Premise Capital
STAY ON THE CURVE™

Premise Capital 2nd Quarter 2015 Summary

Premise investors,

The second quarter ended with an increase in volatility caused mainly by turmoil overseas. Greece's ongoing debt issues have riled the European markets, and the rapid selloff in the Chinese markets has hurt emerging market indices. These events, along with the ongoing debate on the potential Fed interest rate hikes, have brought Domestic indices back from their recent highs to beginning of year levels. As a result, portfolios are relatively unchanged for the year, with the more conservative models slightly negative due to the weakness in fixed income and the more aggressive models slightly positive as equities gave back most of their first quarter gains.

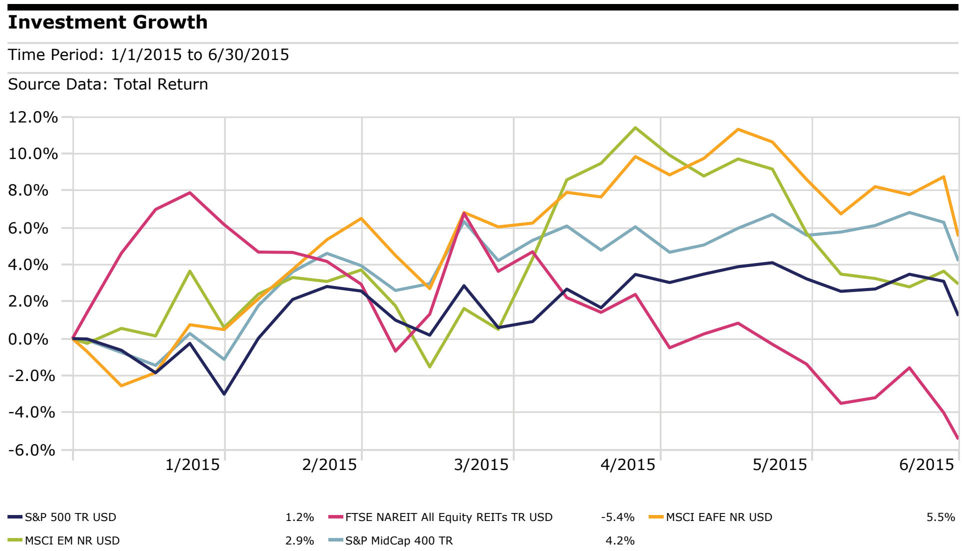
Trades for the quarter included an increase in emerging markets that reflected the strong up trends coming out of last year's weakness as seen in the green line on the accompanying relative percent chart. The chart also shows how drastically this trend turned around in the last two months that caused a reversal of our decision and movement back to an underweight position in the class.

I would like to point out that the emerging markets class was given an underweight signal due to trend changes during the period. The increase and subsequent decrease in developed international equities was not due to trend changes but rather due to the a higher correlation between emerging markets and developed international markets relative to the correlation between developed international and domestic equities in the strategic portfolio (i.e. the "baseline").

	Q1 2015		YTD 2015	
	Return	**Std Dev**	**Return**	**Std Dev**
Barclays US Agg Bond TR USD	1.61	4.60	1.61	4.60
Barclays US Treasury US TIPS TR USD	1.42	7.57	1.42	7.57
Barclays US Treasury 20+ Yr TR USD	4.19	18.92	4.19	18.92
Barclays US Corporate High Yield TR USD	2.52	3.13	2.52	3.13
S&P 500 TR USD	0.95	17.04	0.95	17.04
S&P MidCap 400 TR	5.31	16.73	5.31	16.73
MSCI EAFE NR USD	4.88	15.27	4.88	15.27
MSCI EM NR USD	2.24	2.24	2.24	2.24
FTSE NAREIT All Equity REITs TR	3.98	21.10	3.98	21.10

Time Period: 1/1/2015-3/31/2015 Source: Morningstar

The orange line on the chart shows that our signal to move to full weight in developed international equities in the 1st quarter of the year was tested but remained intact. The other equity trade over the period was the underweight of real estate (red line); as last year's big winner has turned into this year's loser. The models reflect this weakness as the real estate markets deal with how the potential increase in interest rates will influence the sector.



The potential Fed decision on interest rates has had the largest effect on the fixed income portions of the models. We began the quarter underweight both long term bonds and inflation protected securities and finished the quarter lowering the duration of the portfolios even further, as we underweight intermediate fixed income. Many people have been asking for years when we would make this move as interest rates have been at historically low levels. The answer was always that we would make the move when the trend changed, and it seems to have finally done so. That is not to say we think rates will go up and bond prices will crash, but at this point, we are positioned to reflect that possibility.

In general, the quarter end has left portfolios positioned with lower duration on the fixed income side, and a tilt away from real estate and emerging markets on the equity side, with a smaller tilt away from developed international due to the correlation effect. As always, we will continue to monitor the market trends and position the portfolio as best we can to reflect the current environment. Thank you for investing with Premise Capital.

Senior Portfolio Manager
Jason Rolence CFA