Premise Capital
3rd Quarter 2014 Summary

Premise Investors,

	Q3 2014		YTD 2014	
	Return	**Std Dev**	**Return**	**Std Dev**
Barclays US Agg Bond TR USD	0.17	2.88	4.10	3.14
Barclays US Treasury US TIPS TR USD	-2.04	4.97	3.67	4.97
Barclays US Treasury 20+ Yr TR USD	3.00	12.70	16.58	11.86
Barclays US Corporate High Yield TR USD	-1.87	3.57	3.49	2.49
S&P 500 TR USD	1.13	11.34	8.34	12.36
S&P MidCap 400 TR	-3.98	12.29	3.22	14.76
MSCI EAFE NR USD	-5.88	9.48	-1.38	11.52
MSCI EM NR USD	-3.49	11.28	2.43	12.51
FTSE NAREIT All Equity REITs TR	-2.48	13.11	13.36	12.42

The third quarter ends with the second pullback in the three month time frame and leaves all equity classes, except domestic large cap, with a negative return for the period. The brief pullback at the end of July had some investors spooked, but most markets rebounded by the end of August. Recent mid-September highs have made another turn around and the quarter ends with the same questions as every other pullback since this rally began five years ago. "Is this the pullback that will continue downward and be the end of the current bull market?"

As always, we allow our mathematics to define trend changes and do not rely on emotion, but I would like to put this recent pullback into some perspective. When looking at the return numbers in the accompanying table, we see that the quarterly negative returns have eaten into the YTD gains for most asset classes, but only Developed International (MSCI EAFE) has turned negative. The weakness in Developed International both in the quarterly, and the YTD number has led us to reduce our exposure to Developed International in our risk tolerance based Frontier Advantage Portfolios proportionally to the amount held in each model.

Knowing the amount of exposure to underweight at each risk level is a benefit of the Premise methodology when compared to core-satellite construction. While an individual tactical manager may make a good call and sell a class that shows weakness, if they don't control, or even know, the amount of exposure in the core, they have an inefficient and incognizant effect on the total portfolio.

For the rest of the portfolio, if we look at Domestic Large Cap (S&P 500), the recent 2% pullback from highs is roughly half of the 4% pullback that occurred at the beginning of the third quarter and much less than the larger pullbacks we have seen in the current leg of the bull market. Looking at the chart of the S&P 500 since the bull market began,we see the current pullback in relation the longer term uptrend and the other pullbacks that have occurred over the last few years. While at this point, we have identified this movement as "noise" in the longer term uptrend, we will continue to monitor and make changes to this and every other class as the need arises in our portfolios.

Thank you for you continued confidence in Premise.

Jason Rolence CFA

S&P 500 7/1/2008-9/30/2014 Source: TadeStation

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