



DAM INTERNATIONAL VALUE STRATEGY QUARTERLY MANAGER COMMENTARY

**First Quarter
2015**

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MARKET REVIEW

First quarter 2015 was marked by an increase in market volatility. Global stock markets bounced higher as international stocks, as measured by the Russell Global ex-U.S. Index (+3.6 %), outperformed U.S. equities, with the common thread being that countries under “easy money” regimes performed well. For example, the European Central Bank’s (“ECB”) announcement of a true Quantitative Easing (“QE”) program in January helped propel several of the Eurozone equity markets such as Germany, which was up 8.3% (22% in euros). Secondly, the Japanese kamikaze run, with its unprecedented ongoing money printing experiment, continued to boost Japanese equities as the weakening yen boosted export related stocks. In fact, during the month of March, the Japanese Nikkei jumped above the 19,000 mark for the first time since April 2000.

Most of the U.S. indices posted positive returns for the first quarter, with small cap leading the way as shown in the table below.

The U.S. dollar moved to a new multi-year high during the quarter against many of its trading partners (due to the removal of the U.S. Federal Reserve (“Fed”) QE easing program and the threat of higher interest rates). The dollar gained 12.7% and 0.2% against the euro and yen, respectively.

For the quarter, oil continued its slide as crude oil surpluses, a rising dollar, and anticipation that an Iranian nuclear deal might ease some of the sanctions of the oil exporter exacerbated the glut in oil supplies. The near month oil future price lost 10.6% to close the quarter at \$47.6 per barrel.

Emerging market returns were mixed as Russia (18.6%) and China (14.8%) were robust as

compared to Greece and Brazil, which were down 29.3% and 14.9%, respectively. Greece was obvious and it was back to the Eurozone table admitting it is running out of cash. With commodity prices slipping, particularly those of oil and base metals, the Brazilian economy continued to struggle.

A sampling of country returns for the first quarter is shown below.

Table 1: Country Returns

Total Return	1st Qtr.
U.S. (S&P 500)	1.0%
Germany	8.3%
Italy	9.1%
France	4.8%
United Kingdom	-0.6%
Spain	-1.8%
South Korea	1.3%
Canada	-6.1%
Mexico	-1.8%
Japan	10.8%
Brazil	-14.9%
Russia	18.0%
India	5.3%
China	14.8%

Source: FactSet.

PORTFOLIO REVIEW

For the first quarter, the Dreman International Value Portfolio (the “Portfolio”) slightly underperformed the Russell Global ex-U.S. Value benchmark as stock selection was weak in the Portfolio’s Consumer Discretionary, Industrials, and Materials sectors.

QUARTERLY RETURN BREAKDOWN

Total Return %	January	February	March	1st Quarter
Russell 1000[®] Index	-2.8%	5.8%	-1.3%	1.6%
Russell Midcap[®] Index	-1.6%	5.5%	0.1%	4.0%
Russell 2000[®] Index	-3.2%	5.9%	1.7%	4.3%
Russell Global ex-U.S. Index	-0.2%	5.3%	-1.4%	3.6%

Source: FactSet. Based on a representative account.

This material has been prepared for investors and investment professionals, including broker-dealers and investment advisers.

Weakness in the Consumer Discretionary sector revolved around the Portfolio's Russian media company, CTC Media, as it was down 15% for the quarter (due primarily to it being a Russian company). CTC Media's weight in the Portfolio was only 79 basis points at quarter end. Of note, the investment process limits the ability to add to a position if the price momentum profile of a respective holding is weak. Tata Motors, the Portfolio's Indian automobile company that owns Land Rover and Jaguar, had a decent quarter, up 6.8%, but was no match for some of the high flyers such as the Chinese auto manufacturer, Geely Automobile Holdings, which was up 61.6% for the quarter.

The weakness in the Industrials sector stemmed primarily from stock selection in the Capital Goods subindustry. Komatsu had a weak quarter as it was down 12%. Komatsu's recent downside volatility was the result of decreased visibility of global demand for construction machinery which makes the company's solid cash flow generation as well as its healthy dividend yield of 2.2% even more attractive, in our opinion. A pickup in Chinese demand and expectations of higher oil prices would be near term positive catalysts for this Portfolio holding.

