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Just days after Robert E. Lee surrendered to Ulysses Grant, effectively ending the Civil War, President Abraham Lincoln was assassinated at Ford's Theatre on April 14. This year marks 150 years since that tragic event. Many of us have heard the story time and again in history class, but even all these years later, there are some little-known facts about Lincoln. Lincoln signed legislation to create the U.S. Secret Service on the same day he was shot. He is one of the few presidents in U.S. history to write the entirety of his speeches and remarks, including the famous Gettysburg Address. Lincoln had only 18 months of formal schooling throughout his life. He was, however, a voracious learner and a self-taught lawyer. Let's review the numbers.

	(As of 3/31/15)
Dow Jones Industrials	-0.26%
S&P 500 Index	+0.44%
NASDAQ Composite	+3.49%

Major Bond Indexes	(As of 4/2/15)
Lipper U.S. Government	+1.43%
Lipper Short-term Investment Grade	+0.75%

Major Mutual Funds Indexes	(As of 4/2/15)
Lipper Large-Cap Core	+0.89%
Lipper Mid-Cap Core Index	+2.21%
Lipper Small-Cap Core Index	+3.90%
Lipper International Index	+6.41%

Source: The Wall Street Journal and Barron's

FINANCIAL AND INVESTMENT PLANNING

"I love that woman. I love her more than sharks love blood."
- Frank Underwood

To lift and expand on Frank Underwood's line from the Netflix award winning drama *House of Cards* - the Fed craves certainty. It is data-dependent. And, recent economic data releases have been mixed, but generally disappointing, suggesting relatively soft GDP growth in 1Q15. On the heels of a somewhat rough stock market first quarter, many investors are questioning the state of economic growth and wondering if equities still hold value. As has been the case since the financial crisis began, the main concern among investors is that economic growth will falter. The main catalyst for these worries is now the strong dollar, which many fear will derail the primary global growth engine – the U.S. economy. The Euro fell 12.0% (vs. the US dollar) in 2014 (i.e., from 12/31/13 to 12/31/14), and then has fallen another 10.6% since the beginning of 2015 (to last Friday 3/20/15). As the Euro falls, the cost of imports coming into the Eurozone rises but the cost of Eurozone exports falls (source: BTN Research).

This dollar strength and weak energy prices, which account for 12% of S&P 500 earnings in 2014, have depressed corporate earnings expectations and will likely continue to do so in the short run. And to make matters more interesting, given that stock prices have advanced in recent years while bond yields have fallen, valuations for both asset classes are less attractive than they once were. Investors are also concerned about the pending start of the Federal Reserve's rate hike cycle.

Many other underlying issues persist. US health care spending was $2.9 trillion in 2013. An estimated 75% of the $2.9 trillion (i.e., $2.2 trillion) is spent each year on medical care for chronic illnesses that are preventable, i.e., the illnesses are a function of avoidable behavior including obesity, poor diet, smoking, excessive alcohol consumption, lack of physical activity and poor oral health (source: Institute of Medicine). In addition, the Social Security Disability Insurance (SSDI) trust fund is projected to be depleted by the 4th quarter 2016. Payroll taxes collected on behalf of the SSDI beyond 2016 would be sufficient to pay disability benefits equal to 81% of scheduled benefits (source: Social Security 2014 Annual Report).

Despite a recent rise in small company defined benefit plans, a multi decade trend of terminated or frozen large company pension plans endures. The Pension Benefit Guaranty Corporation (PBGC), a governmental agency which is not funded by general tax revenues protects pension plans in the private (non-government) sector of 44 million American workers, was forced to take over an average of 10 failed pension plans per month over the last 10 fiscal years (2005-2014), a total of 1,197 over the entire decade. (source: Pension Benefit Guaranty Corporation).

Yet despite a litany of strong social, economic and political headwinds Federal Reserve (Fed) officials have signaled a return to business as usual – that is, considering whether to raise short-term interest rates on a meeting-by-meeting basis, starting in June. That doesn't mean that they will raise rates right away. For the last several months, the Fed has made plans to normalize monetary policy, setting out the tools and the order in which they will be used. Still, the timing of the first rate increase and the pace of policy tightening are uncertain. Fed officials have made it clear that monetary policy will be data-dependent. Additionally, the broad range of labor market data suggests that slack is being taken up at a fairly rapid pace, but a large amount remains.

