In accordance with the old adage, ‘a picture is worth a thousand words’, observe the two exhibits below.

Exhibit 1 shows the trailing 3 year annualized returns of the broad market indices. Exhibit 2 shows the return of the broad market indices during the first quarter of this year. As most of us know, over the past three years US equities have been THE place to be. Nothing has kept pace with US equities. As mentioned in prior versions of the Market Observations, it is our view that it is not sustainable for US equities to continue to outperform all other broad asset classes. We expect that this will eventually reverse and there may be mean reversion. Other asset classes will likely outperform US equities. We believe that the next big question is when this will occur?

Those patient investors with diversified portfolios, which are now few and far between, may eventually be rewarded for their patience. In the first quarter we began to see a change of leadership. While one quarter does not make a trend, investors can make a trend with how they invest their money. Investors have pulled a net $8.7 billion from US equity ETFs alone during the first quarter. This is a major reversal from the $141 billion that flowed into US equity ETFs in 2014. Much of those redemptions from US equity ETFs in the first quarter have gone to international equities and fixed income ETFs and mutual funds. These fund flows have driven up asset prices in international equities and fixed income, boosting returns, while putting downward pressure on US equity prices. The result is what we witnessed in the first quarter with international equities and US fixed income outperforming US equities. We believe investors have been pulling money from US equities due to fears that a strengthening US dollar will have a negative impact on the earnings of large cap US multinational companies. Additionally, the Fed is moving towards monetary tightening and US asset values are at extended levels. Meanwhile, most other major central banks are in a monetary easing cycle, which should benefit...
more attractively valued risk assets overseas going forward, as well as weaker currencies and lower oil prices should help exports.

There is no telling whether these trends will continue going forward. If the market dynamics mentioned above continue to play out and investor flows continue as they have over the first quarter, there is a strong possibility these trends to continue in the foreseeable future.

Below is a summary of what took place in the first quarter:

**US Equities Squeezed Out Modest Gains**
- The S&P 500 returned 0.9% for the quarter. Small cap outperformed mid and large cap. Large Cap was the weakest performing market cap segment.
- The growth style outperformed the value style across the market cap spectrum by a fairly sizeable margin.
- The health care and consumer discretionary sectors outpaced all other sectors.
- Utilities, energy, financials and industrials were negative performing sectors.
- Momentum and growth were top performing factors. Value, quality and size were weak performing factors.

**International Equities Outperformed US and Emerging Market Equities**
- MSCI EAFE returned 4.9% while MSCI EM returned 2.2% in the quarter.
- In international developed markets, the Far East was the best performing region due to strong performance from Japan. Aside from North America being the weakest region, Europe also underperformed the MSCI EAFE index.
- Emerging market performance was driven by Eastern Europe and Asia while Latin America continues to be the weakest performing region.
- Top and bottom performing sectors in international and emerging markets were similar to what took place in the US markets during the quarter.
- As in the US, momentum and growth were top performing factors in both developed and emerging markets. Beta, yield and size were weaker factors in both developed and emerging markets.

**Positive Performance across All US Bond Sectors**
- Bond market volatility has continued due to uncertainty regarding Fed action, currencies, and oil prices.
- Long-dated Treasury bonds was the best performing segment of the bond markets as the yield curve shifted down and flattened during the quarter.
- Lower quality, high yield credit was also a strong performing segment.
- Investment grade credit and leveraged loans performed in the middle of the pack, outperforming municipal bonds and shorter-term Treasuries.
- Currencies continued declining during the quarter relative to the USD. The Russian Ruble and Swiss Franc came off lows. Many commodity exporting countries experienced significant currency depreciation. The Euro continued its descent.

1Q15 Commentary on the various market segments is on the pages that follow.
US Equity Style: Strong performance came from small and mid-cap stocks while large cap lagged.

- After lagged large cap stocks in 2014, small and mid-cap stocks outperformed, as the market expects larger cap, multinational companies to be adversely impacted by the significant strengthening of the US dollar experienced over the past year.
- The Growth style outperformed the Value style across the market cap spectrum as the growth indices benefited from strong performance in the health care and consumer discretionary sectors. These two sectors have a significant weighting in the growth indices (for example, a 32.4% weighting in the Russell 1000 Growth index).
- The dispersion between the best performing style (small cap growth) and the worst performing style (large cap value) in the quarter was 7.35% indicating that manager style had a large impact on active management. Additionally, the weakest performing styles (all cap value and large cap value) posted negative returns for the quarter.

US Sectors: The health care and consumer discretionary sectors significantly outpaced all other sectors during the quarter. Health care was also the strongest performing sector within the small and mid-cap segments.

