TRUSTCORE®

Market Commentary
First Quarter 2015

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As of 3/31/15

Market Performance	2014 2Q	2014 3Q	2014 4Q	2015 1Q	1 YR	3 YR	5 YR
Dow Jones Industrial Average (U.S. Large Stocks)	2.83	1.87	5.20	0.33	10.57	13.18	13.23
Standard & Poor's 500 (U.S. Large Stocks)	5.23	1.13	4.93	0.95	12.73	16.11	14.47
Wilshire 5000 (U.S. Stocks)	4.86	0.08	5.26	1.61	12.24	16.19	14.56
MSCI EAFE (Foreign Stocks)	4.09	(5.88)	(3.57)	4.88	(0.92)	9.02	6.16
MSCI EM (Emerging Market Stocks)	6.60	(3.49)	(4.50)	2.24	0.44	0.31	1.75
MSCI ACWI (World Stocks)	5.04	(2.30)	0.41	2.31	5.42	10.75	8.99
Barclays Capital U.S. Agg. Index (U.S. Bonds)	2.04	0.17	1.79	1.61	5.72	3.10	4.41

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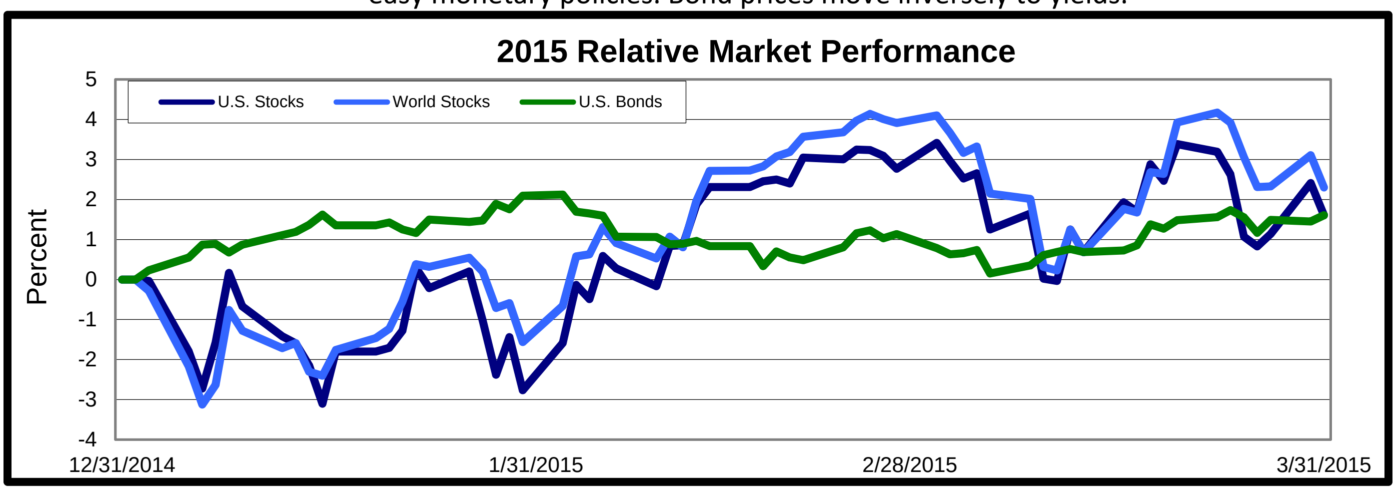
Quarterly Performance Review

Broad international equities outpaced domestic equities on a quarterly basis for the first time since the third quarter of 2013. European equities surged higher as the European Central Bank (ECB) announced further stimulus to rejuvenate the euro-area economy. Even more impressive is the relative outperformance in the face of a declining currency. A foreign equity must return above and beyond its declining currency to generate a positive return to a U.S. investor. The euro declined 11.6% for the quarter. Outside of Europe, emerging market equities kept pace, returning 2.2%, while domestic equities returned a more modest 1.0%.

The yield on the benchmark 10-Year U.S. Treasury bond dropped back below 2.0% as the U.S Federal Reserve (Fed) indicated that current interest rate policy may be intact longer than anticipated. Shorter duration treasuries have been the most impacted as they are sensitive to Fed policy. Meanwhile, rates across Europe and Japan remain suppressed as policy makers continue to implement easy monetary policies. Bond prices move inversely to yields.



