

Jun 2015

AR -2.66% AG -2.71% TMG -1.57% SP500 -2.03% GD -2.80%

## Commentary

June was a uniformly lousy month for investors across asset classes and around the globe. Investors worried about the Greek crisis, another drop in Chinese equities and Puerto Rico teetering on the edge of a muni bond default. The S&P 500 was down 2.0% and the Global Diversified benchmark dropped 2.8%. Weak performance of the LongRun strategies mirrored the broader markets. Absolute Return (AR) was down 2.66%, Aggressive Growth (AG) dropped 2.71%, and Tax Managed Growth (TMG) was lower by 1.57%. In AR, Healthcare (XLV) and US Mid Cap (IJH) were less bad than average but Japan (DXJ) and China (FXI) dragged things down. Europe (VGK) was the biggest drag on AG. TMG managed a relatively small decline as better performing spots in the US market offset the inclusion of Japan and China.

As July gets rolling, Greece and China look to be the main events. As I write this the people of Greece have voted down a deal with creditors, knocking markets down again and setting the stage for a possible Grexit. No one really thinks Greece is important by itself but what Germany, the ECB and the IMF do now will frame how they deal with Portugal, Spain, Italy and maybe even France should the fragile European economy take a turn for the worse. Meanwhile, the Chinese government is trying to plug the leak in its stock market and will face more pressure if other markets continue to sell off.

One might ask why our AG strategy owns Europe (VGK) in the midst of this turmoil while AR and TMG continue to own China (FXI). The answer is that their performance over the past three to six months has put them at the top of our lists and we have an ironclad policy of following the rules for each of our models. This can make us look smart or dumb in any given month, but has worked out over time. As we laid out in "A Tale of Three Strategies" a few months ago, our quantitative approach will periodically lag in bull markets (as we've seen versus the S&P 500 over the last several years). However, a diversified approach to investing (the passive approach measured by our Global Diversified benchmark) has outperformed the S&P 500 over time and our strategies have outperformed both. It's not easy at times like this, but successful long-term investing requires patience and discipline.

There is nothing "normal" about the current market environment. The structure of the Eurozone is being tested in Greece. Central banks around the globe are fixing the prices of interest rates in an effort to support a fragile global economy still trying to recover seven years after the financial crisis. China is struggling to find a new balance between state control and market-based capitalism. ISIS has destabilized the Middle East and raised the threat of terrorism around the world. Investors generally dislike uncertainty and there's a big pile of it right now. We haven't had a real meltdown since August of 2011. As I've noted before, every pullback since that time has been a great buying opportunity. This time may be the same. On the other hand, no one should be surprised if the weight of collective uncertainty causes a significant drop in stock prices this summer. If not now, it will happen at some point and that will create the next good opportunity for investors.