- The health care sector has been the beneficiary of M&A activity taking place. Within the sector health care providers & services as well as pharmaceutical companies were the largest contributors within the sector. Health care has been the top performing S&P sector over the trailing one and three year periods.
- Internet and catalog retailers were the largest contributors within the consumer discretionary sector.
- The telecom, consumer staples and materials sectors were other sectors to outperform the broad S&P 500.
- Utilities was the weakest performing sector during the quarter with a -5.2% return. Other sectors to post negative returns for the quarter were industrials, financials, and energy.
- There was a wide level of dispersion between the best and worst performing sectors for the quarter. The level of dispersion was over 11% for the quarter between the health care and utilities sectors. Sector exposure, therefore, had a meaningful impact on manager performance.

Source: Morningstar, Inc.

- The MSCI EAFE and MSCI EM index were up 4.9% and 2.2% in the first quarter, respectively. Stimulus in Europe provided a spark to those markets as the European Central Bank began its bond buying. In Japan, the Bank of Japan has been a big purchaser of equities which has served as a strong support to that market.
- This took place despite currency headwinds as most major currencies continue to depreciate relative to the US dollar. In local currency terms these markets performed even better. The Euro declined 11.4% vs. the US dollar and the Yen was essentially flat. Commodity exporters such as Brazil, Australia, and Canada have also seen significantly currency depreciation.
- Among international stocks, as we have also seen in the US, smaller cap stocks outperformed larger cap stocks and growth stocks outperformed value stocks.
- From a regional perspective in the developed markets, the Far East and Pacific regions held up best as Japan posted a 10.2% return for the quarter and Australia was up 3.1%. North America was the weakest performing region as the US was essentially flat and Canada was down 6%. Europe as per the MSCI Europe index returned 3.4% for the quarter.
- Emerging markets contained some strong performers and some weak performers. Strong performers included eastern European countries such as Russia and Hungary. Russia was essentially a bounce off of lows hit in 2014. Asia countries such as India and China also performed well in the quarter benefiting from pro economic reforms in the case of India and additional stimulus in China. Frontier markets also posted a negative return of -3.18% for the quarter (as per the MSCI Frontier Market index) as many of these markets have been adversely impacted by weak commodity prices.
- From a sector perspective, the dynamics were similar to what occurred in the US. In both, developed and emerging markets, the health care and consumer discretionary sectors were stronger performing sectors and utilities was a weaker performing sector. The biggest difference from what occurred in the US was that information technology was a top three performing sector in developed and emerging markets while the sector underperformed the S&P 500 in the US markets.
Equity Factors: JPMorgan’s quantitative factors are used as a source in understanding the performance of Growth, Price Momentum, Quality and Value in a given market environment.

- **US:** As mentioned in the equity style section above, the performance difference of the growth and value indices was meaningful. From a factor perspective top performing factors were price momentum and earnings momentum (growth). Weaker performing factors were value, quality and size. Beta was flat for the quarter.
- **International:** Based on the MSCI EAFE index, growth outperformed value. From a factor perspective, the top performing factors were price momentum and earnings momentum (growth). Dividend yield, quality, beta and size were negative performers.
- **Emerging Markets:** The top performing factors were price momentum and earnings momentum (growth) following by quality. Size, beta and dividend yield were negative performing factors.

Fixed Income: The first quarter was a strong performance period for the US fixed income markets.

- The yield curve flattened and shifted down during the quarter. The 10 year Treasury finished the quarter yielding 1.93% after beginning the quarter at 2.17%. As a result, long-term Treasuries benefited with the Barclays US Treasury 20+ Yr index returning 4.2% and were the strongest performing bond segment. Shorter term Treasuries managed modestly positive returns over the quarter as the Barclays US Treasury 1-3 Yr index returning 0.5%.
- In the credit markets, high yield was the strongest performing segment as the Barclays US Corporate High Yield index returning 2.5%. Credit spreads tightened after some widening occurring in the second half of 2014 due to a meltdown in the energy sector. Investment grade credit and leveraged loans almost kept pace with high yield as the Barclays US Corporate IG index returned 2.3% and the S&P/LSTA Leveraged Loan index returned 2.1%.
- Municipal bonds continued its run of performance as the Barclays Municipal Bond index returned 1.0%. Longer duration and lower quality would have incrementally added to performance as fundamentals remain strong.
- Non-US bonds were significantly impacted by a strong rally in the US Dollar against most major currencies which lead to weak non-US bond returns for the year when local currencies were not hedged. Non-US sovereign bonds fell -4.4% for the quarter (in US dollar terms), primarily impacted by weak currencies in the Euro and Pound. Emerging market sovereign and corporate debt denominated in hard currency (USD) were the best performing segments, up 2.0% and 2.2%, respectively, as they were immune to currency fluctuations and benefited from spread tightening. On
the other hand, with some of the weakest currency returns coming from emerging markets (Russia, Brazil, and Mexico), locally-denominated EM sovereign bonds performed the worst, declining 4.0% for the quarter.

