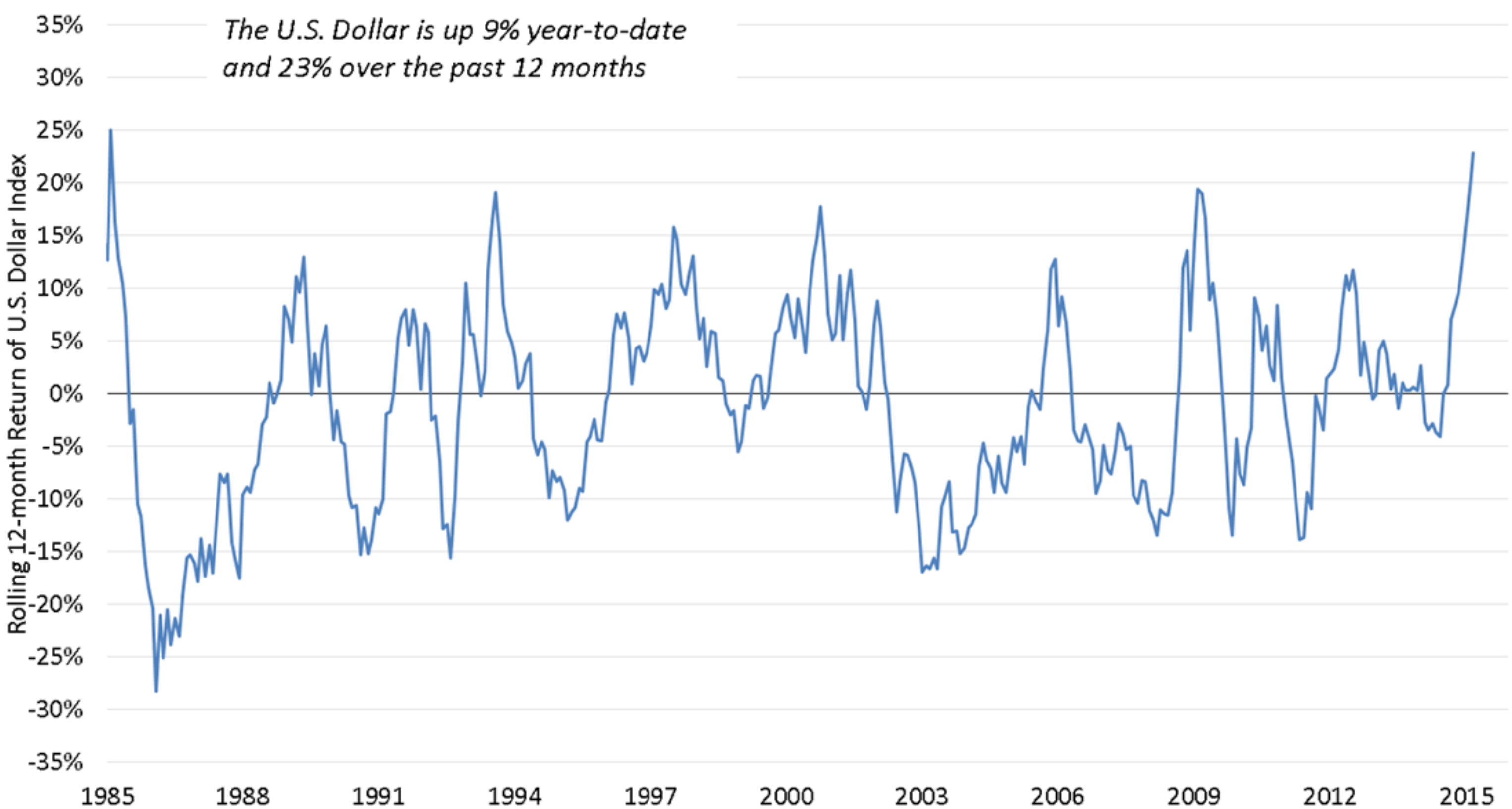
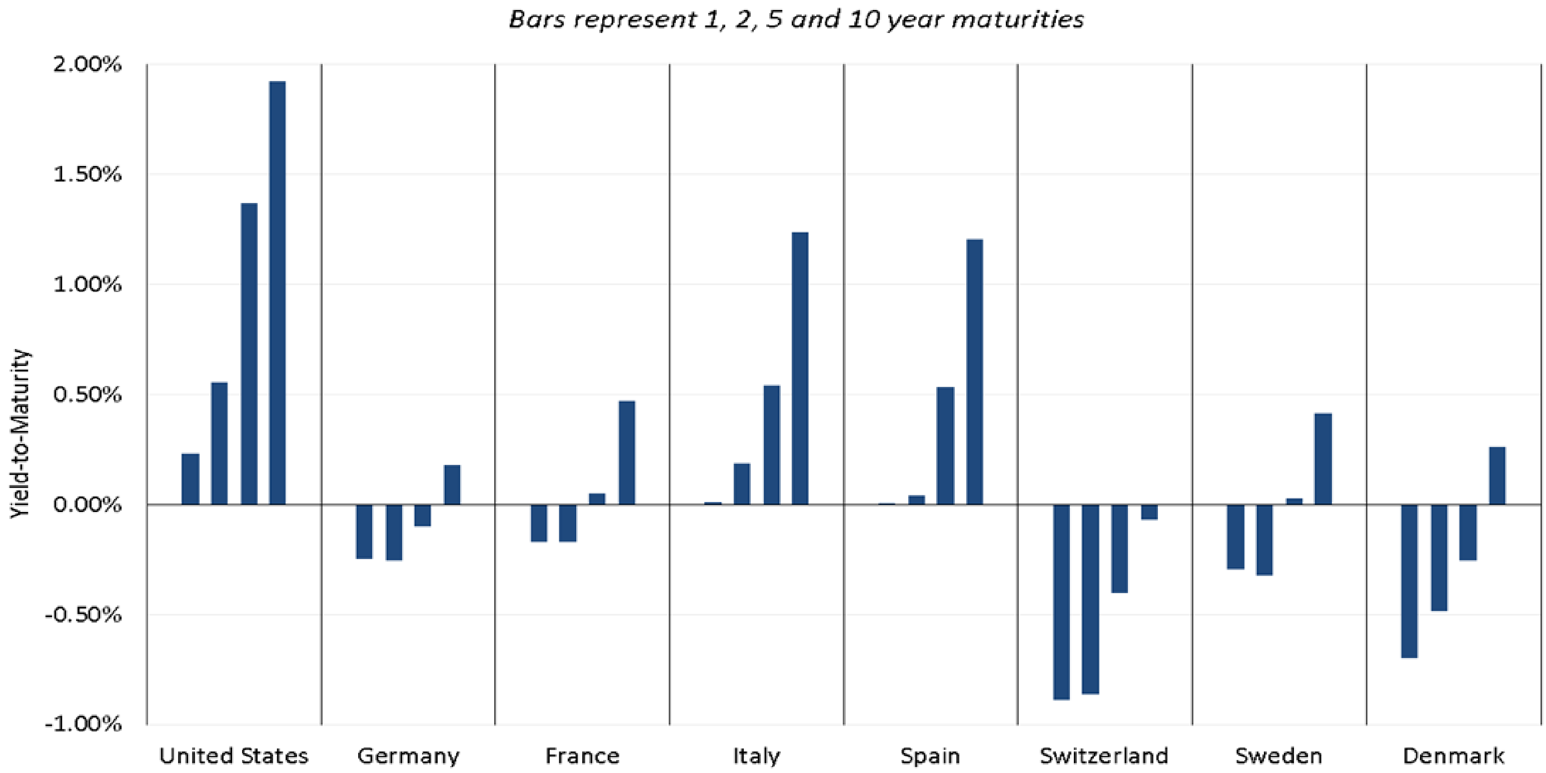
The U.S. Dollar Has Appreciated Sharply Over the Past Year



