CLARK DODGE ASSET MANAGEMENT

RETURN ON TRUST

May 20, 2014

Dear Clients, Colleagues, and Friends;

Thank you for your continued trust in our firm. We are pleased to provide you with our latest thoughts on the global capital markets; hopefully, the commentary below will provide insightful perspective on key issues impacting your portfolio.

"We can't solve problems by using the same kind of thinking we used when we created them".

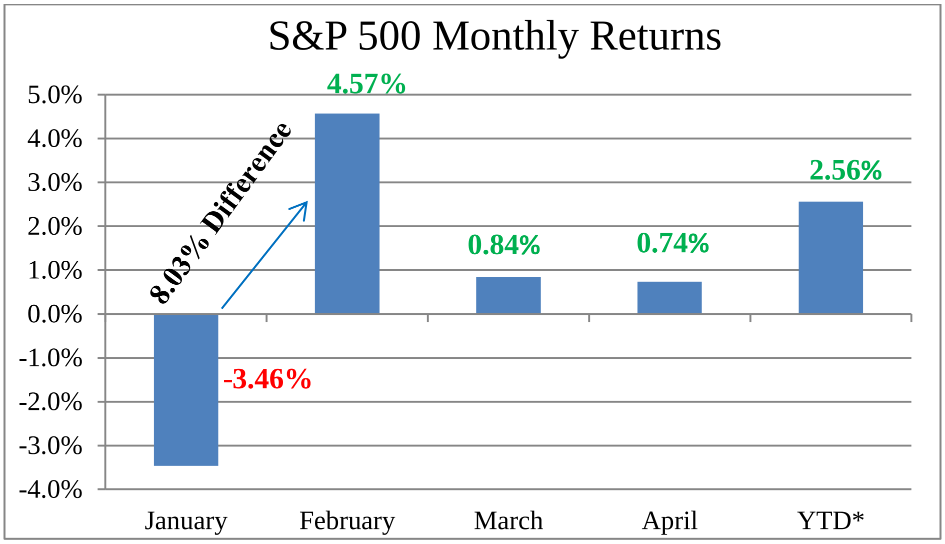
– Albert Einstein

Market Cycles

The first months of 2014 have been marked by moderate volatility with little to no net movement. This has blurred the distinction between long-term market cycles (typically measured in years) and enhanced short-term volatility which, for myriad reasons, now represents the new normal.

Through April, most broad equity indices moved in circles, remaining close to their 2013 year-end levels. For example, the S&P 500 Index lost -3.5% in January, rebounded with a 4.6% gain in February, and had modest gains of 0.8% and 0.7% during March and April respectively. The S&P's net return through April was 2.6% and is on pace to achieve full year returns in line with many analyst's expectations.

Interestingly, the daily movement in equity indices has been only a fraction of its historical average, many clients have perceived much greater volatility indicated: For 2014, the S&P 500 index has averaged daily swings of just 1% so far in 2014, well below the 50-year average of 1.5% according to S&P Dow Jones Indices. The seemingly choppy movement depicted on the following chart is actually fairly common within broad equity markets. During early 2014, small-cap and growth-style stocks were more volatile than their large-cap and value brethren. The Russell 2000 Index (smaller companies with a median market capitalization of under $1 billion) fell by more than 8% during January-February; through April it was modestly negative.



*Period ending 4/30/2014
Source: CRSP data

Many of the fastest growing headline-name companies stumbled badly during 2014, particularly internet retailers, new technology companies and high risk growth stocks. Many companies from last year's "white hot" industries have declined significantly this year and volatility among individual equities is depicted below.