Finally, the Portfolio's Materials sector was a drag on relative performance. Actually, the Portfolio had positive stock selection in the Diversified Chemicals (BASF +19.3%), in the Diversified Metals (BHP +.9%), and in the Fertilizer and AG chemical (Agrium +10.9%) subindustries. The quarterly weakness revolved around the steel and precious metal subindustries as Vale (-30.9%) and Kinross Gold (-20.6%) were the major detractors. As we have commented before, Vale, although Brazilian, is the lowest cost producer and has the highest quality ore of any iron ore company in the world. At 2.6 times cash flow we believe Vale is substantially undervalued. Likewise, we believe that the Portfolio's two gold companies are substantially undervalued and should respond well when (not if) either inflation starts to creep upward or the market loses confidence in the global central banks.

On a positive note, stock selection was strong in the Financial Services, Consumer Staples and Telecommunication Services sectors. In the Financials sector, the Portfolio's bank stocks were strong with the top performers as follows: Deutsche Bank (15.7%), Soc Gen (+14.1%), ING (+12.6%), Mitsubishi (+12.5%), BBVA (+8.0%), KB Financial (+7.7%), and Sumitomo (+6.3%). Aegon (+5.7%) was a strong performer in the life/health subindustry. Overall, it seems a lot of investors have been

too hesitant to own the European financials. We continue to believe that more outperformance is probable with these holdings as they remain cheap and we expect a continued recovery in European bank earnings.

Stock selection was robust in the Consumer Staples sector as Delhaize and Tesco had strong performances as they were up 23.5% and 21.8%, respectively. Tesco was given up for dead a few quarters ago as even Warren Buffet sold his shares. Before Tesco lost its way over the past several years, it was the most innovative trusted retailer in the UK with the most and best locations, largest scale advantages and the strongest management team. It all came to a negative culmination in 2014 as market share losses accelerated and margins collapsed leading to multiple profit warnings. Lastly, Tesco reported several accounting irregularities in 2014. Following a clean-up of top management and a new CEO appointment (4th qtr. 2014), the company has begun to stabilize and appears to be finding its way again regaining market share. Even after the 50% rally from the low, we still see Tesco as undervalued with the true value stabilization and recovery not yet built in.

The overweight and good stock selection were the drivers for the outperformance in the Telecommunication Services sector. Both Nippon Telegraph (+20.3%) and China Mobile (+10.6%) were the standouts. For review, NTT is Japan's largest telecommunications company, a holding company with 100% stakes in three core fixed-line businesses: NTT East, NTT West, and NTT Communications. NTT is expanding its global and cloud offerings. NTT DoCoMo, in which NTT has a 63% stake, its wireless subsidiary, accounts for almost 50% of revenue and nearly 70% of earnings. With a strong balance sheet and its ability to generate strong free cash flow, we believe that the company has the ability to increase dividends as well as continue its share repurchase program. NTT continues to be priced less than book value.

From a developed market versus emerging market perspective, the Portfolio's developed market exposure (avg. weight: 72.7%) outperformed for the quarter. The UK, Belgium, and Germany were the best performers and Japan (mostly from the 1000 bp underweight), Australia, and the lack of exposure to Italy were the largest country detractors.

Emerging market exposure underperformed for the quarter (avg. weight: 24.5%) as the overweighting in Brazil, Mexico, and Russia were the largest detractors. The positive contributors were India and China.

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Investment Activity– 1st Quarter

As detailed below, there was one investment swap during the quarter:

1Q 2015 Purchase	1Q 2015 Sale
Shaw Communications	Petrobras

PORTFOLIO ANALYTICS

The best and worst contributors to performance for the first quarter are shown here (based on total return and portfolio weight).

