

Aug 2015

AR -7.39% AG -5.61% TMG -7.30% SP500 -6.12% GD -4.90%

Commentary

August was a nasty meltdown in the markets with almost no plus signs to be found even in so-called "risk-off" assets like Treasury bonds. Of the 29 ETFs on our summary, only three showed gains for the month with the Japanese Yen on top with a return of 2.2%. Major US indices were down 6-7% while most international equities retreated 9% or more. At its intraday low on August 24th, the S&P 500 was in correction territory, down 11%. In last month's commentary I suggested keeping an eye on Apple as an indicator. From its recent high of \$132, Apple fell as low as \$92 for a drop of 30% before cutting that loss in half by month-end.

Most of the blame for this scary market action was pinned on China's 2% devaluation of their currency, taken as a signal that their economy is in worse-than-expected shape. The bearish case says that China's problems will infect the rest of Asia and Europe and eventually show up as weakness for US multinational companies even though direct exports to China are less than 5% of US GDP. Bears also point to shrinking commodity prices as indicative of anemic global growth while US equity markets are still richly valued on longer-term measures like the Shiller cyclically adjusted price earnings ratio. A weak jobs report last Friday gave the bears some additional ammunition.

Bulls say that China's devaluation is being overblown when compared to drops in the Euro and Yen of 18% and 15% since last summer. They see low oil prices giving extra money to US consumers and reducing input costs for many companies. Bulls also believe that central banks around the world, including the US Fed, will not let another recession take hold and ECB chief Mario Draghi said as much last week. On September 17th, the Fed will tell us if it's safe to raise interest rates for the first time since the end of the global financial crisis. No increase means global growth is weak but the Fed is there to help. Raising the rate says they see strength in the US but will disappoint those looking for continued accommodation. It's anybody's guess how markets will react.

August was a rough month for all three LongRun strategies as each held US equities. September is a different story as Absolute Return and Aggressive Growth have switched to bonds and cash. Tax-Managed Growth maintains its equity exposure based on longer-term trends that are still intact. Now we wait to see whether or not we've seen the worst. Is this a nasty pullback that turns around and rips higher as we saw last October or does it look more like the August/September correction in 2011 where the first bottom was followed by a failed rally and a lower low before the longer-term uptrend resumed? Defensive positioning in AR and AG will lag in one case and help in the other. I will be watching the VIX (also known as the fear index) and VIX futures because they are still on the bearish side as everyone comes back to work after Labor Day. We will also see if investors are more inclined to buy on weakness or continue to reduce their equity exposure. Investors need to make sure they can stomach the possibility of markets going lower in the near term.

**"It is wise to keep in mind that neither success nor failure is ever final."
Roger Babson, American entrepreneur**

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Selected Asset Class Returns for Trailing Twelve Months (%)

