

Mar 2015

AR+0.45% AG +0.96% TMG +0.21% SP500 -1.57% GD -1.34%

Commentary

March was a mixed bag for markets around the globe with more negatives than positives. Of the assets we track (see the next page), the US Dollar (UUP) had the best return for the month, up 2.8%, while Latin America (ILF) took the biggest beating, down 7.7%. Our Global Diversified benchmark was down 1.3% for the month. US equity markets gave a mixed reading with the S&P 500 (SPY) down 1.6% while small cap stocks (IWM) rose 1.8%. Mid and small cap US stocks have been outperforming large caps since last Fall on the theory that the strong performance of the dollar will have less impact on smaller companies that tend to derive more of their revenue from domestic markets. This shows up in the year-to-date performance. It also shows up on the charts. IWM and MDY both reached new highs in March before pulling back. On the other hand, SPY was unable to regain the high put in at the end of February.

The LongRun strategies all posted modest gains in March, with Aggressive Growth (AG) up 1%, Absolute Return (AR) +0.5% and Tax Managed Growth (TMG) better by 0.2%. AG owned US mid and small caps plus long-term Treasuries (TLT). AR held Japan hedged (DXJ), US dollar, healthcare (XLV) and consumer discretionary (XLY). TMG remained predominantly in US equities with one of its eight positions in TLT. Year-to-date, TMG (+2.5%) and AG (+1.7%) are ahead of our benchmarks while AR (-2%) is still trying to recover from a bad February.

For April, TMG shows no signs of changing its lineup – it will closely track performance of US equity markets for now. AG dropped US small caps in favor of Europe (VGK) based on its 4% return in Q1. The AG portfolio is hedged across US mid caps, Europe and long-term Treasuries. Absolute Return dropped healthcare (XLV) in favor of China (FXI) and now has 50% of its portfolio in Asian equities along with US consumer discretionary and the US dollar.

Markets ended March on a weak note, in part based on conflicting signals about when the Fed will announce its first increase in interest rates. This caused the dollar to retreat from mid-month new highs and sent bond yields tumbling again – good for TLT. Economic data has not been particularly strong and we are heading into earnings season with negative pre-announcements outnumbering positive surprises thus far. I mentioned last month that earnings forecasts for the S&P 500 have been shrinking and this trend continued in March. The Good Friday non-farm payroll report was very disappointing and stock futures sold off while the cash markets were closed for the holiday. I wouldn't be surprised to see more weakness in US stocks and relative outperformance from international markets. This may also cool off the performance of the dollar even as most pundits forecast its strength to continue longer term. Expect choppy returns and increased volatility as we work through earnings season and get a better sense of the Fed's timing for an interest rate hike.

"Individuals who cannot master their emotions are ill-suited to profit from the investment process." Ben Graham, Father of value investing and Warren Buffets first boss

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Selected Asset Class Returns for Trailing Twelve Months (%)