1ST QUARTER CONTRIBUTORS		1ST QUARTER DETRACTORS	
Best of 1Q 2015	Contribution	Worst of 1Q 2015	Contribution
Delhaize	+52 bps	Vale	-51 bps
Nippon Telegraph	+45 bps	CEMIG	-31 bps
Tesco PLC	+41 bps	Komatsu	-30 bps
BASF	+38 bps	Itau Unibanco	-28 bps
China Mobile Limited	+37 bps	Kinross Gold	-25 bps

Source: FactSet. Based on a representative account.

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From a fundamental perspective, we believe the Portfolio remains attractive as shown by the representative characteristics below:

1ST QUARTER REPRESENTATIVE CHARACTERISTICS		
3/31/2015	DAM International Value	Russell Global ex-U.S. Value
P/E (median)	13.2x	15.0x
P/E (Est.) (median)	13.6x	14.9x
Dividend Yield (wt avg.)	3.5%	3.1%
ROE (5yr. wtd. avg.)	13.7%	10.3%

Source: FactSet. Based on a representative account.

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INVESTMENT OUTLOOK

We continue to believe that not only are international equities generally more attractive than U.S. equities based on valuation, but they should continue to play catch up going forward marked by outperformance. It now seems that the prospect for this realization maybe at hand as the U.S. Central bank seems to be on a path of removing a cup from the punch bowl.

Let's remember the punch bowl has been substantially enlarged and spiked since the Lehman bankruptcy in 2008; in fact, global central banks have cut rates 550 times since Lehman, that's a rate cut once every 3 days. So central bank policy divergence is the topic of the day, e.g. the Fed has ended its QE program coupled with the prospect of beginning its interest rate normalization program as compared to many regions that are continuing to step on the monetary accelerator. For example, the ECB's sovereign bond purchase that commenced in the first quarter is a much larger initiative in terms of net supply than programs put in place by other central banks since the crisis. As a result, nearly \$2 trillion of European bonds are trading with a negative yield-to-maturity. Now that the ECB is engaged in QE, there is a bona fide reason for economic optimism within the Eurozone. Equity investors are beginning to take notice and should in our opinion continue to discount improving economic conditions abroad. In addition, the threat of deflation around the world should keep a lid on rates, perhaps even in the U.S. Today's maximum liquidity mantra has pushed global central banks as-

sets over \$22.5 trillion, a sum larger than the combined GDP of the U.S. and Japan.

We continue to believe that the positives for international equities and real assets versus fixed income remain in place and are substantial. Why anyone would buy a German 30 year bond with a 68bp yield or any other developed market bond, especially government bonds, is beyond us. In our opinion, primarily due to the exorbitant money printing of the global central banks since the 2008 crisis, there is now a colossal fixed income bubble in the developed world. The resolution to this era of financial repression, be it deflation, default, inflation or the resumption of a normal economic cycle, has yet to be decisively embraced by investors. As it does, financial market volatility is very likely to rise.

We believe the current Portfolio is well positioned with its European and Emerging Market ("EM") exposure. Despite the short term EM issues, over the intermediate term, these economies will likely grow at 3x compared to the developed world. These two areas of deep value should benefit the Portfolio over the medium term

As we start the second quarter of 2015, we believe that the Portfolio is a prudent choice for your international equity allocation.

We thank you for your support.

FIRM OVERVIEW

Dreman Value Management, L.L.C. is a leading *contrarian value* investment management firm founded in 1997 by David Dreman, a pioneer in the field of contrarian investment strategies and behavioral finance.

Today we are a team of dedicated contrarians offering a *true value* solution to investors seeking *diversification and long-term results*. Our goal is to provide superior investment performance, consistently and over a long-term horizon, using the *unique* contrarian investment philosophy and *disciplined* investment approach pioneered by David Dreman over 30 years ago. We are committed to our efforts to provide unparalleled client service to all of our accounts by coupling what we believe to be exceptional talent with industry leading technology as we strive to provide the *best in class* portfolio management, trading, compliance, and marketing teams.

