LANIER
ASSET MANAGEMENT LLC

Building Confidence and Security in Your Financial Future

Monthly Update

February 2015

European Central Bank Tries QE: Will it Work?

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Managing Director, Principal

It's official – the European Central Bank (ECB) has prescribed a strong dose of quantitative easing (QE). The much anticipated move by ECB President Mario Draghi is simply an electronic version of running the old money printing press, and it ushers in a new era for the European Union. Why QE?

Quantitative easing is an experiment. As a central bank tool used when the traditional tools no longer work – including near zero interest rate policies – QE raises the prices of the financial assets the central bank purchases. Stocks go higher, bond yields fall further and voilà! Plenty of cash for investments! More investments occur and higher GDP ensues, thereby creating more tax dollars for the bureaucrats to spend. Nirvana.

But will it work? Let's briefly visit the success of other QE programs. Japan was first out of the QE gate, trying to fight deflation in the early 2000's that was strongly driven by its aging demographics. The U.S. and the U.K. joined in once the global financial crisis struck in 2007-8.

The jury is still out on the effectiveness of any and all QE's. The International Monetary Fund (IMF) has opined that the easy monetary policies of the major developed countries have reduced the systemic risks of the global economy after the fall of Lehman Brothers. The Bank of England estimated QE contributed over 1.5% to its GDP growth. Most importantly, QE's have contributed to the improvement of market confidence which in turn cranked up consumer consumption – GDP's largest element. We believe QE in the U.S. provided us with a much-needed assist yet remain unconvinced of longer term consequences. So let's QE it up folks and rock like the 1990's!

Unfortunately, it's not that simple darn it! There are considerable risks with quantitative easings. What happens when the programs are reversed? Can they be undone without major market meltdowns? Isn't the stock market addicted to these "monetary steroids?" Will the European banks extend loans as they deleverage or will the vast amount stay on their balance sheets in excess reserves ala the U.S.? Are we on the verge of unparalleled currency wars associated with printing wheel barrels of bills? When (if) the velocity of money returns, will the politicians have the guts to rein in things or watch as we revisit a 1970's-like inflationary environment? One should be cognizant that these are not ordinary measures but extraordinary ones indeed. Central banks' "magic check books" can print money, but money is not prosperity.

Perhaps the most alarming aspect of easy monetary policy by central banks is the laissez-faire levels of fiscal responsibility that seem to be attached by all countries. The situation in Greece is overdue to unfold. The group irreverently described as PIIGS (Portugal, Ireland, Italy, Greece, Spain) are all simply fiscally imprudent and austerity is not in their respective dictionaries. The numbers in the U.S. don't lie – government spending has skyrocketed, driving a doubling of our debt as % of GDP since 2008. One word summary – UNSUSTAINABLE! (See my book "The Inevitable GREAT AMERICAN RESET" at www.carlhafele.com.)

From an investment viewpoint, economic policies over long periods of time – including QE's – are quite important. Investing internationally for diversification purposes is certainly part of most all qualified investment advisors' recommendations. Yet international investing has lagged the U.S. considerably for years – a function of the U.S stock market's advance propelled by the FED's QE programs. Investors using a "Don't fight the FED" investment mantra participated in a U.S. market advance of approximately 150%. International equities have lagged considerably.

Could Super Mario ignite the Eurozone? Could that, in turn, ripple through to non-Eurozone global equities? Could the sequel to "Don't fight the FED" be "Don't fight Super Mario?" Currently it feels extremely uncomfortable – which means it's probably not a bad time to consider adding international exposure should one be underweighted international equities.