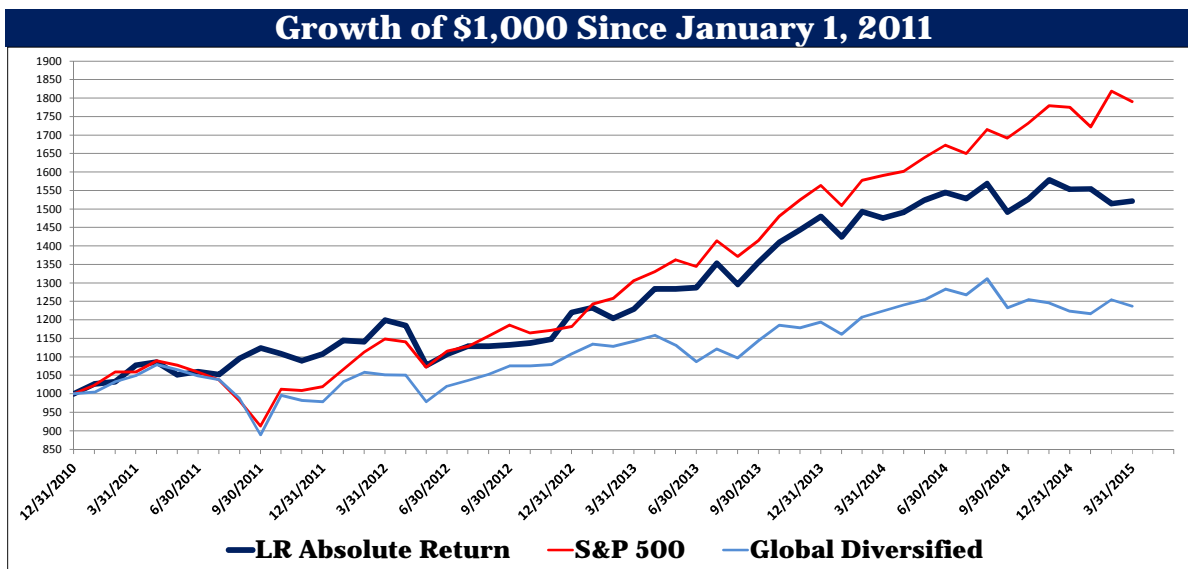
	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	YTD	TTM
US Equity														
SPY <i>S&P 500</i>	0.7	2.3	2.1	-1.3	4.0	-1.4	2.4	2.8	-0.3	-3.0	5.6	-1.6	0.9	12.6
MDY <i>Mid Cap</i>	-1.5	1.6	4.2	-4.4	5.1	-4.5	3.5	1.8	0.8	-1.1	5.0	1.3	5.3	11.9
IWM <i>Small Cap</i>	-3.8	0.8	5.3	-6.1	4.8	-5.9	6.6	0.1	2.9	-3.3	6.0	1.8	4.3	8.3
QQQ <i>NASDAQ 100</i>	-0.3	4.5	3.1	1.2	5.0	-0.8	2.6	4.6	-2.3	-2.1	7.2	-2.6	2.3	21.5
IYR <i>Real Estate</i>	3.0	2.8	1.0	-0.1	3.5	-5.9	8.5	2.7	0.8	5.7	-2.6	1.1	4.1	21.7
XLB <i>Materials</i>	0.8	3.0	1.6	-2.0	3.9	-1.4	-2.4	1.6	-0.6	-1.8	8.0	-4.9	0.8	5.2
XLE <i>Energy</i>	5.3	1.7	5.5	-3.5	2.2	-7.8	-3.5	-8.7	-0.2	-4.6	4.6	-1.2	-1.3	-10.9
XLF <i>Financials</i>	-1.7	1.5	2.4	-1.5	4.2	-0.4	2.9	2.4	1.9	-7.0	5.8	-0.6	-2.2	9.7
XLI <i>Industrials</i>	1.3	1.9	0.5	-4.1	4.2	-1.2	3.9	3.1	0.0	-3.6	5.4	-2.6	-1.0	8.6
XLK <i>Technology</i>	0.3	3.8	1.9	1.7	3.3	-0.5	1.6	4.8	-2.2	-3.5	8.0	-3.4	0.6	16.1
XLV <i>Healthcare</i>	2.7	1.8	-0.3	-3.3	4.6	0.6	3.6	5.5	-0.9	-1.0	4.1	-2.0	1.1	16.2
XLV <i>Discretionary</i>	-0.6	2.9	2.1	0.1	4.8	0.4	5.3	3.5	-1.4	1.3	4.3	0.6	6.3	25.7
XLV <i>Discretionary</i>	-1.4	2.9	1.9	-1.3	4.5	-2.8	2.1	5.5	0.9	-3.0	8.5	-0.5	4.8	18.1
XME <i>Metals & Mining</i>	0.5	-6.5	8.1	-2.0	5.7	-15.6	-4.3	-3.8	-8.2	-12.1	7.8	-6.8	-11.7	-33.6
Int'l Equity														
DXJ <i>Japan</i>	-2.6	3.8	4.4	1.2	-0.2	4.9	2.9	2.9	-2.0	0.0	9.5	2.3	12.0	29.9
EEM <i>Emerging Mkts</i>	0.8	3.0	2.4	1.4	2.8	-7.8	1.4	-1.5	-4.0	-0.7	4.4	-1.5	2.1	0.0
EPP <i>Asia Pac ex Japan</i>	2.7	1.3	-0.1	2.8	1.0	-9.9	5.5	-4.2	-3.1	0.5	5.0	-2.2	3.2	-1.7
FXI <i>China</i>	-2.4	5.5	2.0	9.3	0.0	-5.4	4.3	1.7	3.8	-0.9	6.1	1.5	6.7	27.5
ILF <i>Latin America</i>	3.6	-1.2	3.2	2.6	8.6	-13.5	-0.4	-2.9	-9.8	-5.4	5.6	-7.7	-7.7	-18.0
VGK <i>Europe</i>	2.7	0.8	-0.1	-4.3	0.7	-4.0	-1.9	2.1	-4.7	0.5	6.1	-2.4	4.1	-5.0
Fixed Income														
AGG <i>Aggregate Bond</i>	0.8	1.2	-0.1	-0.1	1.2	-0.6	1.1	0.7	0.2	2.1	-0.9	0.4	1.5	5.9
EMB <i>EM Bonds</i>	1.1	3.5	0.0	-0.3	1.3	-2.1	2.0	-0.4	-2.9	1.9	1.0	0.0	2.9	5.0
HYG <i>US High Yield</i>	0.4	1.2	0.6	-2.4	2.4	-2.0	1.1	-1.1	-0.8	0.7	2.2	-1.0	2.0	1.2
LQD <i>US IG Corporate</i>	1.3	1.5	0.0	-0.3	2.0	-1.7	1.2	0.9	0.0	3.8	-1.4	0.2	2.5	7.6
TLT <i>US 20+ Treasury</i>	2.1	3.0	-0.3	0.7	4.7	-2.1	2.8	3.0	3.3	9.8	-6.1	1.1	4.2	23.2
Currencies														
UUP <i>US Dollar</i>	-0.8	0.9	-1.0	2.3	1.3	3.9	1.0	1.7	2.1	4.8	0.3	2.8	8.1	20.7
FXE <i>Euro</i>	0.7	-1.8	0.5	-2.2	-1.9	-3.9	-0.8	-0.8	-2.7	-6.7	-1.0	-4.0	-11.3	-22.3
FXV <i>Yen</i>	1.0	0.4	0.5	-1.6	-1.2	-5.1	-2.4	-5.4	-1.0	2.0	-1.9	-0.3	-0.2	-14.3
Dispersion	9.0	12.0	8.3	15.3	8.8	20.5	12.8	14.2	13.6	21.9	15.6	10.0	23.6	63.5
<i>High value minus low value for each month; large dispersion provides better opportunity for active strategies.</i>														
Global Diversified Benchmark														
	1.4	1.1	2.3	-1.2	3.5	-6.0	1.8	-0.7	-1.9	-0.5	3.1	-1.3	1.2	1.1

