George M. Hiller Companies L.L.C.

INVESTMENT MANAGEMENT, TAX, ESTATE & FINANCIAL COUNSEL

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Market Outlook

As of March 27, 2015

The bull market, which began in March 2009, (six years ago) has gotten off to a volatile start for 2015; however, our two intermediate market indicators (weeks to months) are positive and our longer-term market outlook (months to years) continues to remain positive, although we have concerns.

In our market outlook all five principal asset categories; US Equities, International Equities, Resources and Materials, Real Estate, and Bond/Fixed Income are bullish at this time. Resources and Materials are near a point where our market outlook could change from Bullish to Bearish for that category only. Please remember that no market indicator is foolproof or guaranteed to accurately forecast future market conditions. Observed historical trends are not guaranteed to occur in each and every year nor in any given year or time period.

Remarkably the S&P 500 has moved up six years in a row. This is the longest stretch of up years for the S&P 500 since 1898 to 1903 when it also went up six years in a row. Market data going back to 1871 shows that US Equities as measured by the S&P 500 has never gone up seven years in a row (source DoubleLine and Business Insider, January 14, 2015). As a side note, the Dow Jones Industrial Average was up nine years in a row during the 1990s (1991-1999) (source mdleasing.com/djia-close.htm).

Year-to-date the Dow Jones Industrial Average is down -0.73%, the S&P 500 Index is down - 0.01%, and NASDAQ is up 2.92% as of mid-day March 27, 2015 (source money.cnn.com). The NASDAQ hit a recent high of 5008.10 on March 2, 2015, within about 40 points of its all time closing high of 5048.62 on March 10, 2000 (established 15 years ago). Please note that the Dow, S&P 500, and NASDAQ are all equity indexes.

Most diversified investment portfolios are not invested 100% in equities. Also, while it is possible to invest in various equity index funds, it is not possible to invest directly in the indexes themselves.

Our market snapshot (taken daily) is as follows:

-- U.S. Equities	*Positive outlook for past 1,155 days*
-- International Equities	*Positive outlook for past 955 days*
-- Resources and Materials	*Positive outlook for past 924 days*
-- Real Estate	*Positive outlook for past 2,051 days*
-- Bonds/Fixed Income	*Positive outlook for past 392 days*

Currently, the top 3 performing sectors (based upon our assessment and ranking methodology) are:

- **Healthcare**
- **MidCap Growth**
- **SmallCap Growth**

In addition to the top three sectors listed above Consumer Cyclical and MidCap Blend have above average rankings. This suggests that these sectors are also above average investment candidates in the current market environment. Currently the worst performing sectors are Utilities and Energy.

There is a historical pattern that has favorable implications for the 2015 stock market. This is the observed tendency for the stock market to advance higher in the year before a presidential election year.

In addition, since 1885 the stock market has advanced higher in each year ending in 5 (1895, 1905, 1915, etc.) in all but one occasion. So 12 out of 13 years ending in 5 have been positive for the stock market. If this holds true to pattern for 2015 we should expect to see a stock market advance for the year.

According to recently published data, the NCAA basketball tournament popularly known as March Madness, correlates with positive moves on Wall Street for equities during this short period of time. Research from market data firm Kensho shows that for the past 10 years every single stock in the Dow Jones averages has gone up during the March Madness period March 17 through April 6 (source, Get ready for March Madness spike on Wall Street, by Eric Chemi, published by CNBC on March 16, 2015). At the time of this writing it appears that the anticipated correlation of March Madness with positive moves in the stock market may disappoint this year.

In summary, the position in the political cycle and the mid-decade tendency along with generally positive growth and economic environment all point to a good year for stocks in 2015. However, US equities are already at or near all-time highs as measured by broad stock market indexes. Also, US equities have gone an unusually long period of time without a correction of 10% or more. At some point one or more of the asset categories listed above will begin a significant decline.

Right now, many economic and business signs we review are bullish, but there will come a time when that changes. Currently, we remain generally bullish on U.S. Equities, International Equities, Resources & Materials, Real Estate and Bonds/Fixed Income.