	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	YTD	TTM
US Equity														
SPY <i>S&P 500</i>	-1.4	2.4	2.8	-0.3	-3.0	5.6	-1.6	1.0	1.3	-2.0	2.3	-6.1	-2.9	0.4
MDY <i>Mid Cap</i>	-4.5	3.5	1.8	0.8	-1.1	5.0	1.3	-1.5	1.7	-1.3	0.1	-5.7	-1.7	-0.3
IWM <i>Small Cap</i>	-5.9	6.6	0.1	2.9	-3.3	6.0	1.8	-2.6	2.2	0.8	-1.1	-6.3	-3.0	0.2
QQQ <i>NASDAQ 100</i>	-0.8	2.6	4.6	-2.3	-2.1	7.2	-2.6	1.9	2.3	-2.5	4.6	-6.8	1.3	5.4
IYR <i>Real Estate</i>	-5.9	8.5	2.7	0.8	5.7	-2.6	1.1	-4.8	-0.3	-4.4	5.0	-5.8	-6.7	-1.3
XLB <i>Materials</i>	-1.4	-2.4	1.6	-0.6	-1.8	8.0	-4.9	3.4	0.4	-4.0	-5.0	-5.6	-10.0	-12.5
XLE <i>Energy</i>	-7.8	-3.5	-8.7	-0.2	-4.6	4.6	-1.2	6.6	-5.2	-3.5	-7.7	-4.3	-15.0	-31.1
XLF <i>Financials</i>	-0.4	2.9	2.4	1.9	-7.0	5.8	-0.6	0.1	2.0	-0.5	3.4	-7.1	-4.5	2.0
XLI <i>Industrials</i>	-1.2	3.9	3.1	0.0	-3.6	5.4	-2.6	-0.3	0.3	-2.7	0.3	-5.4	-8.5	-3.1
XLK <i>Technology</i>	-0.5	1.6	4.8	-2.2	-3.5	8.0	-3.4	2.8	1.9	-4.1	2.9	-5.5	-1.9	1.7
XLP <i>Staples</i>	0.6	3.6	5.5	-0.9	-1.0	4.1	-2.0	-0.8	0.9	-1.8	5.7	-6.0	-1.2	7.6
XLU <i>Utilities</i>	-1.9	8.0	1.2	3.6	2.3	-6.4	-1.0	-0.5	0.6	-6.0	6.1	-3.5	-8.5	1.6
XLV <i>Healthcare</i>	0.4	5.3	3.5	-1.4	1.3	4.3	0.6	-1.1	4.5	-0.4	3.0	-8.0	3.7	11.9
XLY <i>Discretionary</i>	-2.8	2.1	5.5	0.9	-3.0	8.5	-0.5	-0.1	1.3	0.6	4.9	-6.5	4.6	10.5
XME <i>Metals & Mining</i>	-15.6	-4.3	-3.8	-8.2	-12.1	7.8	-6.8	4.0	-4.0	-10.1	-16.8	1.2	-33.2	-52.3
Int'l Equity														
DXJ <i>Japan</i>	4.9	2.9	2.9	-2.0	0.0	9.5	2.3	2.4	6.0	-3.8	0.4	-9.0	6.8	16.2
EEM <i>Emerging Mkts</i>	-7.8	1.4	-1.5	-4.0	-0.7	4.4	-1.5	6.9	-4.1	-2.9	-6.3	-8.8	-13.2	-23.3
EPP <i>Asia Pac ex Japan</i>	-9.9	5.5	-4.2	-3.1	0.5	5.0	-2.2	4.3	-2.7	-3.7	-1.3	-11.7	-12.1	-22.4
FXI <i>China</i>	-5.4	4.3	1.7	3.8	-0.9	6.1	1.5	15.6	-5.0	-5.0	-12.2	-11.3	-13.3	-9.7
ILF <i>Latin America</i>	-13.5	-0.4	-2.9	-9.8	-5.4	5.6	-7.7	9.7	-7.3	0.9	-9.0	-10.0	-22.4	-41.4
VGK <i>Europe</i>	-4.0	-1.9	2.1	-4.7	0.5	6.1	-2.4	4.2	0.3	-3.3	2.7	-7.0	0.4	-8.0
Fixed Income														
AGG <i>Aggregate Bond</i>	-0.6	1.1	0.7	0.2	2.1	-0.9	0.4	-0.3	-0.4	-1.1	0.9	-0.3	0.2	1.4
EMB <i>EM Bonds</i>	-2.1	2.0	-0.4	-2.9	1.9	1.0	0.0	1.2	-0.3	-1.8	0.2	-1.1	0.9	-2.5
HYG <i>US High Yield</i>	-2.0	1.1	-1.1	-0.8	0.7	2.2	-1.0	0.9	0.4	-1.9	-0.5	-1.5	-0.8	-3.5
LQD <i>US IG Corporate</i>	-1.7	1.2	0.9	0.0	3.8	-1.4	0.2	-1.2	-1.1	-1.9	0.8	-0.8	-1.8	-1.4
TLT <i>US 20+ Treasury</i>	-2.1	2.8	3.0	3.3	9.8	-6.1	1.1	-3.4	-2.4	-4.1	4.6	-0.7	-2.1	4.7
Currencies														
UUP <i>US Dollar</i>	3.9	1.0	1.7	2.1	4.8	0.3	2.8	-3.8	2.2	-1.7	1.6	-1.5	4.6	13.8
FXE <i>Euro</i>	-3.9	-0.8	-0.8	-2.7	-6.7	-1.0	-4.0	4.4	-2.2	1.4	-1.5	2.1	-7.6	-15.0
FXJ <i>Yen</i>	-5.1	-2.4	-5.4	-1.0	2.0	-1.9	-0.3	0.4	-3.9	1.4	-1.3	2.2	-1.4	-14.5
Dispersion	20.5	12.8	14.2	13.6	21.9	15.8	10.5	20.4	13.2	11.6	22.9	13.9	40.0	68.5
<i>High value minus low value for each month; large dispersion provides better opportunity for active strategies.</i>														
Global Diversified Benchmark														
	-6.0	1.8	-0.7	-1.9	-0.5	3.1	-1.3	1.8	-1.5	-2.8	-1.9	-4.9	-8.1	-14.3

