LANIER
ASSET MANAGEMENT LLC

Building Confidence and Security in Your Financial Future

Monthly Update

April 2016

Father Time Demands Your Attention

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The success of individual financial management decisions has become increasingly important in recent decades. People are living longer now than they were fifty or even twenty-five years ago. This fact, coupled with the trend toward individual responsibility for retirement planning, suggests that investors should be more knowledgeable and concerned regarding management of their financial resources. One area that investors must consider is the impact and implications of demographic change.

The change in the demographic (average age) profile of developing countries is one of the significant, long-term areas that should be of great significance to investors. The U.S. Census Bureau projects that by 2030 more than 20 percent of the U.S. residents will be 65 or older compared to just 13 percent in 2010. Put simply, we can expect economic growth and investment returns to remain lower because aging populations typically take more from the economy than they contribute. Specific potential investment ramifications include:

- Declining investment in equities (and lower returns).
- Continued accommodating monetary policies and lower fixed income yields.
- Importance of diversification.

The baby boomer generation came of age in the late 1980s and 90s, a period when the economy was growing and equity investing was very profitable. As this generation ages - becomes more risk averse, sells rather than buys financial assets, and utilizes retirement savings we may see a long-term decrease in the demand for equity investments. This result, coupled with slower economic growth resulting from the aging population may lower equity returns for years.

This demographic change is occurring at a time when demand for low risk fixed income investment returns typically increases due to the aging populations' less tolerance for risk. In addition, there has been a significant reduction in private pensions and a gargantuan pending storm in public pensions awaits (a story for another day). Thus, even if central banks decide to lift rates from the near-zero levels today, low interest rates are likely to stay.

One result of this trend is the continued importance of diversification across asset classes. For example, all portfolios should include investments in emerging markets with growing, young populations like India and Mexico.

In sum, changing demographics will impact investors in many ways. Demand for bonds could increase, putting downward pressure on yields. Equity returns may decrease as the growing older, conservative group avoids risky investments. As a result, the expected return for the typical "60-40" stock-bond mix will be much lower than past history.

At Lanier we believe the investment market is experiencing these fundamental changes and we model our portfolios to maximize returns and minimize risk. This includes an in-depth consideration of expected future returns and associated risks of all asset classes, utilizing expectations of the best and brightest. It is noteworthy that these returns are not historical past returns. The Lanier approach brings to the individual investor access to the sophisticated investment techniques and methodologies utilized to manage major endowments. This includes minimizing volatility through diversifying investments in both traditional stocks and bonds and nontraditional (hedge funds and managed futures) asset classes. If you are interested in "getting under the hood" of our approach, we'd be happy to discuss our "better mousetrap" with you.

Key Points From Our Investment Meeting – 4/11/16

Macro Viewpoint

- Negative interest rates in the EU and Japan giving many economists pause
- Significant confusion about the presidential election has led to greater uncertainty in the markets
- Both stocks and bonds have been very volatile in 2016, and not delivering well from a return per unit of risk perspective

Asset Class Comments

- The traditional asset classes are extended technically given the massive reversal in recent weeks
- We continue to believe this environment warrants the need for Diversifying Strategies
- Lower projected returns in both equities and fixed income have caused investors to reevaluate their risk tolerance and profiles
- Ten year treasury yields have fallen near multiyear lows