Key Points From Our Investment Meetings

Macro Viewpoint

- Greece day of reckoning here – size of impact on Euro?
- Monetary Policy – Positive affects of unprecedented accommodative policy – still in the early innings
- European Central Bank (ECB) enacted quantitative easing
- ~~Oil plummeting continues~~

Asset Class Comments from our February 12th Investment Meeting

- Attractive time to continue diversifying portfolios
- Rocky start for 2015 – flat YTD except midcaps, up 1.5% (limited dollar exposure)
- Equity volatility remains – long term up trend still intact
- International Developed Equities – unattractive entry point remains
- International Emerging Equities – 3 year trading large
- Real Estate extended; long-term trend attractive; higher yields in REITs attractive
- Solid 8% plus year for our hedge funds for 2014 – similar to 3, 5, and 10 year returns.
- Managed Futures – Momentum further establishing

Performance Update

January 31, 2015

	Investment Vehicle	Total Return (%)							
						Annualized			
		JAN	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%	0.1%	0.1%	0.5%	1.6%
Fixed Income									
Domestic (Barclays US Agg)		2.1%	2.1%	2.1%	6.6%	3.1%	4.6%	4.8%	4.9%
Eaton Vance Floating Rate	EIBLX	0.2%	0.2%	0.2%	0.4%	4.0%	4.6%	4.4%	4.0%
High Yield (Barclays US Corp HY)		0.7%	0.7%	0.7%	2.1%	7.3%	8.7%	9.0%	7.7%
Short Term High Yield	SJNK	0.2%	0.2%	0.2%	-1.2%	-	-	-	-
Equities									
Domestic (S&P 500 TR)		-3.0%	-3.0%	-3.0%	14.2%	17.5%	15.6%	7.8%	7.6%
S&P Equal Weight	RSP	-2.9%	-2.9%	-2.9%	14.1%	18.5%	17.0%	9.8%	9.0%
Developed Intl. (MSCI EAFE)		0.5%	0.5%	0.5%	-0.4%	9.3%	6.4%	1.0%	4.7%
MSCI EAFE	EFA	0.6%	0.6%	0.6%	0.6%	8.9%	6.4%	0.7%	4.5%
Emerging Intl. (MSCI EM)		0.6%	0.6%	0.6%	5.2%	0.6%	3.1%	0.6%	8.5%
Advisory Research Emer Mkts Opps	ADVMX	-1.6%	-1.6%	-1.6%	-	-	-	-	-
Real Assets									
Real Estate (FTSE NAREIT US REIT)		5.6%	5.6%	5.6%	29.9%	16.1%	19.0%	9.0%	9.0%
Mortgage Real Estate	REM	0.3%	0.3%	0.3%	10.7%	9.0%	8.2%	-2.0%	-
REIT ETF	VNQ	6.9%	6.9%	6.9%	33.6%	16.4%	19.9%	9.9%	10.2%
Commodities (Thomson Reuters/Jefferies CRB Index)		-4.8%	-4.8%	-4.8%	-22.8%	-11.2%	-3.8%	-7.2%	-2.6%
AVENTIS*	AVENTIS	2.0%	2.0%	2.0%	-4.4%	-4.2%	3.6%	-0.2%	-
DIVERSIFYING STRATEGIES									
Hedge Funds									
HFRI WCI		0.5%	0.5%	0.5%	5.1%	5.7%	5.0%	3.4%	5.3%
INFINITY*	OCEAN	0.9%	0.9%	0.9%	7.8%	10.0%	8.1%	7.3%	9.3%
Robeco Long/Short Equity	BPLEX	-3.9%	-3.9%	-3.9%	3.1%	5.6%	10.1%	12.7%	11.4%
Lanier All Asset Strategy**	AAS	-0.9%	-0.9%	-0.9%	11.4%	10.7%	9.0%	12.9%	13.7%
Managed Futures									
Barclays CTA Index		2.3%	2.3%	2.3%	11.0%	2.1%	2.4%	3.1%	3.9%
WINTON*	WINTON	2.6%	2.6%	2.6%	14.0%	1.3%	3.4%	2.5%	5.7%
AQR Managed Futures Strategy	AQMNX	4.8%	4.8%	4.8%	18.3%	8.9%	-	-	-
WisdomTree Managed Futures Strategy	WDTI	1.5%	1.5%	1.5%	7.7%	-0.1%	-	-	-