"Do what we can, summer will have its flies." - Ralph Waldo Emerson

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

|   | Jul-14      | Aug-14      | Sep-14       | Oct-14      | Nov-14      | Dec-14      | Jan-15       | Feb-15      | Mar-15      | Apr-15      | May-15      | Jun-15       | YTD          | TTM          |
|---|-------------|-------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| <b>US Equity</b>  |             |             |              |             |             |             |              |             |             |             |             |              |              |              |
| <b>SPY</b> <i>S&amp;P 500</i>   | -1.3        | 4.0         | -1.4         | 2.4         | 2.8         | -0.3        | -3.0         | 5.6         | -1.6        | 1.0         | 1.3         | -2.0         | 1.1          | 7.3          |
| <b>MDY</b> <i>Mid Cap</i>   | -4.4        | 5.1         | -4.5         | 3.5         | 1.8         | 0.8         | -1.1         | 5.0         | 1.3         | -1.5        | 1.7         | -1.3         | 4.1          | 6.1          |
| <b>IWM</b> <i>Small Cap</i>   | <b>-6.1</b> | 4.8         | -5.9         | 6.6         | 0.1         | 2.9         | -3.3         | 6.0         | 1.8         | -2.6        | 2.2         | 0.8          | 4.7          | 6.5          |
| <b>QQQ</b> <i>NASDAQ 100</i>  | 1.2         | 5.0         | -0.8         | 2.6         | 4.6         | -2.3        | -2.1         | 7.2         | -2.6        | 1.9         | 2.3         | -2.5         | 3.9          | 15.0         |
| <b>IYR</b> <i>Real Estate</i>   | -0.1        | 3.5         | -5.9         | <b>8.5</b>  | 2.7         | 0.8         | 5.7          | -2.6        | 1.1         | <b>-4.8</b> | -0.3        | -4.4         | -5.6         | 3.2          |
| <b>XLB</b> <i>Materials</i>   | -2.0        | 3.9         | -1.4         | -2.4        | 1.6         | -0.6        | -1.8         | 8.0         | -4.9        | 3.4         | 0.4         | -4.0         | 0.4          | -0.6         |
| <b>XLE</b> <i>Energy</i>  | -3.5        | 2.2         | -7.8         | -3.5        | <b>-8.7</b> | -0.2        | -4.6         | 4.6         | -1.2        | 6.6         | -5.2        | -3.5         | -3.8         | -23.1        |
| <b>XLF</b> <i>Financials</i>  | -1.5        | 4.2         | -0.4         | 2.9         | 2.4         | 1.9         | -7.0         | 5.8         | -0.6        | 0.1         | 2.0         | -0.5         | -0.6         | 9.1          |
| <b>XLI</b> <i>Industrials</i>   | -4.1        | 4.2         | -1.2         | 3.9         | 3.1         | 0.0         | -3.6         | 5.4         | -2.6        | -0.3        | 0.3         | -2.7         | -3.5         | 2.0          |
| <b>XLK</b> <i>Technology</i>  | 1.7         | 3.3         | -0.5         | 1.6         | 4.8         | -2.2        | -3.5         | 8.0         | -3.4        | 2.8         | 1.9         | -4.1         | 1.0          | 9.9          |
| <b>XLP</b> <i>Staples</i>   | -3.3        | 4.6         | 0.6          | 3.6         | <b>5.5</b>  | -0.9        | -1.0         | 4.1         | -2.0        | -0.8        | 0.9         | -1.8         | -0.6         | 9.5          |
| <b>XLU</b> <i>Utilities</i>   | <b>-6.8</b> | 4.9         | -1.9         | 8.0         | 1.2         | 3.6         | 2.3          | <b>-6.4</b> | -1.0        | -0.5        | 0.6         | -6.0         | -10.7        | -3.0         |
| <b>XLV</b> <i>Healthcare</i>  | 0.1         | 4.8         | 0.4          | 5.3         | 3.5         | -1.4        | 1.3          | 4.3         | 0.6         | -1.1        | 4.5         | -0.4         | 9.5          | 24.0         |
| <b>XLY</b> <i>Discretionary</i>   | -1.3        | 4.5         | -2.8         | 2.1         | 5.5         | 0.9         | -3.0         | 8.5         | -0.5        | -0.1        | 1.3         | 0.6          | 6.7          | 16.2         |
| <b>XME</b> <i>Metals &amp; Mining</i>   | -2.0        | 5.7         | <b>-15.6</b> | <b>-4.3</b> | -3.8        | -8.2        | <b>-12.1</b> | 7.8         | -6.8        | 4.0         | -4.0        | <b>-10.1</b> | <b>-20.7</b> | <b>-41.3</b> |
| <b>Int'l Equity</b>   |             |             |              |             |             |             |              |             |             |             |             |              |              |              |
| <b>DXJ</b> <i>Japan</i>   | 1.2         | -0.2        | <b>4.9</b>   | 2.9         | 2.9         | -2.0        | 0.0          | <b>9.5</b>  | 2.3         | 2.4         | <b>6.0</b>  | -3.8         | <b>16.8</b>  | <b>28.6</b>  |
| <b>EEM</b> <i>Emerging Mkts</i>   | 1.4         | 2.8         | -7.8         | 1.4         | -1.5        | -4.0        | -0.7         | 4.4         | -1.5        | 6.9         | -4.1        | -2.9         | 1.6          | -6.4         |
| <b>EPP</b> <i>Asia Pac ex Japan</i>   | 2.8         | 1.0         | -9.9         | 5.5         | -4.2        | -3.1        | 0.5          | 5.0         | -2.2        | 4.3         | -2.7        | -3.7         | 0.8          | -7.6         |
| <b>FXI</b> <i>China</i>   | <b>9.3</b>  | 0.0         | -5.4         | 4.3         | 1.7         | <b>3.8</b>  | -0.9         | 6.1         | 1.5         | <b>15.6</b> | -5.0        | -5.0         | 11.3         | 26.7         |
| <b>ILF</b> <i>Latin America</i>   | 2.6         | <b>8.6</b>  | -13.5        | -0.4        | -2.9        | <b>-9.8</b> | -5.4         | 5.6         | <b>-7.7</b> | 9.7         | <b>-7.3</b> | 0.9          | -5.3         | -20.4        |
| <b>VGK</b> <i>Europe</i>  | -4.3        | 0.7         | -4.0         | -1.9        | 2.1         | -4.7        | 0.5          | 6.1         | -2.4        | 4.2         | 0.3         | -3.3         | 5.2          | -7.1         |
| <b>Fixed Income</b>   |             |             |              |             |             |             |              |             |             |             |             |              |              |              |
| <b>AGG</b> <i>Aggregate Bond</i>  | -0.1        | 1.2         | -0.6         | 1.1         | 0.7         | 0.2         | 2.1          | -0.9        | 0.4         | -0.3        | -0.4        | -1.1         | -0.3         | 2.0          |
| <b>EMB</b> <i>EM Bonds</i>  | -0.3        | 1.3         | -2.1         | 2.0         | -0.4        | -2.9        | 1.9          | 1.0         | 0.0         | 1.2         | -0.3        | -1.8         | 1.9          | -0.5         |
| <b>HYG</b> <i>US High Yield</i>   | -2.4        | 2.4         | -2.0         | 1.1         | -1.1        | -0.8        | 0.7          | 2.2         | -1.0        | 0.9         | 0.4         | -1.9         | 1.3          | -1.7         |
| <b>LQD</b> <i>US IG Corporate</i>   | -0.3        | 2.0         | -1.7         | 1.2         | 0.9         | 0.0         | 3.8          | -1.4        | 0.2         | -1.2        | -1.1        | -1.9         | -1.8         | 0.3          |
| <b>TLT</b> <i>US 20+ Treasury</i>   | 0.7         | 4.7         | -2.1         | 2.8         | 3.0         | 3.3         | <b>9.8</b>   | -6.1        | 1.1         | -3.4        | -2.4        | -4.1         | -5.7         | 6.3          |
| <b>Currencies</b>   |             |             |              |             |             |             |              |             |             |             |             |              |              |              |
| <b>UUP</b> <i>US Dollar</i>   | 2.3         | 1.3         | 3.9          | 1.0         | 1.7         | 2.1         | 4.8          | 0.3         | <b>2.8</b>  | -3.8        | 2.2         | -1.7         | 4.4          | 17.7         |
| <b>FXE</b> <i>Euro</i>  | -2.2        | <b>-1.9</b> | -3.9         | -0.8        | -0.8        | -2.7        | -6.7         | -1.0        | -4.0        | 4.4         | -2.2        | <b>1.4</b>   | -8.1         | -19.0        |
| <b>FXJ</b> <i>Yen</i>   | -1.6        | -1.2        | -5.1         | -2.4        | -5.4        | -1.0        | 2.0          | -1.9        | -0.3        | 0.4         | -3.9        | 1.4          | -2.3         | -17.6        |
| <b>Dispersion</b>   | 16.1        | 8.8         | 20.5         | 12.8        | 14.2        | 13.6        | 21.9         | 15.8        | 10.0        | 20.4        | 13.2        | 11.0         | 37.6         | 69.9         |
| <i>High value minus low value for each month; large dispersion provides better opportunity for active strategies.</i> |             |             |              |             |             |             |              |             |             |             |             |              |              |              |
| <b>Global Diversified Benchmark</b>   |             |             |              |             |             |             |              |             |             |             |             |              |              |              |
|   | <b>-1.2</b> | <b>3.5</b>  | <b>-6.0</b>  | <b>1.8</b>  | <b>-0.7</b> | <b>-1.9</b> | <b>-0.5</b>  | <b>3.1</b>  | <b>-1.3</b> | <b>1.8</b>  | <b>-1.5</b> | <b>-2.8</b>  | <b>-1.4</b>  | <b>-6.1</b>  |