Performance Update

	Investment Vehicle	Total Return (%)				Annualized			
		March	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%	3.0%	3.0%	2.1%	2.5%	3.8%	4.5%	4.9%
Eaton Vance Floating Rate	EIBLX	2.9%	0.8%	0.8%	-5.4%	2.2%	3.4%	8.5%	3.7%
High Yield (Barclays US Corp HY)		3.1%	2.1%	2.1%	-5.6%	0.9%	4.4%	12.0%	6.7%
Short Term High Yield	SJNK	2.5%	1.4%	1.4%	-6.6%	-	-	-	-
Equities									
Domestic Large Cap (S&P 500 TR)		6.3%	0.8%	0.8%	0.8%	11.5%	11.4%	16.8%	6.9%
S&P Equal Weight	RSP	7.4%	2.5%	2.5%	-1.9%	11.4%	11.0%	19.8%	7.6%
Domestic Mid Cap (S&P 400 TR)		8.5%	3.8%	3.8%	-4.3%	9.2%	9.4%	18.4%	7.7%
Vanguard Mid-Cap ETF	VO	7.8%	0.9%	0.9%	-7.3%	10.3%	9.7%	18.7%	7.1%
Domestic Small Cap (S&P 600 TR)		8.2%	2.7%	2.7%	-3.1%	10.4%	10.4%	19.0%	7.0%
Vanguard Small-Cap ETF	VB	8.2%	0.8%	0.8%	-7.7%	9.9%	9.6%	19.5%	7.2%
Developed Intl. (MSCI EAFE)		6.5%	-3.1%	-3.1%	-8.4%	2.2%	2.3%	9.7%	1.8%
MSCI EAFE	EFA	6.6%	-2.7%	-2.7%	-8.6%	2.1%	2.2%	9.5%	1.7%
Emerging Intl. (MSCI EM)		13.2%	5.6%	5.6%	-12.1%	-4.5%	-4.1%	8.2%	3.0%
Vanguard FTSE Emerging Markets ETF	VWO	12.5%	5.7%	5.7%	-12.9%	-5.2%	-4.8%	7.7%	2.5%
Real Assets									
Real Estate (FTSE NAREIT US REIT)		10.0%	3.6%	3.6%	2.9%	8.8%	11.1%	22.7%	6.0%
Mortgage Real Estate	REM	7.1%	4.1%	4.1%	-7.7%	-2.9%	3.6%	8.5%	-
REIT ETF	VNQ	9.2%	5.1%	5.1%	2.8%	8.2%	10.5%	23.2%	6.1%
Commodities (Thomson Reuters/Jefferies CRB Index)		6.6%	1.4%	1.4%	-32.1%	-21.4%	-16.7%	-5.9%	-8.1%
DBC	DBC	4.2%	-0.5%	-0.5%	-31.4%	-24.1%	-18.5%	-7.6%	-7.1%
DIVERSIFYING STRATEGIES									
Hedge Funds									
HFRI WCI		1.8%	-0.2%	-0.2%	-3.5%	0.9%	1.1%	5.1%	3.0%
INFINITY*	OCEAN	-0.8%	-3.0%	-3.0%	-0.7%	6.5%	6.9%	8.1%	8.0%
Robeco Long/Short Equity	BPLEX	5.0%	8.2%	8.2%	11.3%	4.2%	7.0%	18.2%	11.7%
Boston Partners Global Long/Short	BGLSX	2.8%	-1.3%	-1.3%	0.6%	-	-	-	-
Managed Futures									
Barclays CTA Index		-1.9%	-0.7%	-0.7%	-3.1%	1.9%	0.5%	1.5%	3.2%
WINTON*	WINTON	-3.6%	0.8%	0.8%	-6.4%	2.4%	0.3%	0.4%	4.0%
QIM*	QIM	-4.5%	5.9%	5.9%	22.4%	2.4%	0.6%	-0.2%	4.0%
AQR Managed Futures Strategy	AQMNX	-3.8%	0.4%	0.4%	-6.0%	5.8%	-	-	-
WisdomTree Managed Futures Strategy	WDTI	-2.0%	0.2%	0.2%	-5.4%	0.5%	-	-	-

= 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

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Chief Compliance Officer

Emily A. Spendlove
Investment Associate

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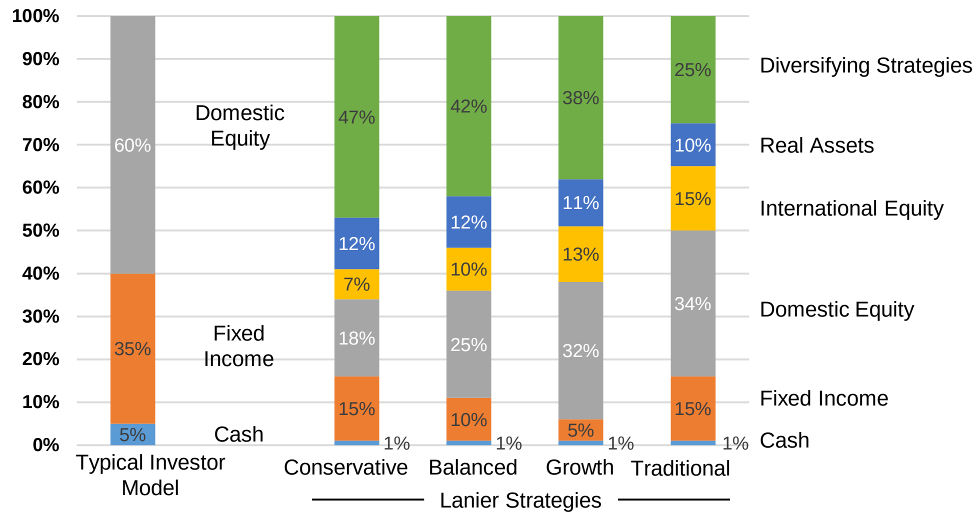
Our Approach

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

Past performance is no guarantee of future results. Investing entails risk, including possible loss of some or all principal. Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges. It should not be assumed that your account holdings correspond directly to any comparative indices.

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