= 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 projected returns 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

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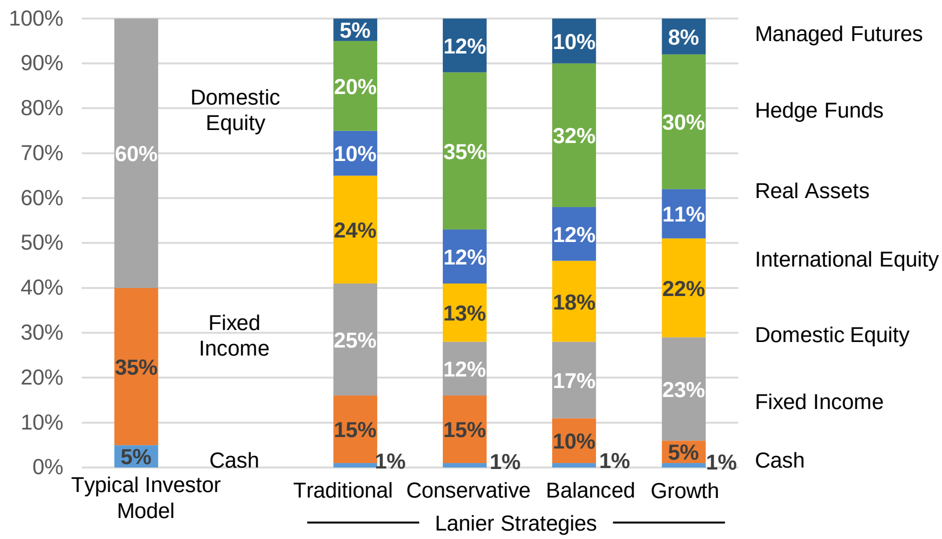
Our Approach

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.

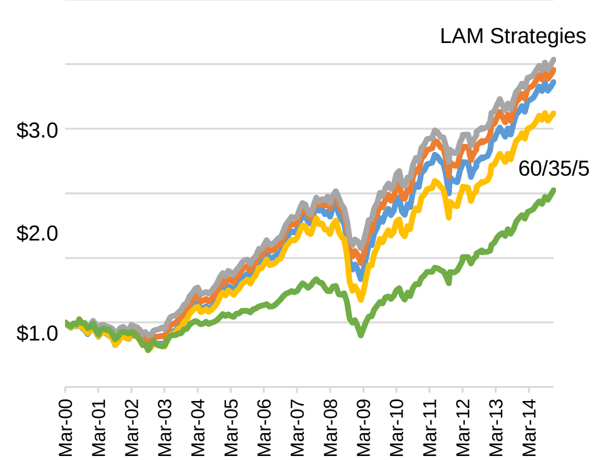


Our approach seeks to both A) limit losses in periods of market correction and B) participate in gains during periods of market appreciation. Across the last two economic cycles, our strategies have outperformed the typical investor model by 2-3%/year with 15-20% lower correlation to the overall market. 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
Cycle 1: April 2000 – September 2007	Lanier Balanced	-6.5%	+17.4%	+8.8%
	60/35/5	-9.1%	+10.9%	+3.8%
	Difference	+2.6%	+6.5%	+5.0%
		Down Market 10/07-2/09	Up Market 3/09-12/14	Full Cycle 10/07-12/14
Cycle 2: October 2007 – December 2014	Lanier Balanced	-16.5%	+13.0%	+6.5%
	60/35/5	-23.6%	+15.1%	+6.2%
	Difference	+7.1%	-2.1%	+0.3%
				Two Cycles 4/00-12/14
Two full cycles: April 2000 – December 2014	Lanier Balanced			+7.7%
	60/35/5			+4.9%
	Difference			+2.8%

Value Added: $500K-$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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