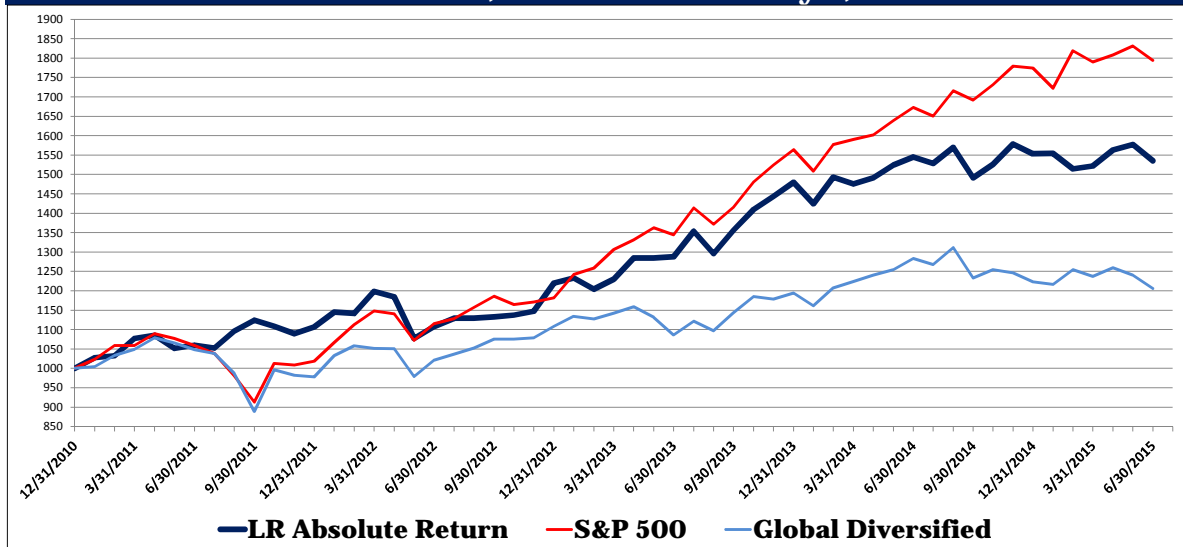
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# LongRun Absolute Return Strategy - Jun 2015



