LANIER
ASSET MANAGEMENT LLC

Building Confidence and Security in Your Financial Future

Monthly Update June 2015

What Does Financial Planning Mean to You?

Junius V. Beaver III
Managing Director, CIO, Principal

People view “Financial Planning” in many ways. Some view planning as setting aside funds for their 401k or getting life insurance for their family. Some take it a step further and set up some type of savings vehicle for their child’s education. A small minority get into estate planning, charitable giving or working through the implications of generational transfers of wealth when their parents pass away. The question that always runs through our mind is, “Why haven’t families done comprehensive financial planning before it’s too late?”

- When we meet with families there are a number of concerns they all seem to have:
- Have we saved or are we saving enough to retire in the lifestyle we have become accustomed?
- Are our children going to be ok in the event something happens to us?
- Are our financial objectives reasonable given where we are in life today?

Let’s preface this next observation by saying that I came from the “wire house” side of the business. The “financial planning” that we had available to us was quite inadequate for a number of reasons. First, we – as most – viewed financial planning as gathering some data from our clients, inputting that data into our “black box” model, and handing the voluminous results report to the client. Second, the software we relied on used historical data to run the Monte Carlo simulations. Third, we were unable to make adjustments to the software to account for a number of typical events that seem to happen all the time. Finally, there were no real observations beyond a percentage chance of you reaching your goals. As my partners and I talk about all the time, junk in, junk out!! We have seen many of these plans and candidly they all look just about the same – similar to their 60% stock/35% bond and 5% cash asset allocation. The more we analyze them, the more we understand why most folks either don’t do a plan or see little value in it. Sadly, I believe that majority of these plans give families a false sense of optimism about their retirement, as projected rates of returns are less than the ones associated with the 1980’s and 1990’s.

At Lanier, we are asset managers. As part of our services, we offer true financial planning to all our clients. Our process is uniquely different:

1. We work with a select group of sophisticated clients, so we have the time to gain a deep

understanding of who they are and what their goals, priorities and objectives are long term.

2. We look forward - not backward - in terms of return expectations utilizing our excellent research on projected returns.
3. Once we have gathered the data and applied our planning tools, we take the time to interpret the data for our clients. If they – or we – are not comfortable with what the models are telling us, what degrees of freedom do they have to change the outcomes? Can/should they plan to spend less? Can they afford to spend more? What if they wanted to retire 5 years earlier? Etc.
4. Our plans are not a snapshot. They are dynamic and evolve with our clients. That means as their lives and the market changes, so does the plan.
5. Finally, we periodically update our clients' plan and discuss how they are progressing toward their goals in conjunction with their holistic investment performance. If changes are required to meet their goals, we spot them early to give our clients time to adjust.

The questions I would be asking myself about financial planning would include: "Does the individual I am working with today really know me?" "Does he/she know my family?" "Has he/she recommended doing a financial plan for my family?" "If so, what did I really glean from that experience?"

We strongly believe that financial planning done the right way adds tremendous value to our clients' confidence and security about their financial future. Give us a call – I bet you'll be pleasantly surprised!

Key Points From Our Investment Meeting – 6/10/15

Macro Viewpoint

- Volatility continues based on timing of any Fed rate hikes, as well as the debt restructuring discussions surrounding Greece.
- European quantitative easing still in the early stages.
- Final Q1 GDP growth turns negative.
- Major spike in the Ten Year Treasury as well as European interest rates.

Asset Class Comments

- Equity bull market intact.
- Bond market death cross – long term moving average above its support level.
- Small cap expensive.
- Commodities – major underweight.
- Emerging markets lagging international developed.
- Watching futures market.