Interest Rates

Revised estimates from the Federal Open Market Committee (FOMC) have reduced economic and inflation expectations over the near-term. While the sharp drop in the price of oil explains a portion of the revision to inflation, it is not of much concern as it adds to consumers' disposable income. Concerning to some economists is the dramatic increase in the U.S. dollar. While a strong dollar provides for cheaper imports, it also has a negative side-effect on domestic corporations that derive a significant portion of their revenue from abroad. As our consumer goods become more expensive to foreign buyers, it may soften economic growth in the near-term. Despite a steadily improving rate of employment, and in light of the most recent FOMC revisions, current policy is expected to be maintained. Predictions for the first rate increase have been pushed back from June to September of 2015.

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Confidence in the euro-area reached a high as the European Central Bank (ECB) announced a quantitative easing program designed to spur economic growth. In March, the ECB began a program to buy what will amount to €60 billion monthly in government bonds for 19 months. Following this announcement, the euro dropped significantly relative to the U.S. dollar. As has been typical, the introduction of excess liquidity tends to devalue one's currency; however, this should allow for more competitive pricing of their goods abroad. The hope is the additional liquidity will provide for stronger loan growth and capital spending that will set the region on a sustainable path to recovery.

Global Growth Prospects

Domestic growth, impacted by the seasonal effects of another harsh winter, is expected to be sluggish in the first quarter. While the weather-related effect should be temporary, the impact of a continued rise in the U.S. dollar could be a drag on growth going forward. Estimates for first quarter growth have trended closer to 1.0%, while full-year 2015 is near 2.7%, lower than previous estimates, but still fundamentally sound. In contrast, there are signs of improved growth emanating from the euro-area.

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Euro-area growth expectations have been upgraded in light of a number of recent tailwinds. The precipitous drop in energy prices has left additional savings in the pocket of consumers. Additionally, the recent actions by the ECB have improved sentiment while also bringing down the value of the euro. These actions are expected to benefit major exporters across Europe, while encouraging corporations and consumers to spend. The hope is that this trend will become extended and set Europe on a sustained path to recovery. Euro-area economic growth expectations are 1.5% for 2015, higher than previously reported.

Across broad emerging markets, trend growth has been on the decline relative to last year. Much of the decline has been driven by revisions from commodity producers like Russia and Brazil. Meanwhile, expectations of growth in China continue to move lower as well. In an effort to keep growth on track, China may be required to add additional government stimulus. The People's Bank of China (PBoC) is trying to engineer a soft landing as they transition from an economy dominated by manufacturing to one which is more diverse and consumer oriented. Growth expectations for broad emerging markets in 2015 are 4.5%.

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Corporate Earnings Growth

The S&P 500 is currently trading at 17.4 times estimated full-year 2015 earnings, slightly higher than its historical average. While estimates for 2015 earnings are up 4.9% over calendar year 2014, this is significantly reduced from year-end projections of 12.2%. Relative earnings in the energy sector declined following the collapse in oil prices, putting near-term pressure on the rate of earnings growth. There is also concern that the strengthening of the U.S. dollar could slow earnings growth. Outside the U.S., valuations trade at a relative discount.

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European equities are trading at 15.5 times estimated forward earnings while emerging markets are at 11.6. As European fundamentals have improved, equities have shown enhanced profitability. The weakening euro should provide an additional tailwind to those companies that are export-driven.

Summary

With 2015 potentially being the year the Fed begins to tighten monetary policy, the equity and fixed income markets alike have exhibited an increase in volatility. Though many investors have expressed concern about what a Fed rate hike may look like to the markets, the Fed will most likely remain cautious and communicative throughout the process. Counterbalancing future Fed policy is the fact that global inflation and interest rates remain low while the general stance among the major central banks is of easing. Furthermore, global consumers have generally benefited from the significant drop in the price of oil. Finally, when the Fed does tighten monetary policy, efforts being led by the European Central Bank (ECB) and the Bank of Japan (BoJ) will most likely provide ample liquidity. Global growth prospects are expected to be similar to 2014, near 3.5%, as an increase in growth among advanced economies is nearly offset by a reduction in broad developing market growth.

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In volatile markets investors should remain focused on their long-term objectives. Asset allocation strategies developed for a portfolio provide a roadmap to follow in times of duress. Steps may need to be taken to ensure capital preservation, but must be weighed against their potential impact on long-term performance. Implementing a disciplined, strategic approach with portfolio allocation across varying asset classes is an important element of a successful investment strategy. That's why at TrustCore, we believe in creating a customized, well-diversified portfolio to help you meet your long-term financial goals.