LANIER
ASSET MANAGEMENT LLC

Building Confidence and Security in Your Financial Future

Monthly Update **March 2016**

What Has the Last Year Taught Us?

Junius V. Beaver III
Co-CIO, Principal

From March of 2009 through 2014, the US equity market moved in one direction. Straight up. Not only did it go straight up, the ascent included very little volatility. The standard deviation of the market over that period was about 10, while the historical average is 15. Think about that for a minute. Seven straight years of upside, with only 2/3rds of the risk.

Markets that head north without hesitancy are quite rare. A problematic secondary effect is that they begin to have an impact on human behavior. Individuals get lulled into believing the market is a one-way street and that it can't go down. They don't rebalance their portfolios because there is no need to. People's perception of risk changes. It doesn't mean much anymore. They don't want to miss out on the party.

The world began to change in 2015. The six plus years of quantitative easing came to an end. Our glorious Federal Reserve commenced its "normalization" of interest rates. The US dollar rose approximately 15%. Companies bought back stock at a record pace - creating earnings per share with financial engineering - in order to achieve their earnings growth targets. Corporations struggled to increase revenues and actual earnings.

Fast forward to March 2016. The size of the Fed's balance sheet has increased fivefold since 2008, and the efficacy of quantitative easing has decreased. The federal debt as percent of GDP has now doubled since 2008. We have experienced three straight quarters of negative earnings, and the markets are questioning the economic expansion - the slowest GDP growth rate post-recession in modern history.

Since August 2015, the market has experienced two 10% plus corrections. The first was largely based on the Fed signaling and hesitantly executing a rate hike of 25 bps. The second correction was associated with a complete breakdown of the energy complex, the potential spillover to the financial sector and slowing growth in China. In both occasions, the market has recovered based on the notion that things are fine.

At Lanier, we don't believe the noise. We believe the data. We believe that the global market fundamentals and technical indicators signal the market is overdue for a bear market defined as a 20% plus drawdown. So how have we protected our clients during this turbulence in the market? As we have stated time and time again, we diversify our clients well beyond stocks, bonds and cash. We provide our clients access to the best of the best hedge fund managers, and utilize futures managers that have zero to negative correlations to the overall equity markets.

My first question would be how have they performed in this volatile period? In 2015, the hedge fund and futures components of our portfolio were both up over 5%. The S&P 500 was up a little over 1%, and without the top ten companies, would have been down approximately 7%. Virtually every other traditional asset class was down in 2015. At Lanier, we look hard at the data and study history. We strongly believe this is an excellent time to implement our very diversified investment approach that over a full market cycle delivers higher returns with much lower risk.

Junius V. (Trip) Beaver III, is a co-founder of Lanier Asset Management and serves as its Co-Chief Investment Officer. Trip has been a financial advisor delivering high-value investment solutions to affluent individuals since 1994. In addition to his work at Lanier, Trip donates his time and investment expertise to charitable organizations such as the Library Foundation and the Metro United Way.

Key Points From Our Investment Meeting – 3/14/16

Macro Viewpoint

- Market volatility continues due to concerns over oil prices and earnings growth
- Uncertainty remains about the upcoming Presidential election given the polarity of the populous
- Both stocks and bonds have been very fickle and volatile in 2016, and not delivering well from a return per unit of risk perspective

Asset Class Comments

- The traditional asset classes remain volatile and risky
- We continue to believe this environment warrants the need for Diversifying Strategies
- Futures markets performance YTD suggests more volatility to come
- Individuals' true risk tolerances and profiles are being questioned