Source: Bloomberg, L.P. Data as of 3/31/2015.

Compared To Low Or Negative Government Bond Yields In Europe, U.S. Bonds Continue To Attract Investor Interest



Source: Bloomberg, L.P. Data as of 3/31/2015.

A Stronger U.S. Dollar Has Various Impacts On Investments And Economies

United States (stronger dollar)	Europe (weaker euro)	Emerging-Markets (weaker EM currencies)
• Positives: • Lower inflation • May lower interest rates • Benefits U.S. consumers' purchasing power • Negatives: • Worsening trade deficit/ lower economic growth • Lower earnings growth for U.S. multinational companies • Hurts returns for USD-based investors in international and emerging-markets stocks	• Positives: • Higher earnings growth for European exporters that compete with U.S. multinationals • May help boost inflation/prevent deflation • Benefits economic growth • Negatives: • Operating costs can increase for European companies forced to import supplies	• Positives: • A stronger dollar has lowered the price of oil which is a benefit to commodity-consuming EM countries and companies • EM exporters become more competitive • Negatives: • EM countries and companies have issued large amounts of USD denominated debt

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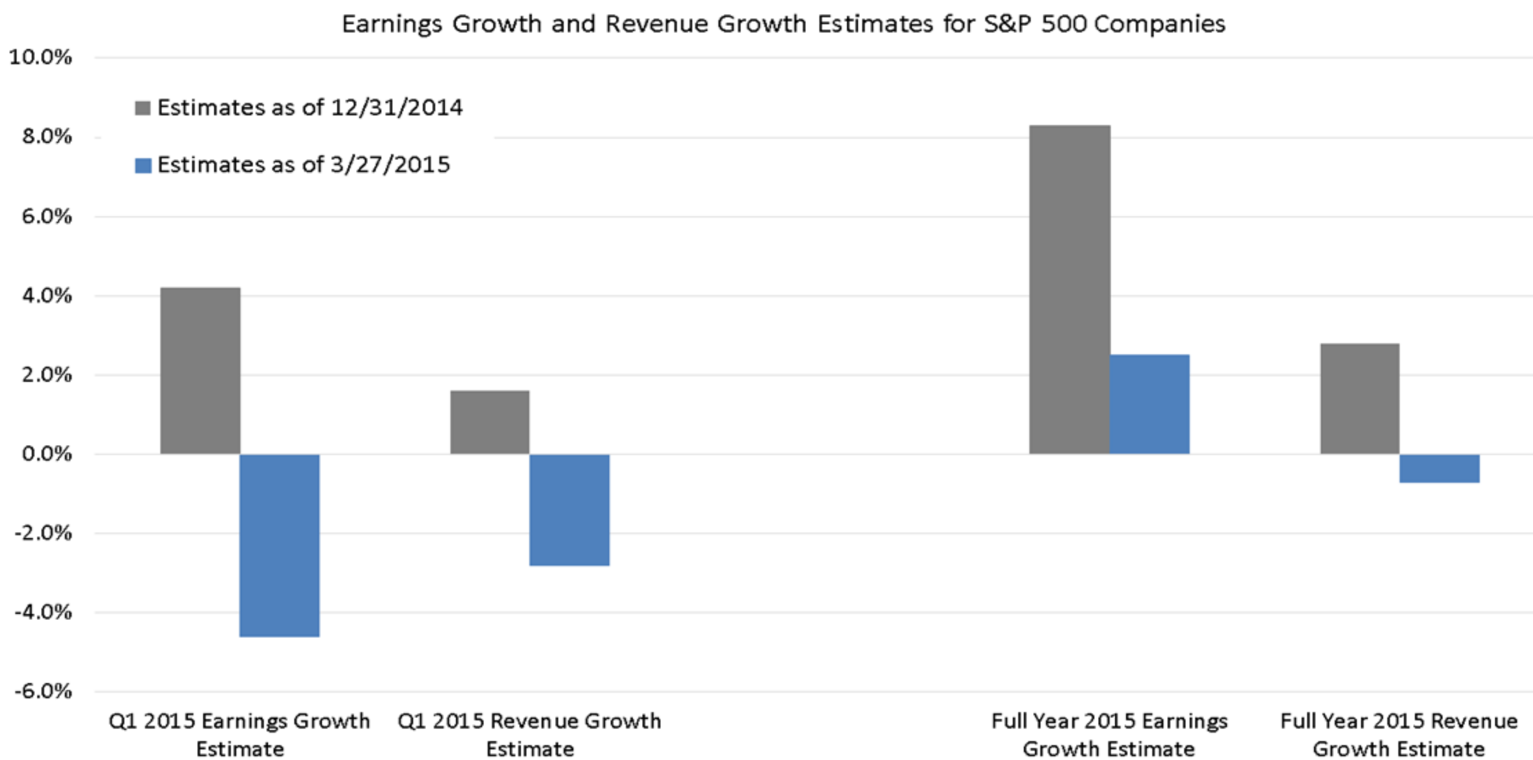
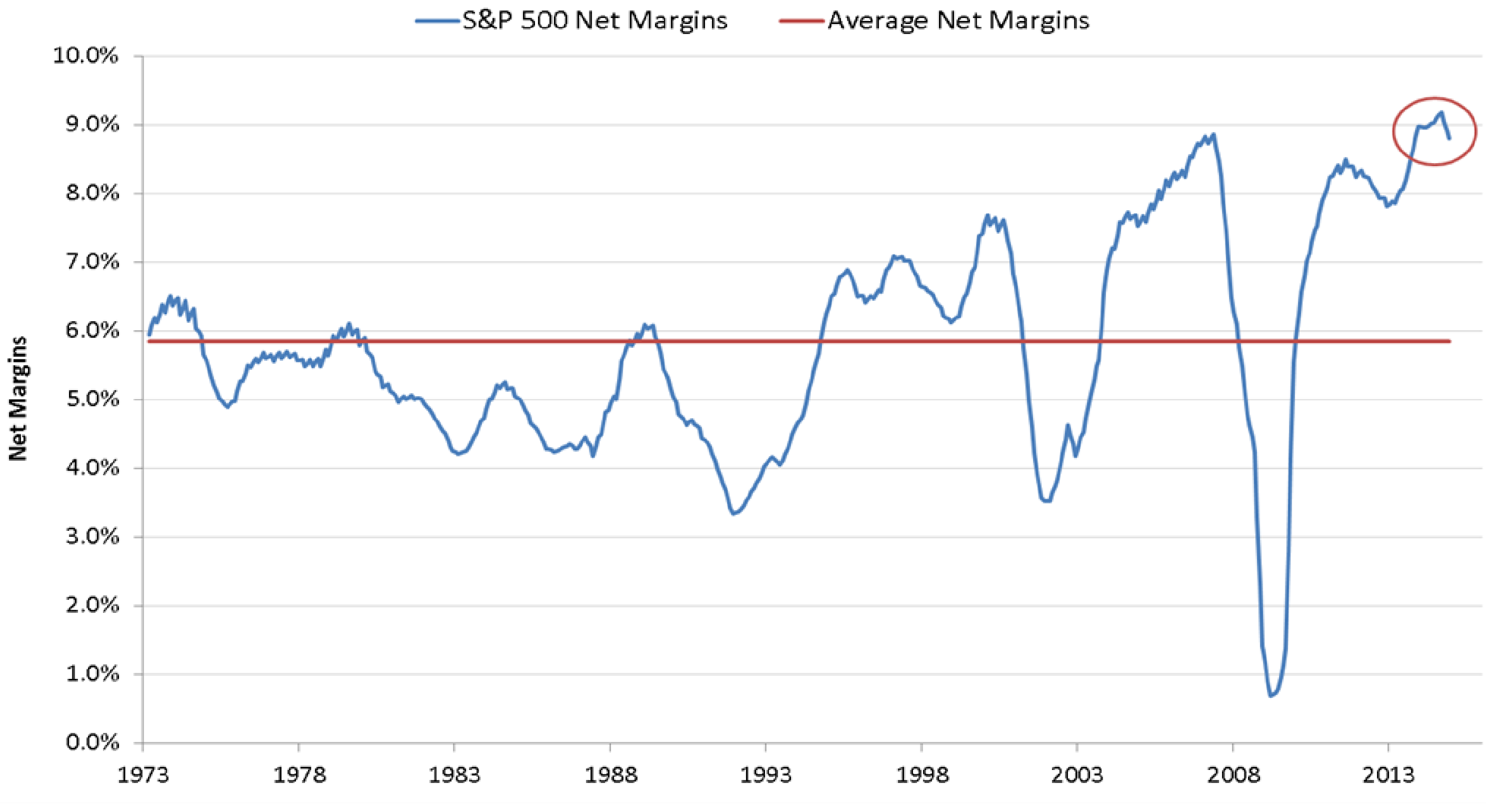
The Rally In The U.S. Dollar Has Had a Negative Impact On Earnings And Revenue Growth Estimates For U.S. Companies