Performance Update

	Investment Vehicle	Total Return (%)							
						Annualized			
		MAY	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%	0.3%	1.6%
Fixed Income									
Domestic (Barclays US Agg)		-0.2%	-0.6%	1.0%	3.0%	2.2%	3.9%	4.7%	4.6%
Eaton Vance Floating Rate	EIBLX	0.0%	0.8%	2.7%	2.4%	4.3%	4.9%	4.6%	4.2%
High Yield (Barclays US Corp HY)		1.2%	2.4%	4.9%	2.5%	8.1%	9.2%	9.2%	8.3%
Short Term High Yield	SJNK	0.2%	1.2%	2.9%	-0.5%	-	-	-	-
Equities									
Domestic Large Cap (S&P 500 TR)		1.3%	2.3%	3.2%	11.8%	19.7%	16.5%	8.4%	8.1%
S&P Equal Weight	RSP	0.7%	1.1%	2.8%	11.2%	21.5%	16.9%	10.2%	9.4%
Domestic Mid Cap (S&P 400 TR)		1.8%	0.3%	5.6%	12.3%	19.9%	16.5%	9.8%	10.1%
Vanguard Mid-Cap ETF	VO	1.1%	-2.3%	4.9%	13.9%	21.4%	17.2%	9.5%	9.9%
Domestic Small Cap (S&P 600 TR)		1.5%	-0.8%	3.1%	10.6%	20.0%	16.5%	10.2%	9.5%
Vanguard Small-Cap ETF	VB	2.0%	-0.1%	5.0%	11.4%	20.8%	16.5%	10.3%	10.0%
Developed Intl. (MSCI EAFE)		-0.5%	3.5%	8.6%	-0.5%	15.6%	10.0%	1.2%	5.6%
MSCI EAFE	EFA	0.2%	3.9%	9.5%	9.5%	15.4%	10.0%	1.1%	5.5%
Emerging Intl. (MSCI EM)		-4.0%	3.4%	5.7%	0.0%	6.0%	4.1%	-0.3%	8.8%
Vanguard FTSE Emerging Markets ETF	VWO	-3.6%	3.6%	6.0%	3.0%	6.5%	4.6%	-0.3%	8.5%
Real Assets									
Real Estate (FTSE NAREIT US REIT)		-0.1%	-4.8%	-1.0%	9.7%	12.7%	14.1%	7.0%	7.4%
Mortgage Real Estate	REM	0.3%	-0.3%	2.0%	3.2%	7.4%	7.7%	1.1%	-
REIT ETF	VNQ	-0.3%	-6.1%	-1.7%	10.0%	12.4%	14.0%	7.2%	8.2%
Commodities (Thomson Reuters/Jefferies CRB Index)		-2.8%	5.3%	-2.9%	-26.9%	-6.5%	-2.6%	-8.7%	-2.9%
AVENTIS*	AVENTIS	-0.9%	-0.2%	0.8%	-0.2%	-3.6%	3.5%	-2.4%	-
DIVERSIFYING STRATEGIES									
Hedge Funds									
HFRI WCI		0.7%	1.6%	4.0%	5.2%	7.0%	5.2%	3.4%	5.5%
INFINITY*	OCEAN	0.9%	1.1%	4.2%	9.5%	10.5%	8.9%	7.4%	9.2%
Robeco Long/Short Equity	BPLEX	-1.1%	2.6%	-1.7%	-6.3%	5.6%	9.1%	12.8%	11.0%
Lanier All Asset Strategy**	AAS	-0.9%	-1.2%	-0.6%	4.3%	12.0%	8.3%	12.4%	13.6%
Managed Futures									
Barclays CTA Index		-0.1%	-1.2%	2.8%	10.4%	1.7%	2.4%	2.3%	4.0%
WINTON*	WINTON	-1.4%	-5.1%	-1.9%	4.9%	0.9%	1.2%	0.8%	4.1%
AQR Managed Futures Strategy	AQMNX	-0.3%	-3.5%	4.8%	22.2%	7.1%	-	-	-
WisdomTree Managed Futures Strategy	WDTI	0.8%	-0.7%	0.9%	7.0%	1.8%	-	-	-

= Benchmarks
= Lanier Selections

* For Accredited Investors Only
** Based upon since inception (Jan 2006). Prior data uses 60/40 Blend

Our Firm

Lanier Asset Management is an independent Registered Investment Advisory firm with a mission to build confidence and security in our clients' financial future. The firm uses 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 key elements:

1. **Our People**: we are an independent firm, providing objective advice from experienced investment professionals working in your best interests
2. **Our Investment Philosophy**: we seek to smooth investment returns, providing superior performance and lower correlation
   - Focus on <u>projected</u> <u>returns</u> rather than historic
   - "A Better Mouse Trap" – similar to the largest U.S. endowments
3. **Our Investment Process**: we combine active and passive management in traditional asset classes, and complement them with diversifying strategies/alternatives
4. **Our Conviction**: we believe in our approach – this is how we invest our own money

