

**Nov 2014**

**AR +3.42% AG +1.76% TMG +2.34% SP500 +2.75% GD -0.66%**

## Commentary

November was relatively dull after October's bipolar performance. However, there were some distinct winners and losers. The S&P 500 was higher by 2.75% but US small cap stocks (IWM) were barely positive (+.11%). Plummeting oil prices boosted consumer sectors (XLP and XLY both +5.5%) but decimated the energy sector with XLE down almost 9%. Outside the US, Japan moved higher (+2.9% for the currency-hedged DXJ) for the third month in a row. China also did well but most of the world was soft as global growth forecasts continue to weaken.

The LongRun strategies were all positive in November. Absolute Return (AR) notched a gain of 3.4% on outperformance from consumer staples (XLP), healthcare (XLV) and Japan (DXJ). Relative weakness in small cap stocks held back the performance of both Tax Managed Growth (TMG, +2.3%) and Aggressive Growth (AG, +1.8%). Diversification continues to hurt investors with our Global Diversified benchmark up 4.4% year-to-date versus 13.8% for the S&P 500. Over the same period, TMG is up 10.2%, AR is up 6.7% and AG lags the pack with a loss of 1.6%. Increased volatility and rapidly shifting sentiment have made it hard for strategies like AG to gain traction. Bespoke Investment Group recently reported that close to 90% of money managers are underperforming their benchmarks (typically the S&P 500) in 2014. One example is \$20 billion hedge fund Appaloosa Management (David Tepper) that has announced plans to return as much as 20% of their capital after posting year-to-date losses.

Going into December, AR is 75% US equities plus Japan. Carryover positions are Japan (DXJ), Healthcare (XLV) and Consumer Staples (XLP). Financials (XLF) were dropped in favor of Nasdaq 100 (QQQ) which popped 4.6% in November. AG kept Treasury bonds (TLT) and Real Estate (IYR), swapping out US Small Cap stocks (IWM) for Large Caps (IVV). TMG remains 100% US equities with no changes to the lineup.

Last month I said that sustaining new highs would be an important sign that investors have shaken off the October slump that broke below prior lows in the Dow and the S&P 500. We did see that in November as both indices have moved to new highs, albeit with a noticeable weakening of momentum. Several things suggest caution amid the euphoria. First, US small cap stocks have NOT made a new high and have underperformed large caps since March. Second, the dollar continues to strengthen and this will be a headwind for US exporters (like most of the companies in the S&P 500) as their products and services become more expensive in foreign markets. Finally (and you've heard this before), long-term Treasury bonds continue to outperform stocks even as stocks have done well. This correlation must come to an end at some point. On the other hand, there is good support for continued stock market strength. From The McClellan Market Report: "To get a big slide now, the stock market is somehow going to have to fight off the bullish forces of positive seasonality, plentiful liquidity according to the breadth numbers, and more QE coming from other countries' central banks. Plus we are now in the year following the mid-term elections, which is nearly always an up year. That is a tough package of forces for the stock market bears to fight against." Bull or bear? Don't know. We shall see.

**"The Clairvoyant Society of London will not meet next Tuesday due to unforeseen circumstances."  
- Long ago notice in the Financial Times of London**