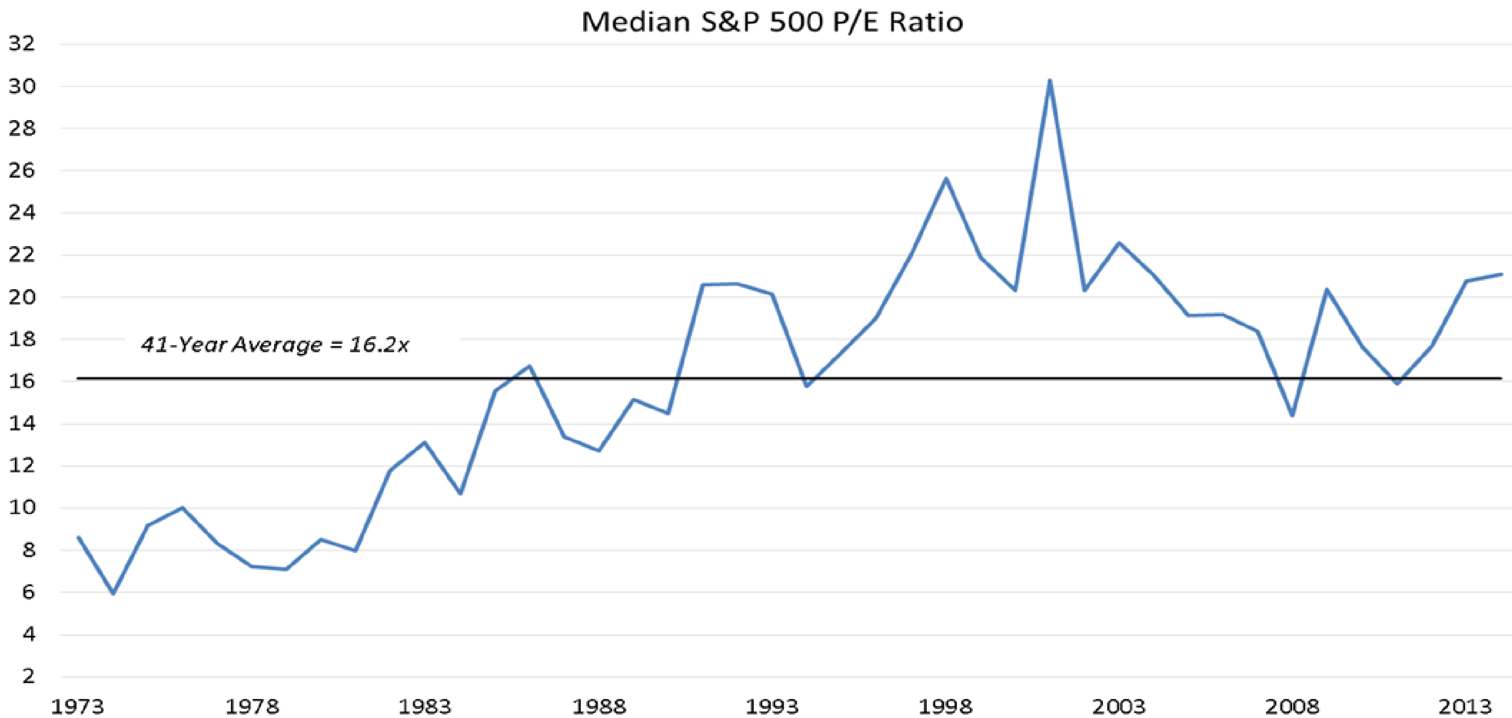
Source: FactSet. Data as of 3/27/2015. Q1 estimates are year-over-year growth estimates (e.g. Q1 2014 to Q1 2015).