Valuation Issues Regarding the U.S. Stock Market

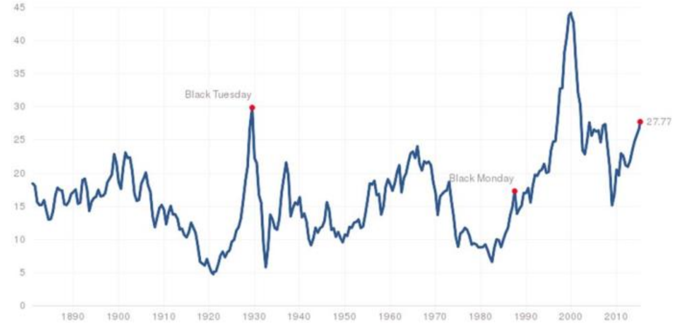
There are indications that the U.S. Stock Market is at a valuation level in excess of long-term averages. The current S&P 500 PE ratio is 19.9. PE is a ratio of price to earnings based on the trailing 12 months earnings. The long-term mean average for the S&P 500 PE ratio is 15.5 (source, multpl.com), well below the current level.

This suggests that the stock market may be overvalued in terms of PE ratio relative to its long-term average. The argument for justifying a higher PE ratio is that low interest rates support higher asset values and higher PE ratios.

We monitor a special PE ratio known as the Shiller PE ratio that is also called CAPE for cyclically-adjusted price to earnings ratio. It is a ratio of price to cyclically adjusted earnings over the last 10 years instead of earnings over the trailing 12 months. The Shiller PE ratio or CAPE is 27.8, which is at a relatively high level compared to its long-term mean average of 16.6 (source, multpl.com).

The CAPE at 27.8 is approximately at the level reached at the pre-crash high in October 2007. This suggests that future returns in the US stock market may be relatively low. In fact, since 1881 the average annual returns for all ten year periods that began with a CAPE at this level have been just 3% per year. We believe that this means that above-average returns will be more likely to come from active management of portfolios than from passive buy-and-hold. Below is a chart of the Shiller PE or CAPE.

Shiller PE Ratio or CAPE (prior 1890 to current)



While our market outlook is positive for U.S. stocks the existence of PE and CAPE ratios that are historically higher than average levels is cause for concern. The U.S. stock market may be overvalued relative to historical averages. This could mean lower return expectations going forward and/or greater risk for a pullback.

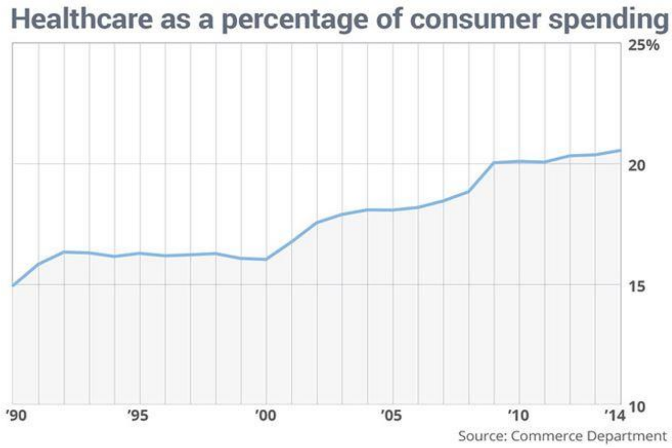
The higher PE ratios in the US suggest that the US market may be overvalued relative to other stock markets such as European markets and other international markets. This in turn suggests that it may now be advisable to allocate more investment assets to international exposure in order to take advantage of more favorable market valuations compared to the U.S.

It bears notice that the S&P 500 price-to-sales (P/S) ratio recently set a new record, now at 1.82, and above pre-crash highs of 1999 and 2007. Many analysts view this ratio to be a more reliable indication of company valuations, as it is less subject to earnings manipulations than the PE ratio and sales are less susceptible to cyclical swings than earnings. Like the long-term CAPE mentioned above, the current level of the composite P/S has historically preceded lower future annual gains in the US stock market.