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.

## Growth of \$1,000 Since January 1, 2011



## Return Data for the Strategy (%)

|             | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Aug  | Sep  | Oct  | Nov  | Dec  | YTD         |
|-------------|------|------|------|------|------|------|------|------|------|------|------|------|-------------|
| <b>2011</b> | 2.7  | 0.5  | 4.4  | 0.8  | -3.1 | 0.8  | -0.7 | 4.2  | 2.6  | -1.4 | -1.7 | 1.6  | <b>10.7</b> |
| <b>2012</b> | 3.4  | -0.3 | 5.0  | -1.2 | -9.1 | 2.8  | 1.9  | 0.0  | 0.3  | 0.5  | 0.8  | 6.3  | <b>10.2</b> |
| <b>2013</b> | 1.1  | -2.4 | 2.1  | 4.4  | 0.0  | 0.3  | 5.1  | -4.2 | 4.7  | 4.0  | 2.4  | 2.5  | <b>21.3</b> |
| <b>2014</b> | -3.7 | 4.8  | -1.2 | 1.1  | 2.2  | 1.4  | -1.1 | 2.7  | -5.0 | 2.3  | 3.4  | -1.6 | <b>5.0</b>  |
| <b>2015</b> | 0.1  | -2.5 | 0.5  | 2.7  | 0.9  | -2.7 |      |      |      |      |      |      | <b>-1.1</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            | -1.1%           | 1.1%    | -1.4%              |
| Trailing 1-Year Return         | -0.6%           | 7.3%    | -6.1%              |
| Trailing 3-Year Cume Return    | 38.6%           | 60.8%   | 18.1%              |
| Annualized Return from 2/1/03* | 16.4%           | 9.3%    | 10.8%              |

