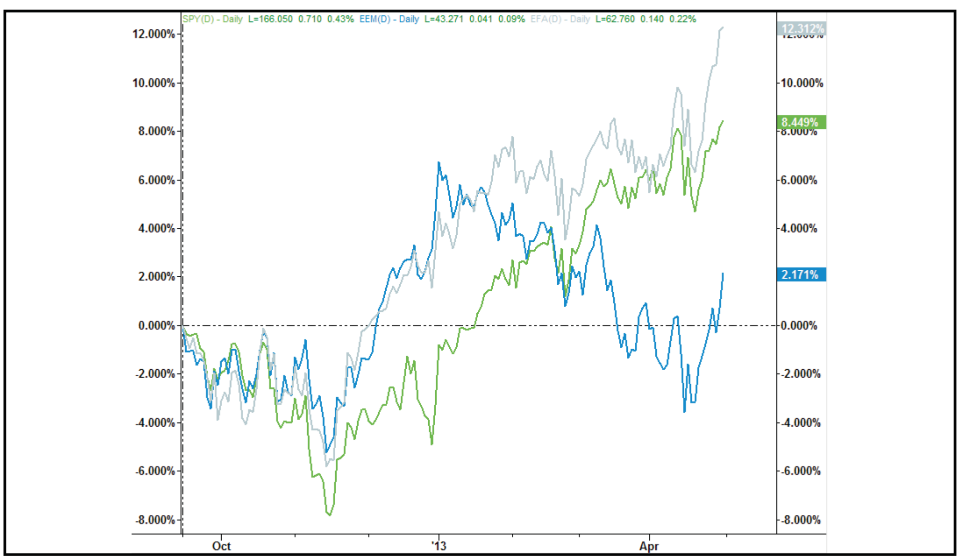
Premise Capital
1st Quarter 2013 Summary

Performance	1st Quarter 2013		2012	
Index	Return	Std Dev	Return	Std Dev
Barclays US Agg Bond	0.21	2.30	4.21	3.00
Barclays US Corporate High Yield	3.29	2.52	15.81	3.18
Barclays US Treasury US TIPS	0.69	4.81	6.98	5.59
FTSE NAREIT All Equity REITs	3.11	12.20	19.70	16.54
MSCI EAFE	6.57	13.94	17.32	19.11
MSCI EM	5.58	10.47	18.22	17.70
S&P 500	-0.38	14.89	16.00	15.26
S&P MidCap 400	3.61	15.79	17.88	18.22
Source: Morningstar Direct				

The first quarter of 2013 ended up being a good time to be in most equity classes. All of our portfolios began the quarter at the highest level of risk as defined by the customers risk tolerance and that was a good place to be. Fixed income classes, in general, performed poorly with only high yield in positive territory, so the overweight of equity relative to the target was a beneficial tactical shift. We reduced the duration of fixed income in portfolios that had long bond exposure, as weakness in fixed income caused the one tactical move we did make during the quarter. The indicators for long bonds finally turned negative as they were the weakest of the fixed income sub classes causing us to reduce our exposure. It should be noted that this class has had a tremendous run over the last few years, and while most managers started shortening their durations years ago based on the historic low interest rates, our process allowed us to stay with the trend.

As you may remember from last quarter, we started the year at full equity exposure, even though the year end was filled with the uncertainty regarding the fiscal cliff. Now, everyone has the same questions again but for a different reason. The market just seems too high and everyone wants to know when to sell because "things can't go up forever." Our answer to both questions comes back to our philosophy of having a quantifiable method of assessing the trend and letting the math tell us when to tactically change the portfolio.



There was one negative in the first quarter also. The tactical shift in September of last year from domestic to international and emerging markets has been only half correct. The attached chart shows the relative return of SPY, EFA, and EEM (ETF's that track the S&P 500 index, MSCI EFAE Index [international], and the MSCI EM index [Emerging Markets] respectively) from September 14 (when we began making the changes) until April 29th. Emerging markets (EEM) had the strongest year end, and by the first of the year, had outpaced both international and domestic. The first quarter of this year shows a dramatic turn in the class as it has since fallen back to a total return over the period of 2.052%. International has continued it's strong run and has outpaced domestic 12.669% to 8.641%. As the second quarter continues, the weakness in emerging markets will be monitored very closely to determine if it will turn from weakness to full trend reversal.

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