Having expressed concerns regarding stock market valuation we note that Professor Jeremy Siegel of the Wharton School of Finance has stated that he estimates the fair valuation of the Dow Jones at 20,000 (source, CNBC, "Jeremy Siegel: Why I'm feeling much better about stocks," published March 27, 2015). The Dow Jones is currently at 17,684 at the time of this writing. In the opinion of Professor Siegel the stock market is still somewhat undervalued.

Consumer Spending on Healthcare Hits New Record

The share of consumer spending on healthcare hit a record high in 2014. The chart below shows healthcare as a percentage of consumer spending rising from 15% in 1990 to 20.4% in 2014.



This growth trend in the healthcare percentage of consumer spending is not sustainable. Our country is in need of healthcare reform.

Asset Allocation

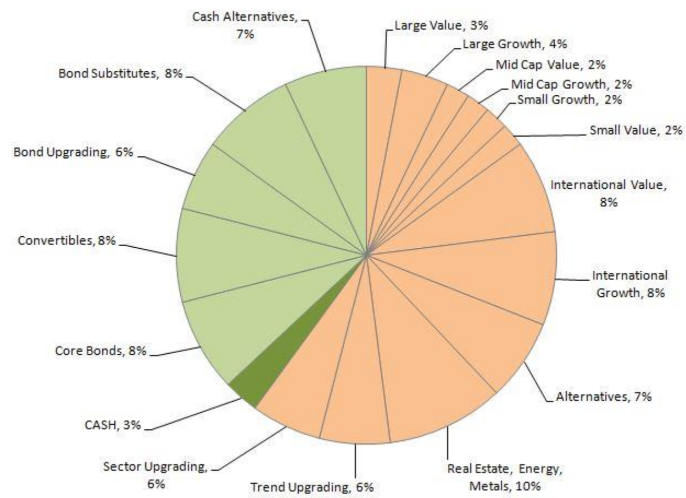
In reviewing investment portfolios one of our concerns is that many investors do not have a portfolio that is prepared for today's challenging and changing investment environment. There are times when market and economic conditions suggest a need for changes in the relative weightings or components assigned to an asset allocation portfolio. This process of changing asset allocations based upon changes in the market (such as market anomalies or identifying strong market sectors) and in economic data and trends is called tactical asset allocation. Investors have an opportunity to improve investment performance over time through proper implementation of tactical asset allocation.

The United States is one of the best places to invest in the world, but valuation indications suggest that U.S. stocks may be overvalued as a group. Given this, it makes sense in our view to now reduce exposure to U.S. investment assets and increase exposure to international investment assets.

The asset allocation pie chart below is an example of tactical asset allocation in implementing lower U.S. exposure and increasing international exposure (compared to the previous asset allocation pie chart published in the March issue). These changes are based in part upon an ongoing assessment of U.S. stock market valuation indicators and the evaluation of performance data using our proprietary tracking and ranking methodology.

We also recognize and evaluate certain economic data and trends in developing tactical asset allocation strategy. Changes in investment data and economic data occur regularly and can in turn lead to changes in asset allocation at any time.

Example of Asset Allocation Pie Chart



In summary the asset allocation pie chart above expresses tactical asset allocation strategy in pursuit of the following broad investment themes:

● Reduced exposure to US investment assets
● Increased exposure to International investment assets

This asset allocation example is for educational and informational purposes only. It is not representative of any particular client account. Each person, family, or account has different facts and circumstances, so no single investment allocation can fit all situations. In addition, changes in an individual's time horizon and risk tolerance as well as various economic, financial and market factors can lead to changes in the asset allocation of an investment portfolio for any particular investor.

It is our mission to provide high quality professional and objective financial counsel in the areas of investment management, estate and personal financial planning designed to help our clients improve their financial condition and achieve long-term financial goals.

Sincerely,
George M Hiller Companies, LLC Investment Team

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