The last time the Federal Reserve began a series of interest rate hikes was almost 11 years ago. Over the 2-year period from 6/30/04 to 6/29/06, the Federal Reserve raised short-term interest rates 17 times. The S&P 500 gained +15.5% (total return) over the 2-years beginning 6/30/04, i.e., aggregate total return for the 2-year period, not per year (source: BTN Research). Fed officials have reduced their outlooks for growth and inflation, implying a less aggressive path of interest rate hikes in the quarter ahead. The strong U.S.

dollar has had a negative impact on corporate earnings, but the incoming data should suggest a strengthening economy at home. While the start of rate hikes will likely cause some temporary turbulence in financial markets, the fundamental backdrop should still be reflationary. The start of the next rate cycle is not about preventing a surge in consumer price inflation in the next year or two, but about unwinding an unprecedented monetary experiment. In other words, the Fed is not going to be raising rates to combat inflation, but rather as a reflection that the economy is strong enough that it no longer needs an emergency, zero-rate policy.

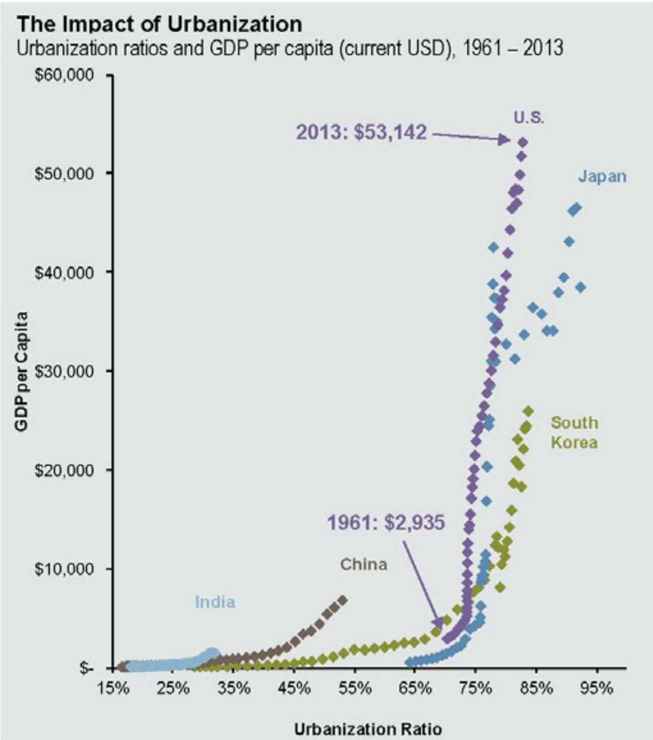
And, indeed there are many positive developments at home which we can hang our hats on. For instance, 88% of the crude oil imports of the United States in 1976 came from OPEC, our highest percentage of dependency ever on the world's largest oil cartel. In August 2014, that percentage dropped to just 40% (i.e., 2.9 million barrels a day), the lowest dependency America has required from OPEC since May 1985 or 29 years ago (source: Department of Energy). The United States was the # 3 ranked oil producer in the world just 5 years ago, trailing both Russia and Saudi Arabia in 2009. Since then, the USA has increased its production of oil from 8 million barrels a day to 13 million barrels a day, overtaking both Russia and Saudi Arabia in the global rankings (source: Energy Information Administration).

On the real estate front, the value of Americans' equity in their real estate peaked at $10.31 trillion as of 12/31/07, fell to $6.39 trillion by 12/31/11, then climbed back to $11.13 trillion as of 12/31/14 (source: Federal Reserve). Looking at interest rates, the cost of borrowing money has dropped substantially over the past 30 years. The average interest rate nationwide on a 30-year fixed rate mortgage was at least 10% for the 12 consecutive years of 1979-1990. The average rate today is 3.78% (source: Freddie Mac). If one borrowed $300,000 for a home loan today (30 year fixed mortgage) at 3.78% interest, it would result in total payments over the life of the loan of $502,005.60 ($1,394.46 monthly payment multiplied by 30 years). The total interest paid would be $202,005.60. Contrast that to a $300,000 loan at 10% (30 year fixed mortgage) - it would result in total payments of $947,775.60 ($2,632.71 monthly payment multiplied by 30 years). With this loan the borrower would have paid $647,775.60 in interest!

In our homes the ratio of household debt (i.e., home mortgages, auto loans, credit card debt, student loans) to personal income was 31% in 1952, 81% in 2000, peaked at 120% in 2008, but has fallen back to 96% today (source: Federal Reserve Bank of St. Louis). And, so, not surprisingly, personal savings rate in the USA was 5.8% as of 2/28/15. The personal savings rate in the USA was 0.8% as of 4/30/05, a record low in the country. The rate is defined as "savings" (i.e., after-tax income less consumption spending) divided by after-tax income (source: Department of Commerce).