Mark R. Hoffman

Managing Director, CEO, Principal

Junius V. (Trip) Beaver, III

Managing Director, CIO, Principal

Carl W. Hafele, CFA, CPA

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Deidre M. Durbin

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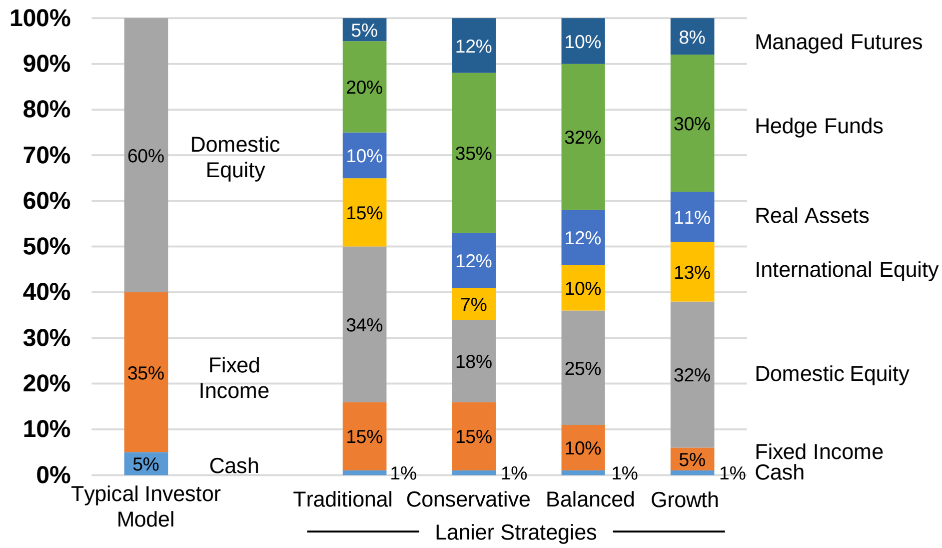
Our Approach

The Lanier Approach complements typical equity and fixed income investments with non-correlated assets including hedge funds, real assets and managed futures. This investment process improves long-term performance while simultaneously reducing risk.

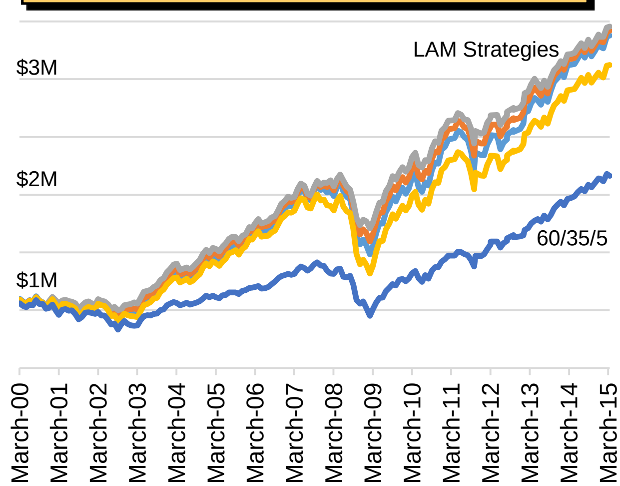


Our approach seeks to both A) limit losses in periods of market correction and B) participate in gains during periods of market appreciation. Across the last two economic cycles, our strategies have outperformed the typical investor model by 3%/year with 10-15% lower correlation to the overall market. The long-term result has been significant value creation versus the stock/bond/cash model.

Historic Performance: Economic Cycles

		Annualized Period Return			
		Down Market 4/00-9/02	Up Market 10/02-9/07	Full Cycle 4/00-9/07	Correlation To S&P 500
Cycle 1: April 2000 – September 2007	Lanier Balanced	-4.9%	+16.3%	+8.8%	.62
	60/35/5	-9.1%	+10.9%	+3.8%	.74
	Difference	+4.2%	+5.4%	+5.0%	
		Down Market 10/07-2/09	Up Market 3/09-12/14	Full Cycle 10/07-12/14	Correlation To S&P 500
Cycle 2: October 2007 – March 2015	Lanier Balanced	-16.1%	+13.4%	+6.9%	.66
	60/35/5	-23.6%	+14.9%	+6.1%	.71
	Difference	+7.5%	-1.4%	+0.8%	
				Two Cycles 4/00-12/14	Correlation To S&P 500
Two full cycles: April 2000 – March 2015	Lanier Balanced			+7.9%	.65
	60/35/5			+4.9%	.73
	Difference			+3.0%	

Value Added: $1M over two cycles/15 years



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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