Volatility in Individual Stocks

S&P 500 Best and Worst Performance through 4/30/2014

Name	Sector	YTD Percent
5 Best Performers		
Forest Laboratories Inc	Healthcare	53.11%
Nabors Industries Ltd	Energy	50.44%
Allergan Inc	Healthcare	49.34%
Pepco Holdings Inc.	Utilities	41.30%
Newfield Exploration Co.	Energy	37.43%
5 Worst Performers		
Best Buy Co. Inc.	Consumer Cyclical	-34.55%
International Game Technology	Consumer Cyclical	-30.29%
ADT Corp	Industrials	-24.29%
Amazon Inc.	Consumer Cyclical	-23.74%
Bed Bath & Beyond Inc	Consumer Cyclical	-22.63%

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Diversification Benefits of Other Asset Classes

Not surprisingly, asset classes that underperformed the equity markets during 2013 provided unexpected strength through April. Real estate (+14.40%), commodities (+9.59%) and the United States long bond (+9.24%) were well ahead of the equity markets. The strongest five-year performances for the period ended 4/30/2014 were domestic REIT's, which at +22.70% outperformed the S&P 500 on an annualized basis by over 350 basis points!

Asset Class Performance (Period ending 4/30/2014)	YTD (%)	1-Year(%)	3-Year (%)	5-Year(%)
U.S. Large Cap Equity (S&P 500)	2.56%	20.44%	13.83%	19.14%
U.S. Large-Cap Growth[1]	1.12%	20.66%	13.37%	19.47%
U.S. Large-Cap Value[2]	4.00%	20.90%	14.16%	19.52%
U.S. Small-Cap Growth[3]	-4.67%	21.46%	10.33%	20.50%
U.S. Small-Cap Value[4]	-0.84%	19.61%	11.16%	19.13%
International Equity: Developed[5]	2.31%	13.80%	6.15%	14.09%
Emerging Markets [6]	0.01%	-1.49%	-3.41%	11.43%
Commodity Total Return[7]	9.59%	3.17%	-7.68%	4.59%
U.S. Real Estate[8]	14.40%	1.22%	9.49%	22.70%
U.S. Aggregate Bond[9]	2.70%	-0.26%	3.60%	4.88%
U.S. Long Term Bond[12]	9.24%	-6.02%	8.38%	6.35%
U.S. Municipal Bond (7 Years)[10]	3.31%	0.94%	4.70%	4.97%
U.S. Three-Month Treasury Bill[11]	0.01%	0.06%	0.08%	0.11%

1) Russell 1000 Growth Index 2) Russell 1000 Value Index 3) Russell 2000 Growth Index 4) Russell 2000 Value Index 5) MSCI EAFE Index 6) MSCI Emerging Markets Index (gross div.) 7) Dow Jones-UBS Commodity Index Total Return 8) Dow Jones US Select REIT Index 9) Barclays US Aggregate Bond Index 10) Barclays Municipal Bond Index 7 Years 11) Bank of America Merrill Lynch Three-Month US Treasury Bill Index 12) Barclays Treasury Bond Index-Long Source: CRSP Data

The Yellen Era Begins

As interest rates trended modestly downward, fixed income has outperformed equities YTD; on a quarterly basis they outperformed stocks for the first time since late 2012.

Federal Reserve Chair Janet Yellen's comments during her first press conference as Chairperson on March 19th added to the near-term market volatility. Fed-watchers were surprised by her comments that a rise in interest rates would not be based directly on a reduction in the unemployment rate below 6.5%, but that the committee "will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial developments."

Despite recent "encouraging" headlines on unemployment, we believe the data is potentially misleading. The Bureau of Labor Statistics "U-6" measure of Unemployment/Underutilization estimates the total at approximately 12%, nearly double that of the most commonly used measure. This optimistic "spin" and Yellen's shift from benchmarks placed by Bernanke temporarily roiled the markets, since it was perceived the Fed would become more subjective in its future policy, signaling less predictability for bond traders and higher market volatility.

Additionally, the financial markets perceived the Fed's economic projections as more "hawkish" (raising interest rates to control inflation) regarding short-term interest rates. Yellen has typically aligned herself with more dovish factions - favoring low short-term rates to prevent economic recession. "Hawkish" sentiment has gained traction, but reduced GDP growth forecasts for 2014/2015, unemployment drag and inconsistent economic indicators continue to put a cap on higher interest rates.

