

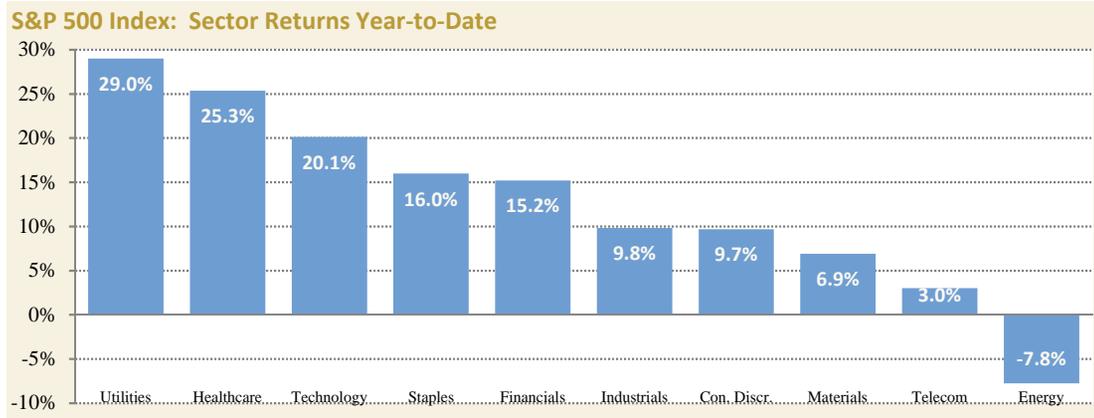
Capital Markets Commentary: December 2014

The U.S. stock market survived a bumpy ride in the 4th quarter, but again posted solid gains. Stocks sold off in early October on fears of an Ebola crisis and slowing international economies, but then rose sharply from mid-October lows. The U.S. economy continued to be a bright spot, as the unemployment rate fell further and the 3rd quarter GDP report showed growth of 5%. Both the S&P 500 and Dow set record highs in December, with the S&P returning 4.9% for the quarter.

Small Cap stocks rebounded from weakness earlier in the year, boosting the Russell 2000 Small Cap Stock Index to a gain of 9.8% in the 4th quarter. International stocks continued to struggle though, as the MSCI EAFE International Stock Index posted declines for the 4th quarter and the year.

Interest rates continued to move lower during the 4th quarter. After beginning the year at 3%, the 10 year treasury note yield moved below 2% briefly in October before ending the year at 2.2%. The Barclays Aggregate Bond Index returned 1.8% for the quarter.

Utilities and Consumer Discretionary were the two best performing sectors in the market in the 4th quarter, while Energy and Telecomm were the worst performing sectors. Energy was the only sector in the market to decline for the year, hurt by a significant move lower in oil prices. Crude oil prices fell from \$98/barrel at the beginning of the year to \$53/barrel at the end of the year.



Source: Morningstar