Manager Review: After a difficult year in 2014 for active management, 2015 started out strong for most active managers. In general, equity managers that emphasize high quality and yield were the managers that continued to have a difficult time. Managers with an emphasis on growth and/or momentum seemed to have benefited from the first quarter environment; this appears to be the case for US large cap, mid cap, small cap as well as international and emerging market equity managers.

What has changed since last year that has favored active management in the first quarter, in my opinion, is investor flows into mutual funds and ETFs. Rather than flows being net positive, they were net negative in the first quarter. As discussed in the 2014 year end version of the Market Observations, Fed stimulus is designed to encourage risk taking. Historically, the easiest way for investors to take on risk is through buying index-oriented mutual funds and ETFs. Because these index-oriented investments are market cap weighted, investor flows get directed most towards those stocks that have the heaviest weighting in the index (the largest market cap stocks). As there have been net outflows from these index-oriented investments in the first quarter, those largest stocks in the index were hurt the most. This is what has presumably helped active managers do well in the first quarter. This is most likely the case with OAM’s Discovered Managers as these managers look substantially different than the market cap weighted indices.

The story has remained relatively unchanged for fixed income managers. Managers with an emphasis on credit, especially lower quality credit, would have benefited as credit was one of the stronger performing bond segments during the quarter. Additionally, fixed income managers with a longer duration would have benefited as the yield curve flattened. Shorter duration managers were still likely to provide positive performance, but at a more muted level than longer duration managers. Non-US bond exposure would have likely been detrimental. The exception here would be managers that have a currency hedge given the decline of most major currencies relative to the US dollar.
Many alternative investments also provided attractive returns during the first quarter. Managed futures strategies seemed to have been the most successful among the diversifying strategies greatly benefiting from the momentum that has existing in commodity and currency markets in 2014 through the first quarter of 2015. Given the pickup in M&A activity many event driven strategies have been more successful at providing alpha in the first quarter than they have over the past couple of years. Real asset strategies have seen mixed performance during the quarter. REIT and real estate strategies have continued to benefit from low interest rates in the US and globally. Commodity, MLP, and infrastructure strategies have experienced a more difficult time due to falling commodity prices which is due partly to declining global demand and global growth.

**Disclosures**

Indices are unmanaged and presented for comparison purposes only. Please note that the returns displayed for indices do not take into account any of the costs associated with buying and selling individual securities. Individuals cannot invest directly in an index.

**Barclays Capital U.S. Aggregate Bond Index:** The U.S. Aggregate Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The Index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM pass throughs), ABS, and CMBS sectors. The U.S. Aggregate Index is a component of the U.S. Universal Index in its entirety. The index was created in 1986 with index history backfilled to January 1, 1976. All issues in the Aggregate Index are rated Baa3/BBB-/BBB- or higher (using the middle rating of Moody’s, S&P, and Fitch, respectively) and have at least one year to maturity and have an outstanding par value of at least $250 million.

**Barclays CMBS IG TR USD:** The index measures the performance of investment-grade commercial mortgage-backed securities, which are classes of securities that represent interests in pools of commercial mortgages. The index includes only CMBS that are Employee Retirement Income Security Act of 1974, which will deem ERISA eligible the certificates with the first priority of principal repayment, as long as certain conditions are met, including the requirement that the certificates be rated in one of the three highest rating categories by Fitch, Inc., Moody’s Investors Services or Standard & Poor’s.

**Barclays Municipal TR USD:** The Barclays Municipal Bond Index is considered representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year.

**Barclays US Corp IG TR USD:** The index measures the performance of investment grade corporate bonds.

**Barclays US Corporate High Yield TR USD:** Barclays US Corporate High Yield TR USD

**Barclays US Govt/Credit Intern TR USD:** A subgroup of the Barclays Government/Credit Bond Index that is based on maturity with greater than 1 to 10 years.