We believe that the market over-reacts to events in a predictable fashion and consistently misjudges the prospects of stocks, often resulting in over-exuberance for outperforming stocks and overwhelming negativity for underperforming stocks. Negative over-reactions create an opportunity to purchase solid stocks at a discount to the market and result in substantial long-term gains. The best way to identify these stocks is through a low p/e approach to stock selection. Studies have proven that low p/e stocks have far better appreciation than their high p/e counterparts.¹

Combining a close understanding of behavioral tendencies with a low p/e approach to stock selection provides the best way to beat the market over time. This Contrarian value philosophy forms the basis of our low p/e strategy and leads to a highly disciplined approach to investing that avoids style drift and offers downside protection.

¹Dreman, David N. Contrarian Investment Strategies: The Psychological Edge New York: Free Press, A Division of Simon & Schuster, 2012.

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DISCLOSURE STATEMENT

Dreman Asset Management (“DAM”) is a division of Dreman Value Management, L.L.C. (“Dreman”), an independent investment management firm and registered investment adviser established on July 1, 1997. DAM participates in a number of wrap-fee SMA/UMA sponsor programs with several large financial institutions. These institutions provide separately managed account services to their clients.

Past performance is historical and is no guarantee of future results. The opinions expressed herein are those of Dreman Value Management, L.L.C. (“DVM”) and are subject to change without notice. Economic and market forecasts presented herein reflect our judgment as of the date of this review and we have no obligation to make updates or changes to these forecasts in the future. These forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific investor. Actual data will vary and may not be reflected here. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. Examples are provided for illustrative purposes only. Under no circumstances does the information contained within represent a recommendation to buy, hold or sell any security and it should not be assumed that any companies or sectors discussed were or will prove to be profitable. There is no assurance that any securities discussed herein remain in any fund or account of

DAM at the time that you receive this or that securities sold have not been repurchased.

The market indices used herein have been included for purposes of comparison of an investment in the relevant strategy to an investment in certain well-known, broad-based equity benchmarks. The statistical data regarding such indices have been obtained from FactSet and returns are calculated assuming all dividends are reinvested. Such indices are not subject to any of the fees or expenses to which funds or accounts managed by DAM are subject. Funds and accounts managed by DAM are not restricted to investing in the securities which comprise any such index, their performance may or may not correlate to any such index, and they should not be considered a proxy for any such index. The performance results have been compared to one or more indices. The volatility of these indices may be materially different from that of funds and accounts of DAM. These indices are unmanaged, with no fees, expenses or taxes. It is not possible to invest directly in an unmanaged index; however, an individual can invest in exchange traded funds or other investment vehicles that attempt to track the performance of an unmanaged index.

Current and future holdings are subject to risk including the potential loss of all principal invested.

For more information with respect to the methodology used in the above attribution analysis and/or to obtain a list showing the contribution to the overall performance of each holding in the portfolios during the quarter please contact us at rfi@dreman.com. The securities discussed above do not represent all of the securities purchased or sold within the portfolios or investment strategy.

BENCHMARK DEFINITIONS

Russell 1000® Index

The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the US market. The Russell 1000 Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to ensure new and growing equities are reflected.

Russell 2000® Index

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

Russell Midcap® Value Index

The Russell Midcap Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap Value Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap value market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap value market.

Russell Global ex-U.S. Index

The Russell Global ex-US index measures the performance of the global equity market based on all investable equity securities, excluding companies assigned to the United States. The Russell Global ex-US index is

constructed to provide a comprehensive and unbiased barometer for the global segment and is completely reconstituted annually to accurately reflect the changes in the market over time.

Russell Global ex-U.S. Value Disclosure

The Russell Global ex-US Value Index is a widely recognized unmanaged index of equity prices and is representative of a broader market and range of securities than is found in the Fund’s portfolio. The Index returns do not reflect the deduction of expenses, which have been deducted from the Fund’s returns. The Index returns assume reinvestment of all distributions and do not reflect the deduction of taxes and fees. Individuals cannot invest directly in the Index, however, an individual can invest in exchange traded funds or other investment vehicles that attempt to track the performance of a benchmark index. The Russell Global ex-US Value Index measures the performance of those Russell Global companies with lower price-to-book ratios and lower forecasted growth values.

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