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LongRun Absolute Return Strategy - Mar 2015



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
2011	<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>	10.7
2012	<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>	10.2
2013	<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>	21.3
2014	<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>	<i>-1.6</i>	5.0
2015	<i>0.1</i>	<i>-2.5</i>	<i>0.5</i>										-2.0

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	-2.0%	0.9%	1.2%
Trailing 1-Year Return	3.1%	12.6%	1.1%
Trailing 3-Year Cume Return	26.9%	55.9%	17.7%
Annualized Return from 2/1/03*	16.7%	9.5%	11.3%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Prior Month and Current Month

March 2015		April 2015	
DXJ	Japan Hedged	DXJ	Japan Hedged
UUP	US Dollar	FXI	China
XLV	Healthcare	UUP	US Dollar
XLY	Consumer Discretionary	XLY	Consumer Discretionary

Management and Operational Details

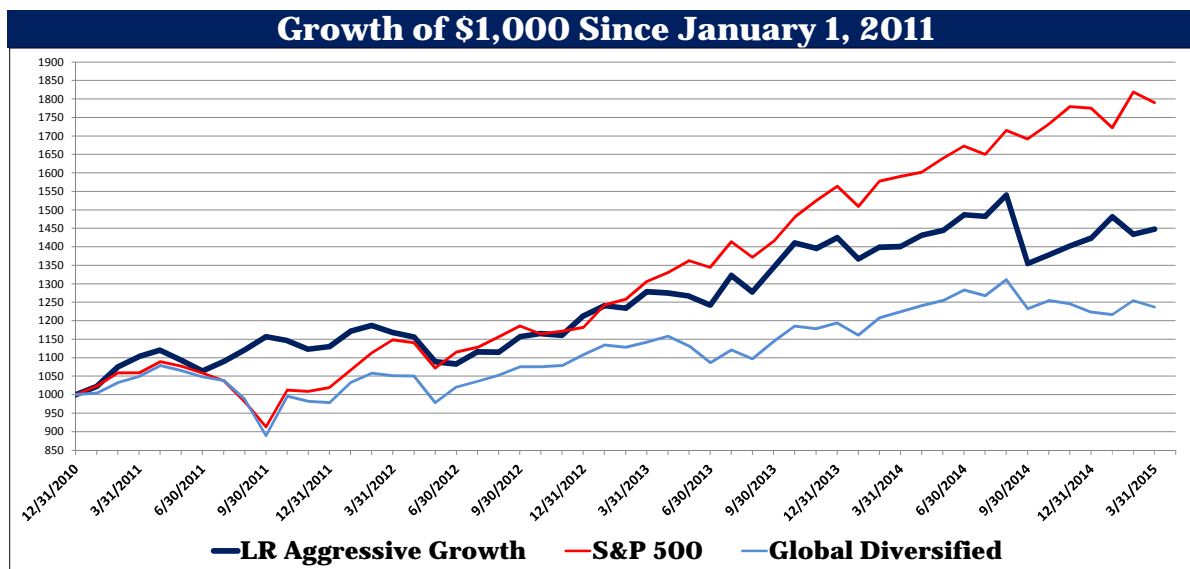
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above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

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LongRun Aggressive Growth Strategy - Mar 2015



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
2011	2.2	5.2	2.6	1.6	-2.4	-2.8	2.4	2.9	3.2	-0.9	-2.0	0.6	13.0
2012	3.7	1.3	-1.6	-1.0	-5.7	-0.6	3.1	-0.1	3.7	0.8	-0.4	4.4	7.3
2013	2.4	-0.6	3.6	-0.2	-0.7	-1.9	6.5	-3.4	5.1	5.0	-1.0	2.1	17.5
2014	-4.1	2.3	0.1	2.2	0.9	2.9	-0.3	3.9	-12.0	1.7	1.8	1.5	-0.1
2015	4.1	-3.2	1.0										1.7

Returns for all periods represent client composite results.