Corporate Profit Margins Are Near All-Time Highs – We Don't Believe This Is Sustainable Long-Term



Source: Robert J. Shiller and Standard & Poor's. Data as of 12/31/2014.

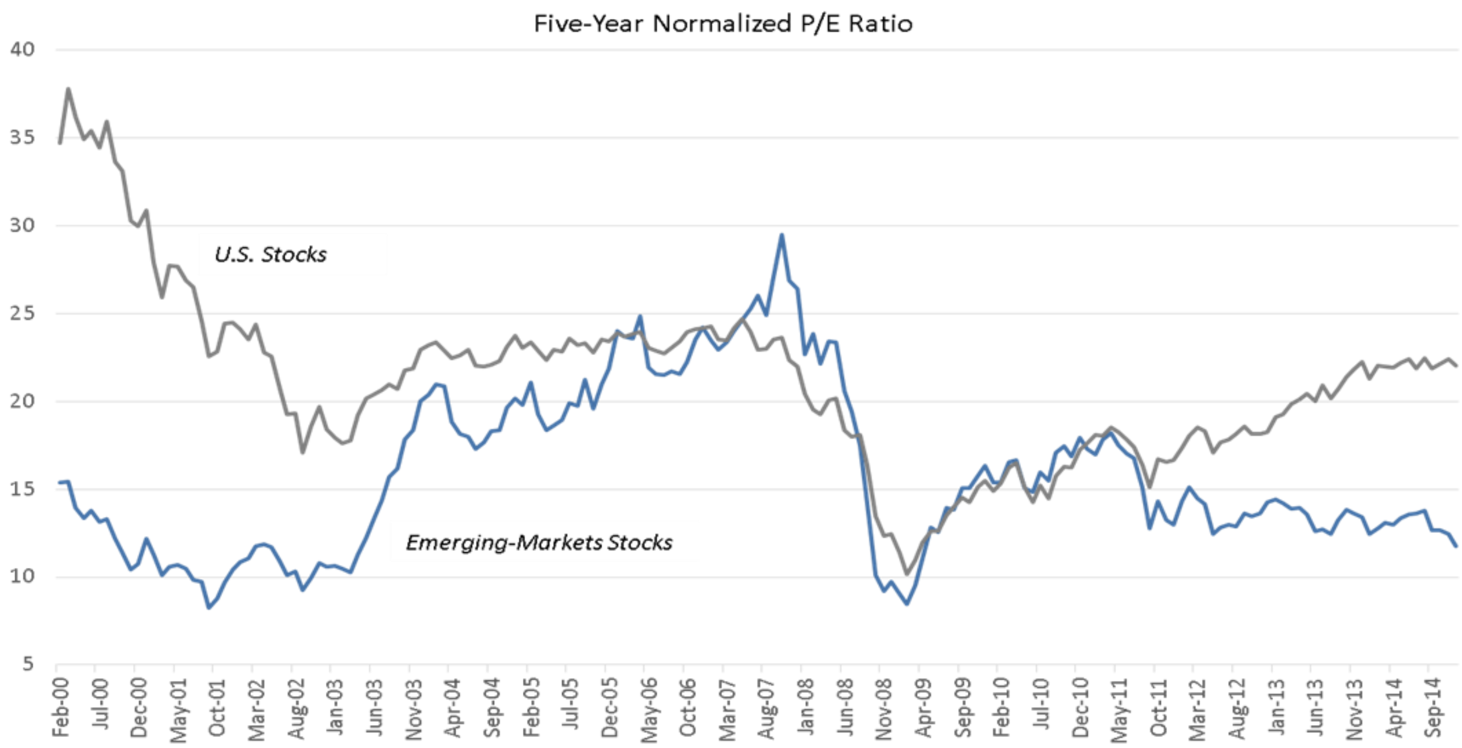
The Combination Of Expensive Valuations On Above-Normal Earnings Is A Recipe For Disappointing Longer-Term Returns For U.S. Stocks