### Selected Asset Class Returns for Trailing Twelve Months (%)

	Dec-14	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	YTD	TTM
<b>US Equity</b>														
SPY S&P 500	2.6	-3.5	4.6	0.8	0.7	2.3	2.1	-1.3	4.0	-1.4	2.4	2.8	13.8	16.7
MDY Mid Cap	3.2	-2.2	4.9	0.4	-1.5	1.6	4.2	-4.4	5.1	-4.5	3.5	1.8	8.5	11.9
IWM Small Cap	2.0	-2.8	4.8	-0.8	-3.8	0.8	5.3	-6.1	4.8	-5.9	6.6	0.1	2.1	4.1
QQQ NASDAQ 100	2.9	-1.9	5.2	-2.7	-0.3	4.5	3.1	1.2	5.0	-0.8	2.6	4.6	21.9	25.5
IYR Real Estate	0.9	3.4	4.8	0.1	3.0	2.8	1.0	-0.1	3.5	-5.9	8.5	2.7	25.8	27.0
XLB Materials	4.9	-4.7	6.9	0.8	0.8	3.0	1.6	-2.0	3.9	-1.4	-2.4	1.6	7.8	13.0
XLE Energy	2.9	-5.8	5.1	2.1	5.3	1.7	5.5	-3.5	2.2	-7.8	-3.5	-8.7	-8.5	-5.9
XLF Financials	2.3	-3.7	3.0	3.3	-1.7	1.5	2.4	-1.5	4.2	-0.4	2.9	2.4	12.9	15.5
XLI Industrials	4.2	-4.3	4.1	1.0	1.3	1.9	0.5	-4.1	4.2	-1.2	3.9	3.1	10.4	15.0
XLK Technology	3.5	-2.6	4.4	0.4	0.3	3.8	1.9	1.7	3.3	-0.5	1.6	4.8	20.5	24.7
XLP Staples	0.7	-5.2	3.9	2.2	2.7	1.8	-0.3	-3.3	4.6	0.6	3.6	5.5	16.8	17.6
XLV Healthcare	0.7	0.9	6.2	-1.3	-0.6	2.9	2.1	0.1	4.8	0.4	5.3	3.5	26.9	27.9
XLY Discretionary	2.3	-6.0	6.4	-2.9	-1.4	2.9	1.9	-1.3	4.5	-2.8	2.1	5.5	8.5	11.0
XME Metals & Mining	8.1	-5.2	4.1	0.7	0.5	-6.5	8.1	-2.0	5.7	-15.6	-4.3	-3.8	-18.7	-12.1
<b>Int'l Equity</b>														
DXJ Japan	3.1	-8.3	2.4	-0.8	-2.6	3.8	4.4	1.2	-0.2	4.9	2.9	2.9	10.2	13.6
EEM Emerging Mkts	-0.4	-8.6	3.4	3.9	0.8	3.0	2.4	1.4	2.8	-7.8	1.4	-1.5	0.1	-0.4
EPP Asia Pac ex Japan	-0.7	-6.1	7.0	2.4	2.7	1.3	-0.1	2.8	1.0	-9.9	5.5	-4.2	1.2	0.4
FXI China	-3.9	-9.9	2.3	1.1	-2.4	5.5	2.0	9.3	0.0	-5.4	4.3	1.7	7.4	3.1
ILF Latin America	-1.5	-10.9	2.5	8.1	3.6	-1.2	3.2	2.6	8.6	-13.5	-0.4	-2.9	-2.8	-4.3
VGK Europe	2.9	-4.6	7.3	-0.7	2.7	0.8	-0.1	-4.3	0.7	-4.0	-1.9	2.1	-2.5	0.3
<b>Fixed Income</b>														
AGG Aggregate Bond	-0.6	1.5	0.4	-0.2	0.8	1.2	-0.1	-0.1	1.2	-0.6	1.1	0.7	6.0	5.5
EMB EM Bonds	0.3	-0.8	3.5	1.2	1.1	3.5	0.0	-0.3	1.3	-2.1	2.0	-0.4	9.1	9.4
HYG US High Yield	0.4	0.4	2.3	-0.1	0.4	1.2	0.6	-2.4	2.4	-2.0	1.1	-1.1	2.7	3.2
LQD US IG Corporate	0.2	1.9	1.1	0.0	1.3	1.5	0.0	-0.3	2.0	-1.7	1.2	0.9	8.2	8.4
TLT US 20+ Treasury	-1.9	6.3	0.5	0.7	2.1	3.0	-0.3	0.7	4.7	-2.1	2.8	3.0	23.3	21.0
Dispersion	12.0	17.2	7.0	11.0	9.0	12.0	8.3	15.3	8.8	20.5	12.8	14.2	45.6	39.9

