LANIER
ASSET MANAGEMENT LLC

Building Confidence and Security in Your Financial Future

Monthly Update

September 2015

Double Espresso at Midnight

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Co-Chief Investment Officer, Principal

Ten years ago, I made a huge mistake. Out late with my wife and friends after a lovely dinner, the dessert cart rolled around.   A wise man would have ordered the sorbet sampler and a decaf coffee. Me? Chocolate lava cake and a double espresso. Delicious. I didn't sleep a wink and thanks to me, neither did my wife. Let's just say it was a long and grumpy next day. I like to sleep comfortably at night. And so do investors. What makes an investor sleep comfortably at night? Knowing that their portfolio is safe. What is the investor equivalent of a double espresso at midnight? Volatility.

After six years of calm, change is upon us. Why? What has changed so significantly that the VIX (volatility index) spiked to an intraday high of 53 after years of hovering around 12? We haven't seen a number that high since - you guessed it - 2008, when the market fell 50%! We are not suggesting that we are in for another drop of that magnitude, but we are long overdue for a sizable correction or a bear market. The average bear market loses about 30%. That we believe is not out of the question. Twenty years ago we had 10-15% corrections all the time and no one thought twice about it. Now, if we drop 5-8%, you would have thought the world was coming to an end. Why do you think that is? Let me explain.

Over the last six years, the Federal Reserve instituted QE, QE2, operation twist and finally more QE(3) flooding the markets to the tune of $4.5 trillion. Our government ran massive budget deficits and added another $6.5 trillion to our national debt which now stands at over $18 trillion and counting. The goal was to reduce unemployment and increase productivity. The government says our unemployment is around 5%, so we can check that box, right? GDP is doing great as we continue to grow at a whopping 2-2.5%. Right? The worst post-recession growth of the modern era! The Fed cannot print money forever and we are now about to change course. This has massive implications. When the Fed begins raising rates, they typically do so several times over several years. Many things begin to occur at the same time and unfortunately they could have various implications, including:

- The dollar goes up in value against other currencies. This make our goods and services more expensive abroad and hurts the profits of multinationals.
- Borrowing cost for individuals goes up and hurts consumption.
- Borrowing cost goes up for small businesses and puts more pressure on margins.

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- Stock buyback programs at large corporations, fueled by the ability to borrow money at very low rates will begin to slow.

- What has been called the “Greenspan, Bernanke and Yellen put” will come to an end.

All of these things and many others will lead to increased volatility in equities and, if you are not properly diversified, decreased REM sleep at night. Bonds won’t save you this time – that only works when interest rates are declining. At Lanier, we strongly believe that risk management is critical to meeting anyone’s long term objectives. We do this by diversifying beyond stocks, bonds and cash – blending in asset classes that can still perform in volatile or declining equity markets.

A final thought: if there was a way to provide you the opportunity to grow your assets at approximately 6-7% per year taking half the risk of the traditional 60% stocks/40% bonds, would it be of interest to you? If the answer is yes, then give us the opportunity to show you how. And if it’s after 10:00 pm, send the lava cake back to the kitchen. Resist the temptation for immediate gratification that you will regret later. The sorbet is better for you in the long run anyway.

Key Points From Our Investment Meeting – 9/16/2015

Macro Viewpoint

- Much has changed in the last month as virtually all equity asset classes have corrected approximately 5%.
- Slowdown in China has become more apparent.
- Volatility has significantly spiked to 2008 levels.
- FED interest rate hike inevitable for normalization.

Asset Class Comments

- We are in a classic environment that illustrates the necessity of diversifying strategies.