	Aggressive Growth	S&P 500	Global Diversified
Year-to-Date Return	1.7%	0.9%	1.2%
Trailing 1-Year Return	3.4%	12.6%	1.1%
Trailing 3-Year Cume Return	24.0%	55.9%	17.7%
Annualized Return from 2/1/03*	19.8%	9.5%	11.3%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Prior Month and Current Month

March 2015		April 2015	
IJH	US Mid Cap	IJH	US Mid Cap
IWM	US Small Cap	TLT	20+ Yr Treasury Bonds
TLT	20+ Yr Treasury Bonds	VGK	Europe

Management and Operational Details

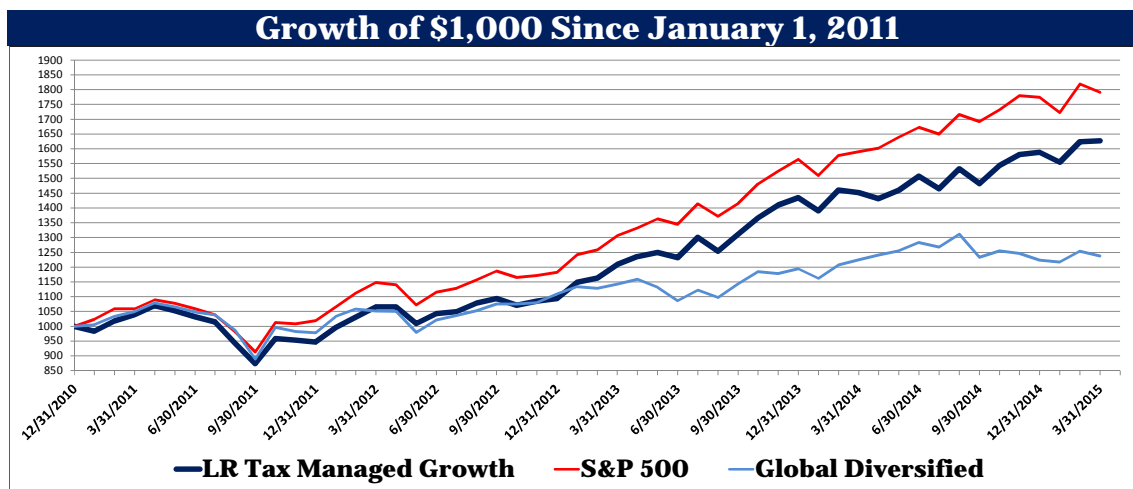
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above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

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LongRun Tax Managed Growth Strategy - Mar 2015



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
2011	-1.7	3.5	2.2	2.9	-1.7	-1.9	-1.7	-7.1	-7.3	9.7	-0.6	-0.6	-5.3
2012	5.1	3.6	3.4	0.0	-5.3	3.3	0.6	2.8	1.5	-2.1	1.3	0.8	15.5
2013	5.1	1.2	3.9	2.2	1.2	-1.4	5.6	-3.6	4.5	4.2	3.2	1.8	31.2
2014	-3.1	5.1	-0.6	-1.4	1.9	3.3	-2.8	4.6	-3.3	4.2	2.3	0.5	10.7
2015	-2.1	4.4	0.2										2.5

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	2.5%	0.9%	1.2%
Trailing 1-Year Return	12.1%	12.6%	1.1%
Trailing 3-Year Cume Return	52.7%	55.9%	17.7%
Annualized Return from 2/1/03*	15.8%	9.5%	11.3%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Latest Prior and Current Month

March 2015		April 2015	
IJJ	US Mid Cap Value	IJJ	US Mid Cap Value
IJK	US Mid Cap Growth	IJK	US Mid Cap Growth
IJT	US Small Cap Growth	IJT	US Small Cap Growth
QQQ	NASDAQ 100	QQQ	NASDAQ 100
RSP	Equal-Weight S&P 500	RSP	Equal-Weight S&P 500
TLT	20+ Year Treasury Bonds	TLT	20+ Year Treasury Bonds
XLV	US Healthcare	XLV	US Healthcare
XLY	US Consumer Discretionary	XLY	US Consumer Discretionary

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
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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