Although the Fed has communicated their long-term goals, we believe Yellen will move modestly, if at all, during her first year as Chairperson. She expects the Fed to begin raising rates within "something on the order of around six months" as the Fed curtails its asset purchases. The bond market reacted by flattening the yield curve (with lower yields for longer-term bonds and slightly higher yields for shorter-term maturities). However, we maintain that certain bond classes (e.g. municipals and high quality government agencies) remain attractive considering the uncertainty surrounding record equity markets.

Market Looks Likely to Rise….and Fall

We remain positively biased toward the equity markets for 2014, but expect volatility to range more within historical norms, which is significantly greater than current levels. As previously discussed, other asset classes, such as real estate and commodities (which are part of your CDAM core portfolio) have performed strongly during early 2014. Owning these outperforming asset classes helped mitigate the volatility experienced by equities.

Further, the S&P 500 has not experienced a 10% correction in over two years; we believe this is a strong possibility for the coming year. Although such reversals are generally not welcomed, they often provide strong bases for the next growth cycle - financial markets function more effectively when fear and greed are balanced.

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Timing the Future: Not a Realistic Investment Approach

No one can consistently time market corrections. Further, experience has taught us that overreacting may exaggerate their impact – when a modest adjustment becomes overwhelmingly negative we are "unpleasantly surprised". Pundits constantly try to gauge the chances of another 2007-2008 50% peak to trough move. Have we forgotten the 16% "reversal" in the S&P during 2010 and a 19.4% "reversal" in 2011? Volatility is a necessary (but unpleasant) component of every market cycle. We focus on long-term investment horizons and believe that investors are ultimately rewarded for the level of risk they assume.

We often field the same question (there are many derivations on this theme!): If we think a correction is likely within the next year, why don't we sell now in order to be able to buy at lower prices later? Our response is simple: *diversification works* and corrections do not cooperate. We simply believe that market timing does not work. In fact, successful stock market-timing is like perfectly predicting an NCAA basketball tournament bracket – no one came close to winning Buffet's $1 billion dollar prize; over 10 million entered the contest.

Since we acknowledge the limitations of data, we don't time the markets. This should not imply that we passively manage your portfolio. We believe that unbiased research, which directs exposure to sectors that complement your domestic equity and fixed income core (e.g. real estate, commodities and emerging markets) are key to your long-term success.

Please visit our website, www.clarkdodgewealth.com to see our analytics highlighting how different asset classes have performed year to date.

Most importantly, the investment discipline should incorporate periodic and strategic rebalancing. This provides a systematic approach to ensure that your portfolio will maintain its planned exposure to each asset class; this process encourages investing in sectors that have underperformed and reducing those that have exceeded their target representation in the portfolio.

Research-driven Portfolio Insight

Our research suggests that geo-politics and the pace of economic growth are two of the most prominent near-term risks to the financial markets. As we transition from a severe winter, we believe there will be more optimistic economic data about consumer confidence, home sales, etc.

in future reports. Bond yields, currently trading in the lower end of their range, may gradually push higher, but we don't envision a significant rate spike.

Regarding equity valuations, we are mindful of volatility but believe that returns in line with historical norms are supportable. We anticipate a shift away from "high-beta" (i.e. faster growth) names towards more value-oriented stocks – supported during 2014 by a slow, and steady pace of economic growth. As previously discussed, we view reversals as opportunities to rebalance and build out the portfolio, not liquidate and go to the sidelines.

Your Valued Relationship with Clark Dodge Asset Management

We take great pride in providing our clients and strategic partners with full disclosure and transparency concerning our business operations and decision processes. Communication should be a two-way street; if there are any important changes in your family status or if you would like to schedule a meeting to review your portfolio or any financial decision, please don't hesitate to contact us at (914)-304-4766 or info@clarkdodgewealth.com. Please consider this correspondence as an offer to review and or request a copy of our Form ADV.

With our kindest regards,

M. Sanders

Michael R. Sanders
President and Chief Investment Officer
www.clarkdodgewealth.com
A special Thank You to Craig Marson for his valuable contribution to this letter

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Disclosure