Source: Ned Davis Research and Standard & Poor's. Data as of 12/31/2014.

European Stocks Are Trading At Reasonable Valuations – And Are Cheap Relative To U.S. Stocks

Emerging-Markets Stocks Are Trading At Attractive Valuations But There Could Be Greater Shorter-Term Downside Risk

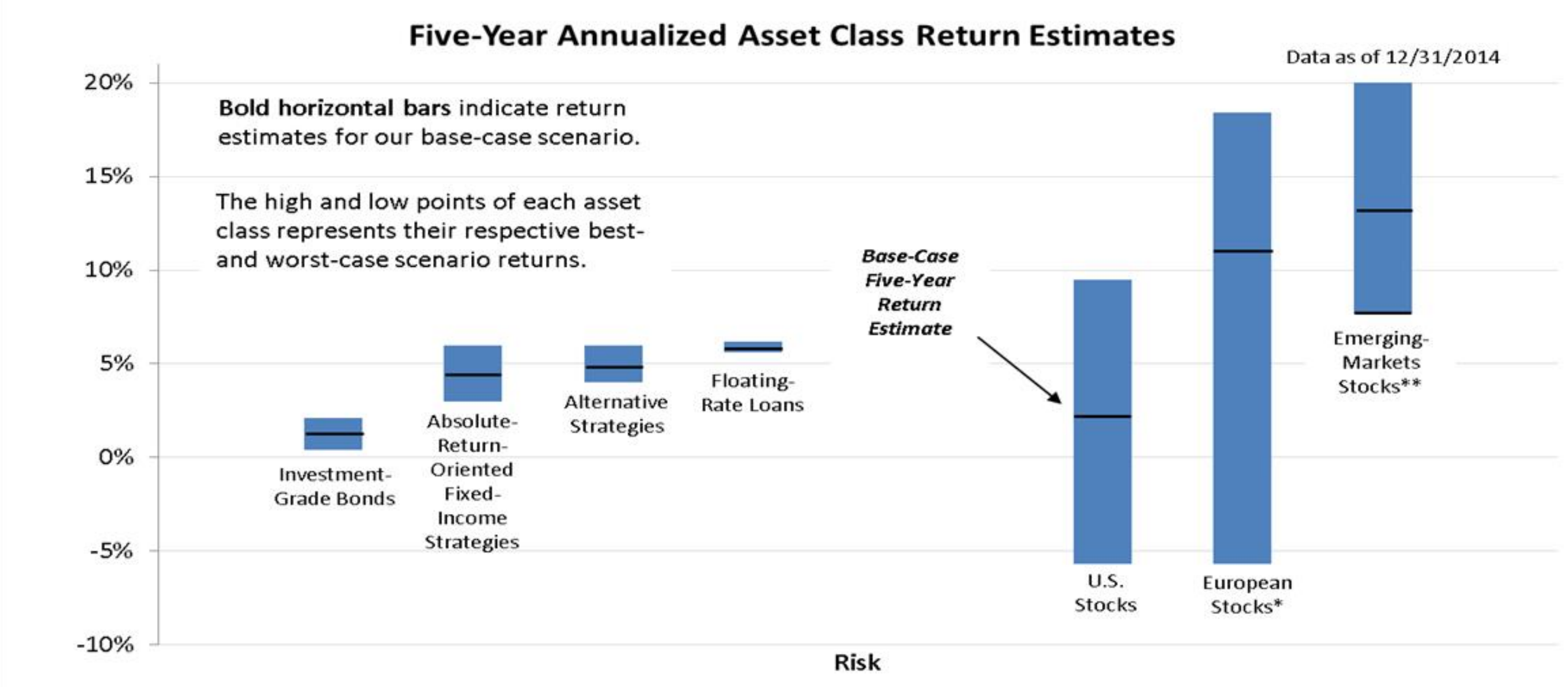


Source: Bloomberg, L.P. Data as of 3/31/2015.

Our Base Case Scenario Continues To Be A Moderate Economic Recovery

SCENARIO	DEFINITION
Bull Case	U.S. economic growth is above average and/or earnings end the period above the long-term trendline. Helped by stronger non-U.S. growth, releveraging of the U.S. consumer, and corporate investment spending, a self-reinforcing global growth cycle develops.
Base Case	Moderate economic recovery continues with no major crisis, but a normal recession is likely within the five-year time horizon. Assumes GDP growth rates and interest rates start to “normalize” toward the end of our five-year horizon.
Bear Case	The economy falls into recession for any of various reasons, such as deleveraging/deflation from Europe or China, unexpected systemic shock, Fed policy error, etc. This scenario does not assume another severe financial crisis, i.e., not a repeat of 2008-2009.

Asset Class Return Estimates Reflect a Wide Range of Outcomes –And Our Portfolio Positioning Seeks to Balance the Extremes



*Subset of Developed International Stocks. Returns for Japan are similar to U.S. Stock return expectations.
**Our EM base case encompasses both positive and negative China scenarios (and the respectively higher and lower returns that could result from each) as we consider both scenarios as roughly equally likely. We believe the lower end of our base-case return adequately factors in a bearish EM outcome.

Estimated Asset Class Returns Across Our Scenarios