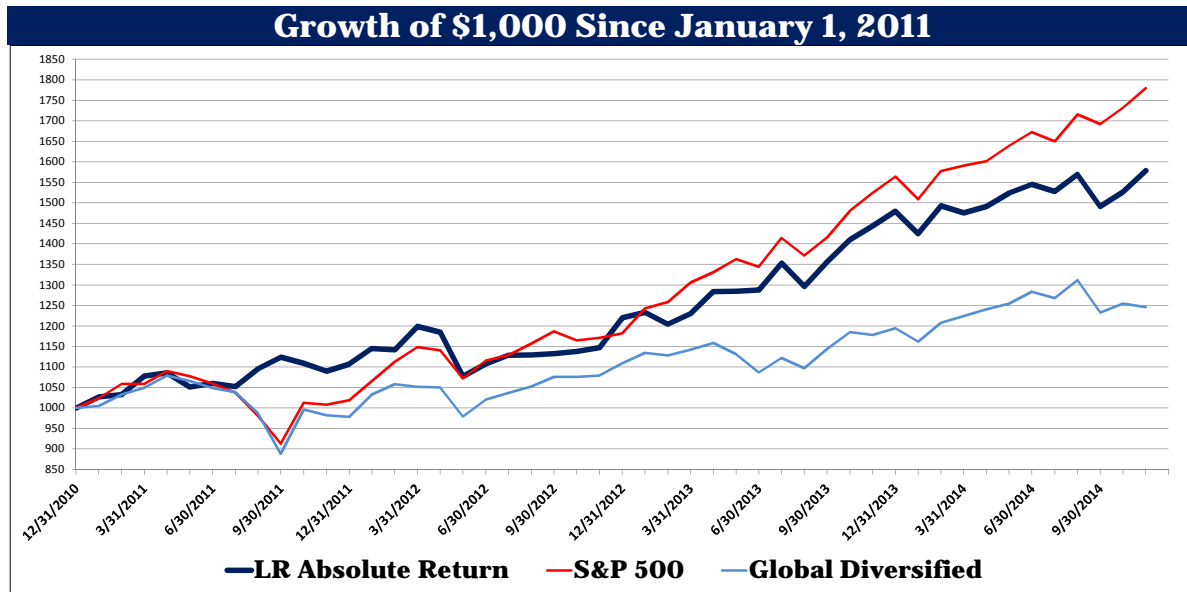
High value minus low value; large dispersion provides better opportunity for active strategies.

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# LongRun Absolute Return Strategy - Nov 2014



The LongRun Absolute Return Strategy is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a wide range of equity and fixed income investments. Absolute Return is designed to outperform benchmark returns over a full market cycle with significantly less risk. ETFs are ranked using a combination of factors favoring positive momentum and low volatility. The Absolute Return portfolio is generally invested in the four ETFs at the top of a monthly ranking but may allocate as much as 100% to cash in severe bear market conditions. This version of Absolute Return was introduced in August 2013 and has completely replaced the initial version.



### Return Data for the Strategy (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2011</b>	<i>2.7</i>	<i>0.5</i>	<i>4.4</i>	<i>0.8</i>	<i>-3.1</i>	<i>0.8</i>	<i>-0.7</i>	<i>4.2</i>	<i>2.6</i>	<i>-1.4</i>	<i>-1.7</i>	<i>1.6</i>	<b>10.7</b>
<b>2012</b>	<i>3.4</i>	<i>-0.3</i>	<i>5.0</i>	<i>-1.2</i>	<i>-9.1</i>	<i>2.8</i>	<i>1.9</i>	<i>0.0</i>	<i>0.3</i>	<i>0.5</i>	<i>0.8</i>	<i>6.3</i>	<b>10.2</b>
<b>2013</b>	<i>1.1</i>	<i>-2.4</i>	<i>2.1</i>	<i>4.4</i>	<i>0.0</i>	<i>0.3</i>	<i>5.1</i>	<i>-4.2</i>	<i>4.7</i>	<i>4.0</i>	<i>2.4</i>	<i>2.5</i>	<b>21.3</b>
<b>2014</b>	<i>-3.7</i>	<i>4.8</i>	<i>-1.2</i>	<i>1.1</i>	<i>2.2</i>	<i>1.4</i>	<i>-1.1</i>	<i>2.7</i>	<i>-5.0</i>	<i>2.3</i>	<i>3.4</i>		<b>6.7</b>