Performance Update

	Investment Vehicle	Total Return (%)							
						Annualized			
		August	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%	1.5%
Fixed Income									
Domestic (Barclays US Agg)		-0.2%	0.5%	0.4%	1.5%	1.5%	3.0%	4.5%	4.5%
Eaton Vance Floating Rate	EIBLX	-2.2%	-2.1%	0.1%	-0.7%	2.6%	4.1%	4.3%	3.8%
High Yield (Barclays US Corp HY)		-2.1%	-2.8%	-0.1%	-3.1%	4.6%	7.1%	9.0%	7.3%
Short Term High Yield	SJNK	-1.9%	-3.1%	-1.2%	-4.4%	-	-	-	-
Equities									
Domestic Large Cap (S&P 500 TR)		-6.0%	-4.1%	-2.9%	0.5%	14.3%	15.9%	8.7%	7.2%
S&P Equal Weight	RSP	-4.5%	-3.6%	-3.1%	0.1%	16.4%	16.5%	10.5%	8.2%
Domestic Mid Cap (S&P 400 TR)		-5.6%	-5.4%	-1.5%	0.0%	15.1%	16.1%	9.9%	8.7%
Vanguard Mid-Cap ETF	VO	-5.2%	-4.0%	-1.0%	2.2%	16.9%	16.8%	10.2%	8.4%
Domestic Small Cap (S&P 600 TR)		-5.2%	-6.0%	-2.1%	1.8%	15.2%	17.4%	9.6%	8.1%
Vanguard Small-Cap ETF	VB	-5.8%	-6.1%	-2.2%	-1.0%	15.3%	16.7%	9.9%	8.4%
Developed Intl. (MSCI EAFE)		-7.4%	-5.4%	-0.2%	-7.5%	8.5%	7.1%	2.2%	4.0%
MSCI EAFE	EFA	-7.4%	-5.6%	0.2%	0.2%	8.4%	7.0%	2.2%	3.7%
Emerging Intl. (MSCI EM)		-9.0%	-15.3%	-12.8%	-22.9%	-2.4%	-0.9%	0.2%	5.5%
Vanguard FTSE Emerging Markets ETF	VWO	-9.8%	-15.5%	-12.6%	-21.9%	-1.9%	-0.7%	0.3%	5.2%
Real Assets									
Real Estate (FTSE NAREIT US REIT)		-5.7%	-1.1%	-6.3%	-0.6%	7.6%	12.3%	7.2%	6.1%
Mortgage Real Estate	REM	-3.4%	-0.9%	-5.7%	-7.7%	1.2%	6.5%	3.7%	-
REIT ETF	VNQ	-6.3%	-0.9%	-7.1%	-0.3%	7.6%	12.2%	7.2%	6.8%
Commodities (Thomson Reuters/Jefferies CRB Index)		-4.1%	-18.1%	-22.4%	-39.0%	-16.8%	-7.5%	-10.6%	-5.9%
AVENTIS*	AVENTIS	-2.8%	-3.3%	-4.5%	-8.1%	-6.6%	-0.3%	-2.5%	-
DIVERSIFYING STRATEGIES									
Hedge Funds									
HFRI WCI		0.0%	0.0%	2.7%	1.9%	5.9%	4.9%	4.0%	4.9%
INFINITY*	OCEAN	0.3%	1.3%	5.7%	9.4%	10.4%	9.0%	7.6%	8.8%
Robeco Long/Short Equity	BPLEX	2.7%	2.7%	-0.6%	-3.6%	0.0%	4.2%	9.8%	12.3%
Lanier All Asset Strategy**	AAS	-6.1%	-5.8%	-8.4%	-8.2%	6.7%	6.3%	11.8%	12.4%
Managed Futures									
Barclays CTA Index		-0.8%	0.0%	-1.1%	3.9%	0.6%	1.2%	1.8%	3.4%
WINTON*	WINTON	-2.1%	1.5%	-3.2%	3.2%	1.0%	0.5%	1.2%	3.3%
AQR Managed Futures Strategy	AQMNX	1.4%	1.4%	3.6%	3.0%	0.0%	-	-	-
WisdomTree Managed Futures Strategy	WDTI	-0.1%	-0.1%	-3.7%	-5.6%	0.0%	-	-	-

= Benchmarks
= Lanier Selections

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

Our Firm

- Independent, employee-owned Registered Investment Advisory firm
- Open architecture investment structure
- Mission: To build confidence and security in our clients' financial future
- Custodian: The Bank of New York Mellon

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

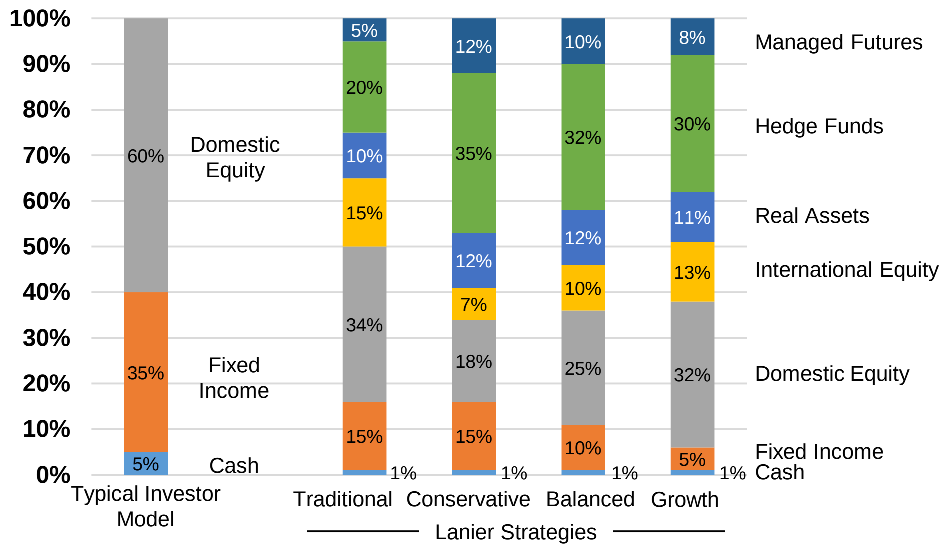
Deidre M. Durbin
Chief Compliance Officer

Emily A. Spendlove
Investment Associate

Building Confidence and Security in Your Financial Future

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.

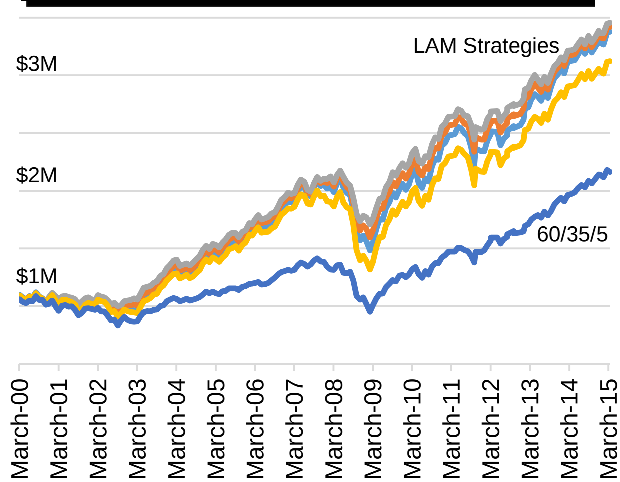


Our approach seeks to both A) limit losses in periods of market correction and B) participate in gains during periods of market appreciation. Across the last two economic cycles, our strategies have outperformed the typical investor model by 3%/year with 10-15% lower correlation to the overall market. 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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