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Investment Summary
1st Quarter 2015

After underperforming most asset classes in 2014, international equities led the way in the first quarter of 2015, up close to 5% for the period, and well ahead of the S&P 500 stock index. Borrowing from the Federal Reserve's playbook, European Central Bank policy makers have embarked on their own monetary stimulus program, with the following goals in mind: higher economic growth, stable inflation, and job creation. Given the mammoth size of the European stimulus efforts, planned to exceed over $1 trillion dollars in asset purchases, investors are optimistic that these policies will prove effective in awakening the Eurozone economy.

The U.S. stock market shook off price declines in January to post mildly positive returns for the quarter. While the Fed has garnered great scrutiny around the timing of their plans to raise interest rates, investor attention was also drawn to the following macro-economic developments of important consequence: a 25% surge in the value of the dollar, a 50% drop in oil prices, and negative interest rates overseas. Despite the alarming volatility in these key variables, the U.S. recovery is demonstrating its resilience yet again. With a particularly challenging winter season fading into the past, economic consensus forecasts for 2015 is calling for GDP growth close to 3%, moderate inflation under 2%, and sustained, strong employment growth of 250,000 new jobs per month.

After much delay, we expect 2015 to mark the beginning of a Fed tightening initiative, thus ending the federal funds target rate of 0% going back to 2008. As in business cycles past, the ratcheting up of interest rates is an acknowledgement by policy makers of a healthy economy. Higher interest rates will have far reaching consequences, both for borrowers and savers. We concur with Chairman Yellen that the U.S. economy should be able to withstand tighter monetary policy. Importantly, higher rates are welcome from an investment standpoint, as it equates to higher yields (returns) for bond holders.