Performance Update

	Investment Vehicle	Total Return (%)							
						Annualized			
		February	QTD	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
TRADITIONAL ASSETS									
Cash									
Vanguard Reserve Prime Money Market		0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	1.3%
Fixed Income									
Domestic (Barclays US Agg)		0.9%	2.1%	2.1%	1.6%	2.3%	3.6%	4.6%	4.7%
Eaton Vance Floating Rate	EIBLX	-0.8%	-2.0%	-2.0%	-5.4%	0.0%	1.9%	7.4%	3.0%
High Yield (Barclays US Corp HY)		1.2%	-0.9%	-0.9%	-8.9%	0.2%	3.8%	12.0%	6.4%
Short Term High Yield	SJNK	1.1%	-1.0%	-1.0%	-9.4%	-	-	-	-
Equities									
Domestic Large Cap (S&P 500 TR)		-0.2%	-5.2%	-5.2%	-6.6%	10.6%	10.0%	17.2%	6.4%
S&P Equal Weight	RSP	1.0%	-4.6%	-4.6%	-9.6%	10.1%	9.5%	20.1%	7.0%
Domestic Mid Cap (S&P 400 TR)		1.4%	-4.4%	-4.4%	-10.6%	7.9%	8.1%	18.5%	7.1%
Vanguard Mid-Cap ETF	VO	1.4%	-6.3%	-6.3%	-11.1%	9.6%	8.7%	19.0%	6.7%
Domestic Small Cap (S&P 600 TR)		1.1%	-5.1%	-5.1%	-9.0%	9.1%	9.4%	19.0%	6.7%
Vanguard Small-Cap ETF	VB	0.8%	-6.8%	-6.8%	-13.4%	7.3%	7.5%	18.9%	6.4%
Developed Intl. (MSCI EAFE)		-1.9%	-9.0%	-9.0%	-15.3%	0.3%	0.5%	9.6%	1.5%
MSCI EAFE	EFA	-3.3%	-8.7%	-8.7%	-15.5%	0.2%	0.3%	9.7%	1.4%
Emerging Intl. (MSCI EM)		-0.2%	-6.7%	-6.7%	-23.5%	-8.9%	-5.4%	8.4%	1.8%
Vanguard FTSE Emerging Markets ETF	VWO	-0.3%	-6.1%	-6.1%	-24.2%	-8.3%	-5.4%	8.1%	1.7%
Real Assets									
Real Estate (FTSE NAREIT US REIT)		-0.3%	-5.8%	-5.8%	-5.3%	6.5%	8.7%	21.8%	5.5%
Mortgage Real Estate	REM	2.5%	-2.8%	-2.8%	-13.1%	-3.4%	1.5%	8.3%	-
REIT ETF	VNQ	-0.4%	-3.8%	-3.8%	-4.3%	7.8%	9.2%	23.1%	6.2%
Commodities (Thomson Reuters/Jefferies CRB Index)		0.8%	-4.9%	-4.9%	-39.8%	-22.8%	-17.5%	-6.2%	-8.4%
DBC	DBC	-0.2%	-4.6%	-4.6%	-29.5%	-23.9%	-17.0%	-7.0%	-6.0%
DIVERSIFYING STRATEGIES									
Hedge Funds									
HFRI WCI		0.5%	-2.0%	-2.0%	-4.8%	0.7%	0.7%	5.1%	3.0%
INFINITY*	OCEAN	-1.4%	-2.3%	-2.3%	1.1%	6.8%	7.0%	8.1%	8.1%
Robeco Long/Short Equity	BPLEX	0.5%	3.1%	3.1%	5.8%	3.4%	5.6%	19.1%	10.8%
Boston Partners Global Long/Short	BGLSX	-2.3%	-4.0%	-4.0%	1.1%	-	-	-	-
Managed Futures									
Barclays CTA Index		1.8%	1.2%	1.2%	0.6%	2.7%	0.6%	1.5%	3.5%
WINTON*	WINTON	1.7%	5.0%	5.0%	-1.1%	3.3%	0.5%	0.3%	4.5%
QIM*	QIM	8.4%	11.9%	11.9%	27.2%	1.6%	0.6%	-0.5%	4.3%
AQR Managed Futures Strategy	AQMNX	2.2%	4.4%	4.4%	2.0%	7.4%	-	-	-
WisdomTree Managed Futures Strategy	WDTI	3.4%	2.3%	2.3%	-1.6%	1.4%	-	-	-

= Benchmarks
= Lanier Selections

* For Accredited Investors Only

Our Team

Mark R. Hoffman
CEO, Principal

Junius V. (Trip) Beaver, III
Co-Chief Investment Officer, Principal

Carl W. Hafele, CFA, CPA
Co-Chief Investment Officer, Principal

John E. Thompson
Director, Private Client Group

Dr. Daniel L. Bauer
Financial Consultant

Sara B. Thomas, JD, CPA
Financial Consultant

Deidre M. Durbin
Chief Compliance Officer

Emily A. Spendlove
Investment Associate

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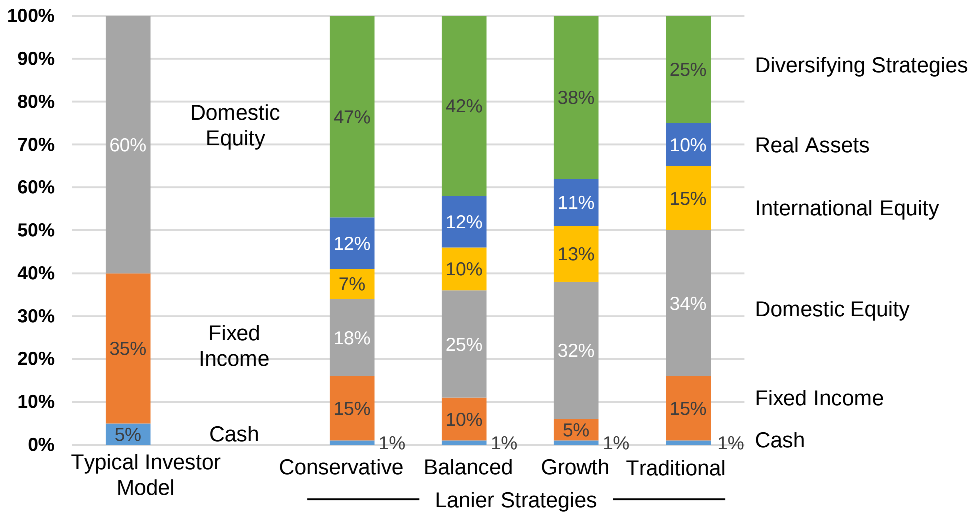
Our Approach

At Lanier, we believe that portfolios designed to deliver superior performance and lower correlation with the overall markets must decrease reliance on stocks and bonds and be complemented with a set of diversifying strategies and alternatives



Each of our clients has a unique set of needs (based on age, risk tolerance, income need, etc.) and an asset allocation model designed specifically to meet those needs. Consequently, actual client investment models can and do vary from the allocation percentages listed above.

Lanier Asset Management is an independent Registered Investment Advisory firm. Our mission: ***To Build Confidence and Security in our Clients' Financial Future***. We use an open architecture investment structure to combine the best of proprietary and independent investment strategies. At Lanier, we deliver superior service and performance to our clients as a result of four distinguishing elements:

- **People**: we are an independent firm, providing objective advice from experienced investment professionals working in your best interests
- **Investment Philosophy**: we seek to smooth investment returns, providing superior investment performance and a significantly lower correlation to the overall market
  - Focus on projected returns rather than historic for all asset classes
  - Similar to the largest U.S. endowments
- **Investment Process**: combine active and passive management in traditional asset classes; complement with diversifying strategies/ alternatives
- **Conviction**: we believe in our approach – this is how we invest our own money

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