**Barclays US Govt/Credit TR USD:** The U.S. Government/Credit Bond Index is the non-securitized component of the U.S. Aggregate Index. Specifically, the Government/Credit Index includes treasuries (i.e., public obligations of the US Treasury that have remaining maturities of more than 1 year), Government-Related issues (i.e. agency, sovereign, supranational, and local authority debt) and Corporates (publicly issued US corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements). All issues in the Government/Credit Index are rated Baa3/BBB-/BBB- or higher (using the middle rating of Moody’s, S&P, and Fitch, respectively) and have at least one year to maturity and have an outstanding par value of at least $250 million.
Barclays US MBS TR USD: The Barclays Mortgage-backed Securities Index is a market value-weighted index which covers the mortgage-backed securities component of the Barclays U.S. Aggregate Bond Index. The index is composed of agency mortgage-backed pass through securities of the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) with a minimum $150 million par amount outstanding and a weighted-average maturity of at least 1 year. The index includes reinvestment of income.


Barclays US Treasury 20+ Yr TR USD: The Index is market capitalization weighted and includes all of the securities that meet the Index criteria. The index includes all publicly issued, U.S. Treasury securities that have a remaining maturity greater than 20 years, are non-convertible, are denominated in U.S. dollars, are rated investment grade (Baa3 or better) by Moody’s Investors Service, are fixed rate, and have more than $150 million par outstanding. Excluded from the Index are certain special issues, such as flower bonds, targeted investor notes (TINs) and state and local government series bonds (SLGs), and coupon issues that have been stripped from assets already included.

Barclays US Treasury TR USD: The U.S. Treasury Index includes public obligations of the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded. STRIPS are excluded from the index because their inclusion would result in double-counting. Securities in the index roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices. The U.S. Treasury Index was launched on January 1, 1973.

Barclays US Treasury US TIPS TR USD: The Index includes all publicly issued, U.S. Treasury inflation-protected securities that have at least 1 year remaining to maturity, are rated investment grade and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non-convertible. The Index is market capitalization weighted and the securities in the Index are updated on the last calendar day of each month.

BofAML US Corps BBB TR USD: This data represents the BofA Merrill Lynch US Corporate BBB Index, a subset of the BofA Merrill Lynch US Corporate Master Index tracking the performance of US dollar denominated investment grade rated corporate debt publically issued in the US domestic market. This subset includes all securities with a given investment grade rating BBB.

BofAML US HY CCC- Constrained TR USD: The BofA Merrill Lynch CCC and Lower US High Yield Constrained Index contains all securities in The BofA Merrill Lynch US High Yield Index that are rated CCC1 and lower, based on an average of Moody’s, S&P and Fitch, but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issuers in the Index, each is equally weighted and the face values of their respective bonds are increased or decreased on a pro-rata basis.


Russell 1000 Growth Index (R1000 Growth): Measures the performance of the Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Index (Russell 1000): Measures the performance of the 1,000 largest companies in the Russell 3000 Index. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period. The Russell 1000 Index represents the vast majority of the total market capitalization of the Russell 3000 Index. It is considered to be generally representative of US Equity Large Cap performance.

Russell 1000 Value Index (R1000 Value): Measures the performance of the Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Index (Russell 2000): Measures the performance of the 2,000 smallest companies in the Russell 3000 Index. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period. The Russell 2000 Index represents a very small percentage of the total market capitalization of the Russell 3000 Index. It is considered to be generally representative of US Equity Small and Mid Cap performance.


Russell 3000 Growth: The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 3000 Index (Russell 3000): Measures the performance of the 3,000 largest US companies based on total market capitalization, which represents nearly the entire market capitalization of the investable US equity market. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period.

Russell 3000 Value: The Russell 3000 Value Index measures the performance of the broad value segment of U.S. equity universe. It includes those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap Growth Index (Russell Midcap Growth): Contains those Russell Midcap (800) securities with a greater than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.

Russell Midcap Index (Russell Midcap): Measures the performance of the mid-cap segment of the US equity universe. The Russell Midcap Index includes the smallest 800 securities in the Russell 1000.

Russell Midcap Value Index (Russell Midcap Value): Contains those Russell Midcap (800) securities with a less-than average growth orientation. Securities in this index generally have lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.

S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value. The Index is one of the most widely used benchmarks of US Equity Large Cap performance.