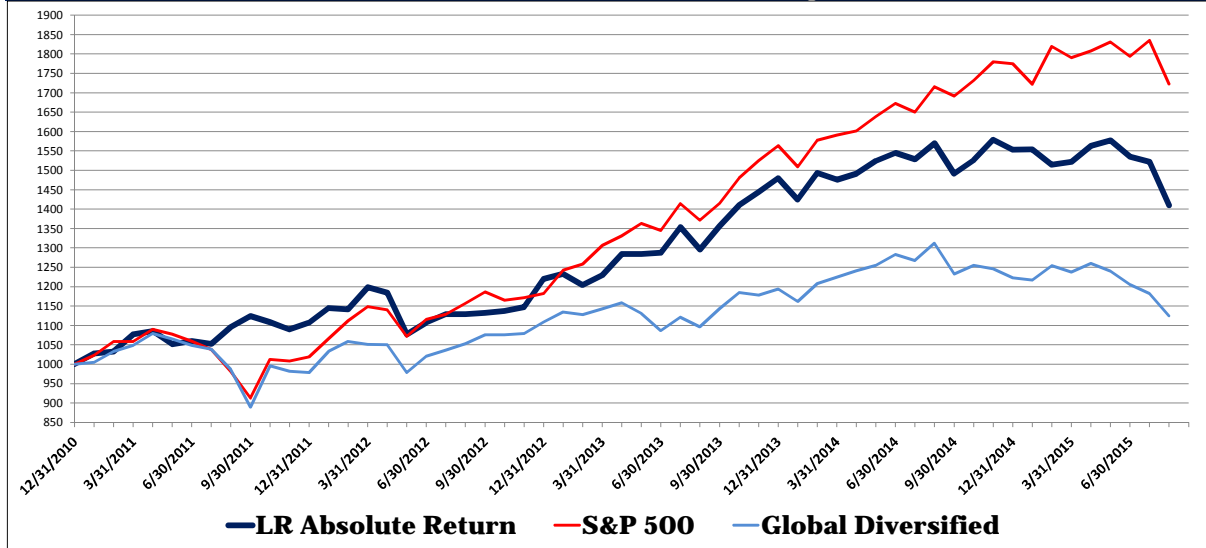
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LongRun Absolute Return Strategy - Aug 2015



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
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>	<i>2.7</i>	<i>0.9</i>	<i>-2.7</i>	<i>-0.9</i>	<i>-7.4</i>					-9.2

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	-9.2%	-2.9%	-8.1%
Trailing 1-Year Return	-10.2%	0.4%	-14.3%
Trailing 3-Year Cume Return	24.8%	48.9%	6.8%
Annualized Return from 2/1/03*	15.4%	8.8%	10.0%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Prior Month and Current Month

August 2015		September 2015	
QQQ	Nasdaq 100	AGG	US Aggregate Bond
XLF	Financials	IEF	7-10 Year US Treasury
XLV	Healthcare	Cash	Cash
XLX	Consumer Discretionary	Cash	Cash

Management and Operational Details

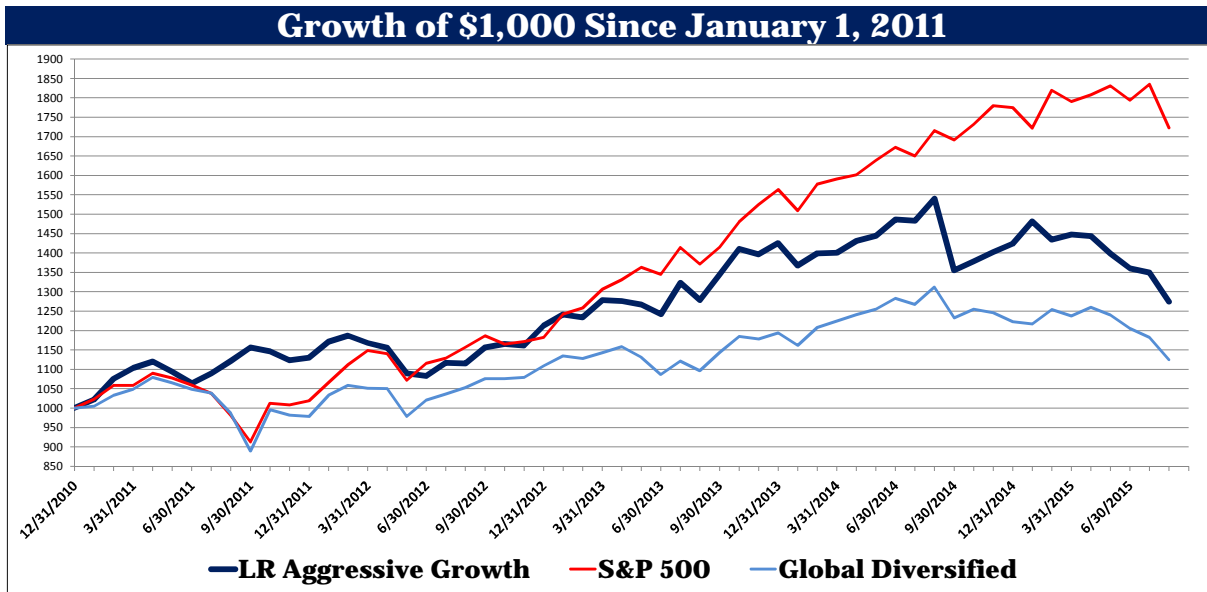
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above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

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LongRun Aggressive Growth Strategy - Aug 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	-0.8	-5.6					-10.5

Returns for all periods represent client composite results.