Returns in italics are from a systematic backtest of the strategy; non-italicized periods represent client composite results.

	Absolute Return	S&P 500	Global Diversified
Year-to-Date Return	6.7%	13.8%	4.4%
Trailing 1-Year Return	9.4%	16.7%	5.8%
Trailing 3-Year Cume Return	44.9%	76.5%	26.9%
Annualized Return from 2/1/03*	17.5%	9.7%	11.7%

\* Common start date for backtests of three LongRun strategies

### Portfolio Holdings for Latest Month and Current Month

#### November 2014

<b>XLV</b>	<b>Healthcare</b>
<b>XLP</b>	<b>Consumer Staples</b>
<b>XLF</b>	<b>Financials</b>
<b>DXJ</b>	<b>Japan (Currency Hedged)</b>

#### December 2014

<b>XLV</b>	<b>Healthcare</b>
<b>XLP</b>	<b>Consumer Staples</b>
<b>QQQ</b>	<b>Nasdaq 100</b>
<b>DXJ</b>	<b>Japan (Currency Hedged)</b>

### Management and Operational Details

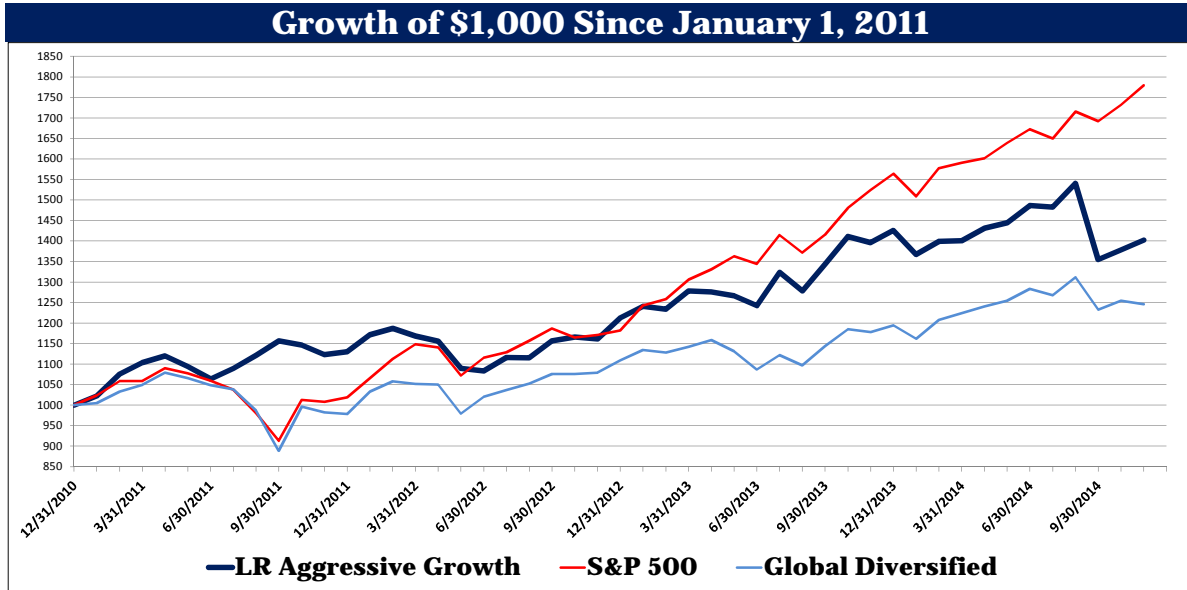
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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# LongRun Aggressive Growth Strategy - Nov 2014