Experts believe that angst about the strong U.S. dollar is overdone. Some investors fear the dollar will wreck the U.S. recovery before it lifts overseas economies. However, a strong dollar also has some positive, long-term effects, such as boosting consumer spending. The employment backdrop looks solid. Earnings improvements could begin when companies start to benefit from falling commodity prices.

Economic conditions in Europe appear to be stabilizing and could surprise on the upside, also boding well for U.S. equity markets. An improving global economy should (eventually) allow for a renewed upturn in earnings prospects, and in equity markets. As such, we believe investors should remain patient. Despite near-term challenges, long-term growth demographics in emerging markets are undeniable. Over the next 10 to 30 years, these markets are poised to move forward economically. Much more than half of the world's population lives in emerging market economies, and these populations are connected to the rest of the world like never before – electronically, economically, politically and socially. This connectedness makes it difficult to believe that these countries, except possibly in isolated incidences, will make a permanent retreat to the economic wreckage of earlier decades.



Demographic Snapshot

	GDP Per Capita	Population	% of Pop. under 20	Investment (% of GDP)
Developed				
U.S.	$53,101	316 mm	26%	20%
Canada	51,990	35	22	24
U.K.	39,567	64	24	14
Germany	44,999	81	18	17
France	43,000	64	24	19
Japan	38,491	127	18	21
Italy	34,715	60	19	17
Emerging				
Korea	24,329	50	22	26
India	1,505	1,243	38	35
Brazil	11,311	198	33	18
Mexico	10,630	118	38	22
Russia	14,819	143	21	24
China	6,747	1,361	20	48

Source: FactSet, World Bank, United Nations, J.P. Morgan Global Economics Research, OECD, Bureau of Statistics of China, Ministry of Statistics & Programme Implementation of India, J.P. Morgan Asset Management.

GDP per capita and Investment as % of GDP in the Demographic Snapshot table are IMF estimates for 2014.

Guide to the Markets – U.S.

Data are as of 12/31/14.

PERSONAL

“I can do it myself!” said Macy, after Kris grabbed the sunscreen from the back of the Subaru. Once dad and his two daughters had their sunscreen, hats and sunglasses on, they began another Saturday morning hike. As they explored a new trail, Kora was out in front fast approaching a descent that was covered with sand and small stones making it easy to lose one’s footing. Dad shouted out, “Kora, you need to slow down and take your time on the trail.” She spun her head around and replied, “Don’t worry dad, I can do anything!” The four year old waited for her dad and sister to get a little closer, and then cautiously made her way down the trail. Dad was happy the confident little girl listened. Ten minutes later, Kora blazed her own trail up the mountainside and sat down - as if to enjoy the view. Despite dad’s request to come down immediately, since rattlesnakes are much more prevalent off the trail, Kora refused. Dad walked up the hillside and put the defiant child over his right shoulder and began trekking back to the car. Listening to her parents at all times is still a work in progress.

It's hard to believe that, as of this missive, practically one third of this year is behind us. Days fly by, turning into weeks and weeks into months, and so on. Time is forever galloping ahead, and, we can't help but be reminded of Eleanor Roosevelt's quote, "Today is the oldest you've ever been, and the youngest you'll ever be again."

Life in the Kachkovsky and Fisher households is… well…full of life. Kris and Angie are busy raising two wonderful girls who often surprise with their kindness and love, quirkiness and spontaneity. And, speaking of life… Elle Taylor Kachkovsky blessed us with her presence on March 9th at 2:54pm. At 21 inches in length and 8 lbs. on the dot, she wasted no time eating and falling right asleep. That first night at the hospital not even the seemingly constant interruptions by medical staff could disrupt her slumber. Elle slept the entire night and the parents started to wonder if it could be this easy from the get-go. Wishful thinking. But, despite the first few weeks of what seemed to be endless nights, Elle is starting to get into a routine. As long as her belly is full, she is a happy baby. Ava is absolutely over the moon with her little sister - kissing, hugging, and "petting" her at every turn. It's tough for a three year old to adjust to a new family member – sharing mama and papa time, being quiet while the baby is sleeping and not having baba (grandma) all to herself. Yet, remarkably Ava is doing great. Emily is recovering well and Garry is happy to multitask – spending time cuddling the baby and getting caught up on the hockey and basketball playoff races. It appears that Elle is into sports like her older sister.

"There's a big, wonderful world out there for you. It belongs to you. It's exciting and stimulating and rewarding. Don't cheat yourselves out of this promise. "

— Nancy Reagan

Thank you for your trust, confidence and friendship.

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