\* Common start date for backtests of three LongRun strategies

## Portfolio Holdings for Prior Month and Current Month

### June 2015

|     |                   |
|-----|-------------------|
| DXJ | Japan Hedged      |
| FXI | China             |
| IJH | US Mid Cap Stocks |
| XLV | Healthcare        |

### July 2015

|     |                        |
|-----|------------------------|
| DXJ | Japan Hedged           |
| FXI | China                  |
| XLV | Healthcare             |
| XLV | Consumer Discretionary |

## Management and Operational Details

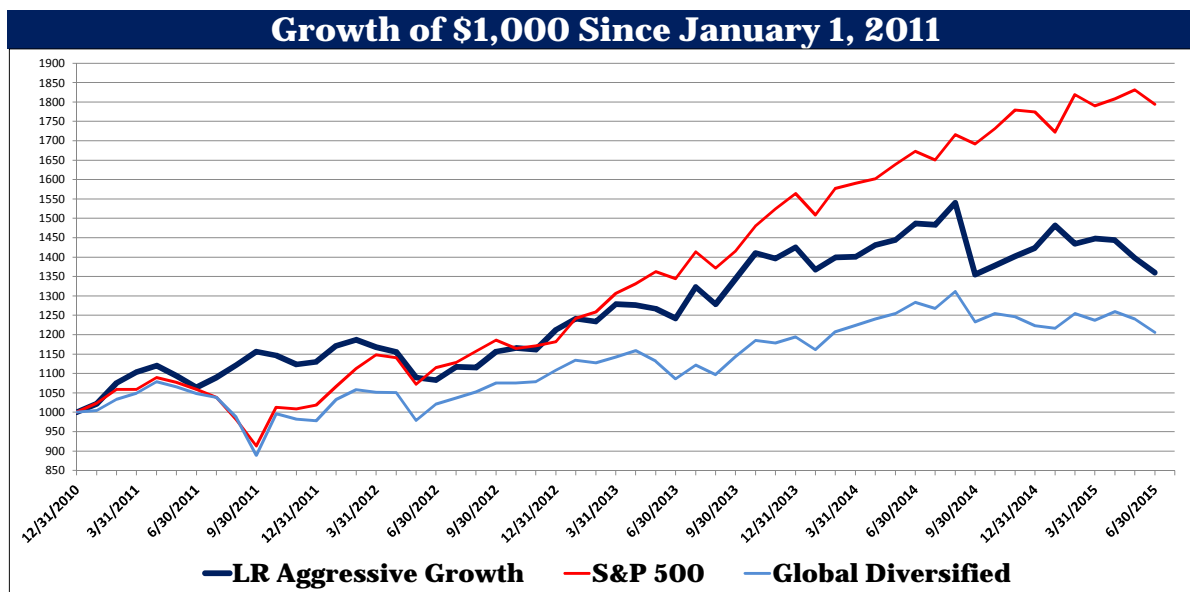
|                       |   |
|-----------------------|---|
| Investment Manager:   | LongRun Capital Management LLC                            |
| Investment Structure: | Separately Managed Accounts                               |
| Custodian:            | Fidelity Investments                                      |
| 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 - Jun 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  | -0.3 | -3.2 | -2.7 |      |      |       |      |      |     | -4.4 |

Returns for all periods represent client composite results.

|                                | Aggressive Growth | S&P 500 | Global Diversified |
|--------------------------------|-------------------|---------|--------------------|
| Year-to-Date Return            | -4.4%             | 1.1%    | -1.4%              |
| Trailing 1-Year Return         | -8.5%             | 7.3%    | -6.1%              |
| Trailing 3-Year Cume Return    | 25.6%             | 60.8%   | 18.1%              |
| Annualized Return from 2/1/03* | 18.8%             | 9.3%    | 10.8%              |