The LongRun Aggressive Growth Strategy is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a diverse selection of equity and fixed income investments. Aggressive Growth is designed to significantly outperform benchmark returns over a full market cycle with less risk. ETFs are ranked based on total return for a relatively short lookback period as the single quantitative factor. The Aggressive Growth portfolio is always invested in the top three ETFs from the monthly ranking. In our research, this methodology demonstrated a higher return/higher risk profile than the Absolute Return strategy.



### Return Data for the Strategy (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2011</b>	2.2	5.2	2.6	1.6	-2.4	-2.8	2.4	2.9	3.2	-0.9	-2.0	0.6	<b>13.0</b>
<b>2012</b>	3.7	1.3	-1.6	-1.0	-5.7	-0.6	3.1	-0.1	3.7	0.8	-0.4	4.4	<b>7.3</b>
<b>2013</b>	2.4	-0.6	3.6	-0.2	-0.7	-1.9	6.5	-3.4	5.1	5.0	-1.0	2.1	<b>17.5</b>
<b>2014</b>	-4.1	2.3	0.1	2.2	0.9	2.9	-0.3	3.9	-12.0	1.7	1.8		<b>-1.6</b>

Returns for all periods represent client composite results.

	Aggressive Growth	S&P 500	Global Diversified
Year-to-Date Return	-1.6%	13.8%	4.4%
Trailing 1-Year Return	0.4%	16.7%	5.8%
Trailing 3-Year Cume Return	24.9%	76.5%	26.9%
Annualized Return from 2/1/03*	20.1%	9.7%	11.7%

\* Common start date for backtests of three LongRun strategies

### Portfolio Holdings for Latest Month and Current Month

November 2014		December 2014	
IYR	US Real Estate	IYR	US Real Estate
TLT	20+ Year Treasury Bonds	TLT	20+ Year Treasury Bonds
IWM	US Small Cap	IVV	US Large Cap

### Management and Operational Details

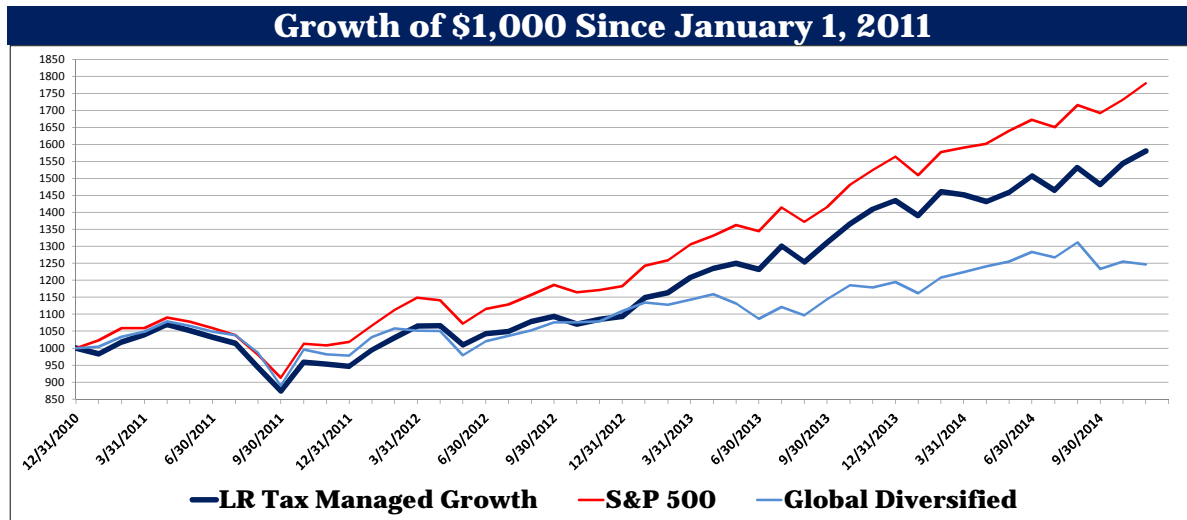
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
Contact Information:	Jim Carroll, jim@longruncapital.com, 914-202-2755