S&P 500 Sector/Consumer Discretionary Index: The S&P 500 Sector/Consumer Discretionary Index consists of stocks chosen for their representation in the Consumer Discretionary industry. The companies in the index tend to be the most sensitive to economic cycles. Manufacturing companies include automotive, household durable goods, textiles and apparel, and leisure equipment. Service companies include hotels, restaurants/leisure facilities, media production and services, consumer retailing and services and education services. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

S&P 500 Sector/Consumer Staples Index: The S&P 500 Sector/Consumer Staples Index consists of stocks chosen for their representation in the Consumer Staples industry. The companies in the index tend to be the less sensitive to economic cycles. They include manufacturers and distributors of food, beverages and tobacco, and producers of non-durable household goods and personal products; also food and drug retailing companies. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

S&P 500 Sector/Energy Index: The S&P 500 Sector/Energy Index consists of stocks chosen for their representation in the Energy industry. The companies in the index are dominated by either the construction for provision of oil rigs, drilling equipment and other energy-related service and equipment or the exploration, production, marketing, refining and/or transportation of oil and gas products, coal and consumable fuels. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

S&P 500 Sector/Financials TR Index: The S&P 500 Sector/Financials Index consists of stocks chosen for their representation in the Financials industry. The companies in the index are involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, insurance and investments, and real estate, including REITs. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.
**S&P 500 Sector/Healthcare TR Index:** The S&P 500 Sector/Healthcare Index consists of stocks chosen for their representation in the Healthcare industry. The companies in the index are involved in health care equipment and supplies, health care-related services, or in the research, development, production and marketing of pharmaceuticals and biotechnology products. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

**S&P 500 Sector/Industrials TR Index:** The S&P 500 Sector/Industrials Index consists of stocks chosen for their representation in the Industrials industry. Companies include those that manufacture and distribute capital goods (i.e. aerospace/defense, construction, engineering and building products, electrical equipment and industrial machinery); provide commercial services and supplies (i.e. printing, employment, environmental/office services); or provide transportation services (i.e. airlines, couriers, marine, road/rail and transportation infrastructure). It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

**S&P 500 Sector/Information Technology TR Index:** The S&P 500 Sector/Information Technology Index consists of stocks chosen for their representation in the Info Tech industry. Companies considered are involved in technology software and services and technology hardware and equipment. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

**S&P 500 Sector/Materials TR Index:** The S&P 500 Sector/Materials Index consists of stocks chosen for their representation in the Materials industry. These include companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products, metals, minerals and mining companies, including steel producers. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

**S&P 500 Sector/Telecommunication Services TR Index:** The S&P 500 Sector/Telecom Services Index consists of stocks chosen for their representation in the Telecom industry. The companies in the index are involved in health care equipment and supplies, health care-related services, or in the research, development, production and marketing of pharmaceuticals and biotechnology products. It is a market value weighted Index (stock price times number of shares outstanding), with each stock’s weight in the Index proportionate to its market value.

**S&P/LSTA Leveraged Loan TR:** The S&P/LSTA Leveraged Loan Index is designed to reflect the performance of the largest facilities in the leveraged loan market. Yield Index but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issuers in the Index, each is equally weighted and the face values of their respective bonds are increased or decreased on a pro rata basis.

The success of an investment program may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of a portfolio’s investments. Unexpected volatility or illiquidity could result in losses.

Investing in securities is speculative and entails risk. There can be no assurance that one’s investment objectives will be achieved or that an investment strategy will be successful. Significant losses could result if a strategy involves the use leverage, short sales and derivative transactions, investment in foreign or illiquid securities, and potentially limited diversification.

**Special Risks of Foreign Securities**
Investments in foreign securities are affected by risk factors generally not thought to be present in the US. The factors include, but are not limited to, the following: less public information about issuers of foreign securities and less governmental regulation and supervision over the issuance and trading of securities.

**Special Risks of Small Market Capitalization Securities**
Investments in companies with smaller market capitalization are generally riskier than investments in larger, well-established companies. Smaller companies often are more recently formed than larger companies and may have limited product lines, distribution channels and financial and managerial resources. These companies may not be well known to the investing public, may not have significant institutional ownership and may have cyclical, static or moderate growth prospects. There is often less publicly available information about these companies than there is for larger, more established issuers, making it more difficult for the Investment Manager to analyze that value of the company. The equity securities of small
and mid capitalization companies are often traded over-the-counter or on regional exchanges and may not be traded in the volume typical for securities that are traded on a national securities exchange. Consequently, the Investment Manager may be required to sell these securities over a longer period of time (and potentially at less favorable prices) than would be the case for securities of larger companies. In addition, the prices of the securities of small and mid capitalization companies may be more volatile that those of larger companies.

**Special Risks of Fixed Income Securities**

For fixed income securities, there is a risk that the price of these securities will go down as interest rates rise. Another risk of fixed income securities is credit risk, which is the risk that an issuer of a bond will not be able to make principal and interest payments on time.