\* Common start date for backtests of three LongRun strategies

### Portfolio Holdings for Prior Month and Current Month

| June 2015 |                    | July 2015 |                     |
|-----------|--------------------|-----------|---------------------|
| EMB       | Emerging Mkt Bonds | ILF       | Latin America       |
| LJH       | US Mid Cap Stocks  | IVV       | US Large Cap Stocks |
| VGK       | Europe             | VGK       | Europe              |

### Management and Operational Details

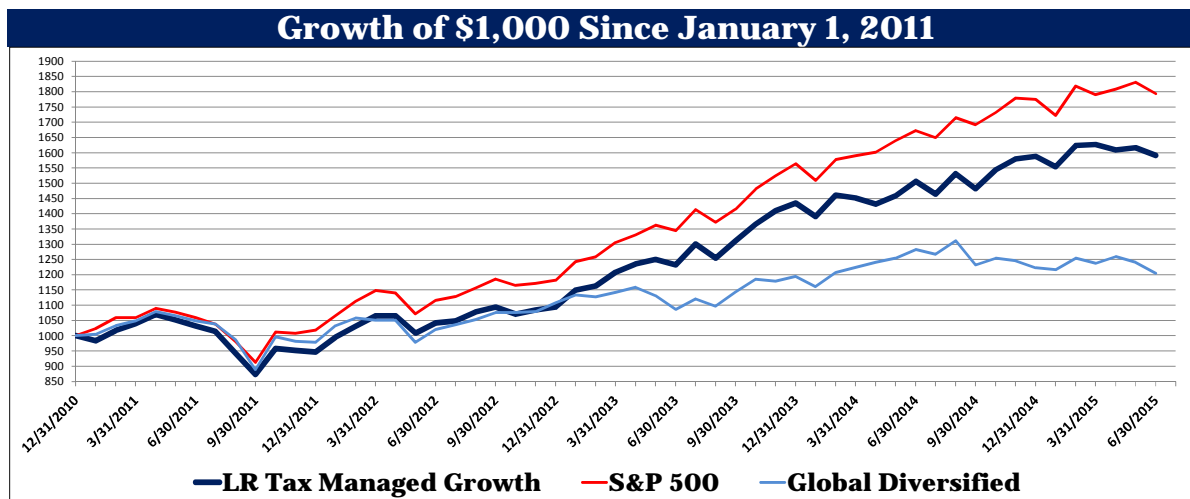
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# LongRun Tax Managed Growth Strategy - Jun 2015



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         |
|-------------|-------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <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>  | <i>0.5</i>  | <b>10.7</b> |
| <b>2015</b> | <i>-2.1</i> | <i>4.4</i> | <i>0.2</i>  | <i>-1.1</i> | <i>0.4</i>  | <i>-1.6</i> |             |             |             |             |             |             | <b>0.2</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            | 0.2%               | 1.1%    | -1.4%              |
| Trailing 1-Year Return         | 5.6%               | 7.3%    | -6.1%              |
| Trailing 3-Year Cume Return    | 52.6%              | 60.8%   | 18.1%              |
| Annualized Return from 2/1/03* | 15.3%              | 9.3%    | 10.8%              |

\* Common start date for backtests of three LongRun strategies

### Portfolio Holdings for Latest Prior and Current Month

| June 2015 |                           | July 2015 |                           |
|-----------|---------------------------|-----------|---------------------------|
| DXJ       | Japan (Hedged)            | DXJ       | Japan (Hedged)            |
| FXI       | China                     | FXI       | China                     |
| LJK       | US Mid Cap Growth         | LJK       | US Mid Cap Growth         |
| LJT       | US Small Cap Growth       | LJT       | US Small Cap Growth       |
| QQQ       | NASDAQ 100                | QQQ       | NASDAQ 100                |
| RSP       | Equal-Weight S&P 500      | RSP       | Equal-Weight S&P 500      |
| 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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