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# LongRun Tax Managed Growth Strategy - Nov 2014



The LongRun Tax-Managed Growth Strategy ("TMG") is a disciplined, quantitative approach to tactical asset allocation using exchange-traded funds (ETFs) for access to a diverse selection of primarily equity and fixed income investments. TMG is designed to outperform benchmark returns over a full market cycle with less risk while also being highly tax efficient. ETFs are ranked based on an assessment of relative strength versus each of the 36 ETFs in the model. The strategy generally owns the top 8 ETFs subject to a buffer and may also allocate as much as 100% to cash in adverse market conditions. Rankings are reviewed daily and holdings adjusted as ranking changes dictate.



### Return Data for the Strategy (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2011</b>	<i>-1.7</i>	<i>3.5</i>	<i>2.2</i>	<i>2.9</i>	<i>-1.7</i>	<i>-1.9</i>	<i>-1.7</i>	<i>-7.1</i>	<i>-7.3</i>	<i>9.7</i>	<i>-0.6</i>	<i>-0.6</i>	<b>-5.3</b>
<b>2012</b>	<i>5.1</i>	<i>3.6</i>	<i>3.4</i>	<i>0.0</i>	<i>-5.3</i>	<i>3.3</i>	<i>0.6</i>	<i>2.8</i>	<i>1.5</i>	<i>-2.1</i>	<i>1.3</i>	<i>0.8</i>	<b>15.5</b>
<b>2013</b>	<i>5.1</i>	<i>1.2</i>	<i>3.9</i>	<i>2.2</i>	<i>1.2</i>	<i>-1.4</i>	<i>5.6</i>	<i>-3.6</i>	<i>4.5</i>	<i>4.2</i>	<i>3.2</i>	<i>1.8</i>	<b>31.2</b>
<b>2014</b>	<i>-3.1</i>	<i>5.1</i>	<i>-0.6</i>	<i>-1.4</i>	<i>1.9</i>	<i>3.3</i>	<i>-2.8</i>	<i>4.6</i>	<i>-3.3</i>	<i>4.2</i>	<i>2.3</i>		<b>10.2</b>

Returns in italics are from a systematic backtest of the strategy; non-italicized periods represent client composite results.

	Tax-Managed Growth	S&P 500	Global Diversified
Year-to-Date Return	10.2%	13.8%	4.4%
Trailing 1-Year Return	12.1%	16.7%	5.8%
Trailing 3-Year Cume Return	65.9%	76.5%	26.9%
Annualized Return from 2/1/03*	16.0%	9.7%	11.7%

\* Common start date for backtests of three LongRun strategies

### Portfolio Holdings for Latest Month and Current Month

November 2014		December 2014	
XLY	US Consumer Discretionary	XLY	US Consumer Discretionary
QQQ	NASDAQ 100	QQQ	NASDAQ 100
IJK	US Mid Cap Growth	IJK	US Mid Cap Growth
XLV	US Healthcare	XLV	US Healthcare
RSP	Equal-Weight S&P 500	RSP	Equal-Weight S&P 500
IJT	US Small Cap Growth	IJT	US Small Cap Growth
IJS	US Small Cap Value	IJS	US Small Cap Value
IJJ	US Mid Cap Value	IJJ	US Mid Cap Value

Holdings shown reflect the portfolio at the start of the given month; changes are infrequent but may occur intra-month

### Management and Operational Details

Investment Manager:	LongRun Capital Management LLC
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Lock-up:	None
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