	Aggressive Growth	S&P 500	Global Diversified
Year-to-Date Return	-10.5%	-2.9%	-8.1%
Trailing 1-Year Return	-17.3%	0.4%	-14.3%
Trailing 3-Year Cume Return	14.3%	48.9%	6.8%
Annualized Return from 2/1/03*	17.9%	8.8%	10.0%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Prior Month and Current Month

August 2015		September 2015	
IJH	US Mid Cap Stocks	LQD	US Inv Grade Corp Bonds
IJR	US Small Cap Stocks	SHY	1-3 Year US Treasury
IVV	US Large Cap Stocks	TLT	20+ Year US Treasury

Management and Operational Details

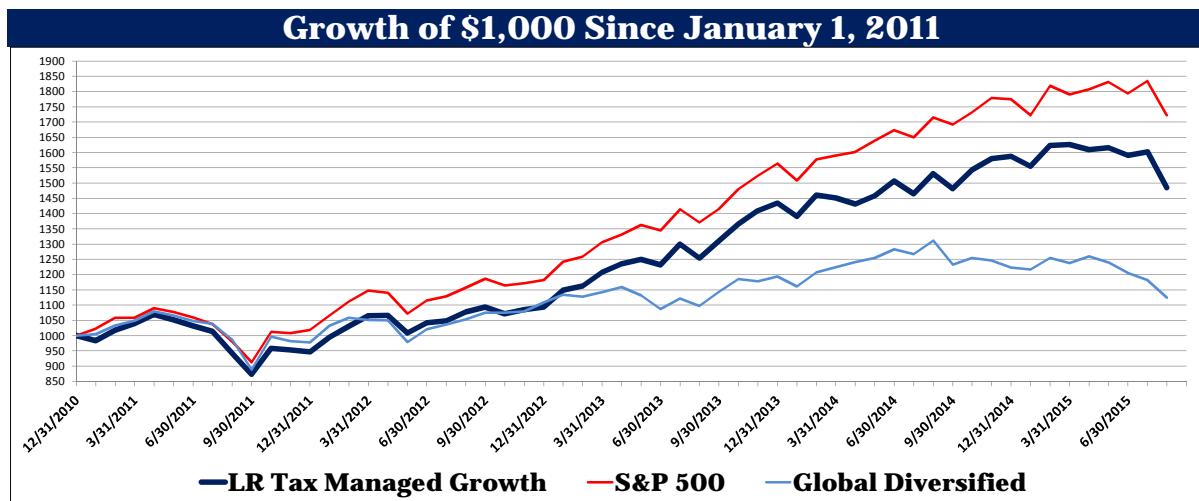
Investment Manager:	LongRun Capital Management LLC
Investment Structure:	Separately Managed Accounts
Custodian:	Fidelity Investments
Minimum Investment:	\$1,000,000 (subject to waiver)
Lock-up:	None
Liquidity/Redemption:	Upon client request
Management fee:	1% of first \$5 million; .75% of assets above \$5 million
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LongRun Tax Managed Growth Strategy - Aug 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	<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>	-5.3
2012	<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>	15.5
2013	<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>	31.2
2014	<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>	10.7
2015	<i>-2.1</i>	<i>4.4</i>	<i>0.2</i>	<i>-1.1</i>	<i>0.4</i>	<i>-1.6</i>	<i>0.7</i>	<i>-7.3</i>					-6.5

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	-6.5%	-2.9%	-8.1%
Trailing 1-Year Return	-3.0%	0.4%	-14.3%
Trailing 3-Year Cume Return	37.8%	48.9%	6.8%
Annualized Return from 2/1/03*	14.4%	8.8%	10.0%

* Common start date for backtests of three LongRun strategies

Portfolio Holdings for Latest Prior and Current Month

August 2015		September 2015	
DXJ	Japan (Hedged)	DXJ	Japan (Hedged)
FXI	China	IJK	US Mid Cap Growth
IJK	US Mid Cap Growth	IJT	US Small Cap Growth
IJT	US Small Cap Growth	IVW	US Large 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

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Custodian:	Fidelity Investments
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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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