Economic Scenario	*Bear Case*	*Base Case*	*Bull Case*
As of 3/31/2015. S&P 500 at 2068, Barclays Aggregate yield at 2.0%, MSCI EM Index at 975, Merrill Lynch High-Yield Cash Pay Index at 6.2%			
Equity Asset Classes	**Estimated Average Annual Returns Over Next Five Years**		
U.S. Equities	-5.5%	2.5%	9.7%
Developed International—Europe	-5.5%	10.8%	18.0%
Emerging Markets	**	7.2%-13.3%*	20.2%
REITs	-0.30%	1.7%	0.4%
Fixed Income Asset Classes			
Investment-Grade Bonds	1.80%	1.0%	0.0%
High-Yield Bonds	3.9%	5.0%	4.3%
Floating-Rate Loans	5.3%	5.8%	6.0%
TIPS	0.7%	0.4%	-0.8%
Alternative Asset Classes			
Arbitrage Strategies	*Mid single-digit returns in most scenarios*		

**Our EM base case encompasses both positive and negative China scenarios (and the respectively higher and lower returns that could result from each) as we consider both scenarios as roughly equally likely.*
***We believe the lower end of our base-case return range adequately factors in a bearish EM outcome. If our ongoing research indicates an explicit bear-case return is warranted or if we feel it would have a bearing on our portfolios' positioning, we would adjust our returns in this table accordingly.*

Additional Disclosure

Disclosures:

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Before trading, investors should carefully consider their financial position and risk tolerance to determine if the proposed trading style is appropriate. Investors should realize that when trading futures, commodities, options, derivatives and other financial instruments one could lose the full balance of their account. It is also possible to lose more than the initial deposit when trading derivatives or using leverage. All funds committed to such a trading strategy should be purely risk capital.