



DAM VALUE EQUITY STRATEGY

QUARTERLY MANAGER COMMENTARY

First Quarter 2015

INSIDE THIS ISSUE

Market Review
Portfolio Review
Portfolio Analytics
Investment Outlook
Firm Overview
Disclosures
Benchmark Definitions

PORTFOLIO MANAGEMENT TEAM

CLIFF HOOVER, CFA
Chief Investment Officer
Lead Portfolio Manager
30 years of experience

WESLEY WRIGHT, CFA
Associate Portfolio Manager
8 years of experience

DAVID N. DREMAN
Founder and Chairman
41 years of experience

MARKET REVIEW

Equity market volatility returned during the first quarter of 2015 as the macro data turned less positive. Even so, most of the major equity indices ended the quarter in positive territory. The Dow Jones Industrial Average experienced 16 triple-digit moves during the month of March, the second highest of any month in history. Rising concerns about the timing of the Federal Reserve's ("FED") next interest rate move and news that the European Central Bank ("ECB") finally launched its Quantitative Easing ("QE") program caused increased investor angst. The ECB has committed to buy 60 billion euros of Eurozone sovereign debt each month through September 2016 with the goal of heading off deflation and assisting economic growth. The jury is still out on the efficacy of such a strategy as neither the US or Japan have not been particularly successful in generating sustainable growth with such an approach. Other areas of increased concern include the volatility of oil prices, currency volatility, the financial situation in Greece, and the ever-present and growing geopolitical risks in Middle East.

There is little doubt that central bank easing has been a significant positive catalyst for equity market returns since the financial crisis. Despite the unprecedented economic stimulus, the U.S. economy has been slow to gain traction. While the headline unemployment rate has dropped from almost 10% to under 6% today, the actual gains in the job market have been more muted. Most of the improvement in the unemployment rate is due to workers dropping out of the labor market rather than finding new jobs. As the Fed moves back from their zero rate policy, increased uncertainty as to the economic outlook likely translates into higher equity market volatility.

January and March were marked by market downturns, while February saw the major indices hit record highs. The big debate during the

quarter revolved around when the Fed commences interest rate hikes. It seemed the market took some comfort in several economic data points that were fairly anemic (i.e. February retail sales, the producer price index and the Michigan consumer sentiment index) which may delay any rate increases.

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.

From a Russell 1000® sector perspective, seven out of ten sectors had positive returns for the first quarter led by Healthcare (+7.3%), Consumer Discretionary (+4.7%), and Telecommunication Services (+2.0%). The two weakest sectors were in the Utilities (-5.1%) and Energy (-2.3%) sectors.

Within the style box, Growth outperformed Value for the quarter, with the Russell 1000® Growth index returning 3.8% versus the Russell 1000® Value index returning -0.7%. The Growth index outperformance was primarily the result of stronger returns in the Information Technology sector.

PORTFOLIO REVIEW

The Dreman Value Equity Portfolio (the "Portfolio") outperformed the Russell 3000® Value benchmark for the 1st quarter of 2015. The relative outperformance primarily reflected strong stock selection in the Industrials, Energy, Information Technology, and Materials sectors.

For the 1st quarter, the Industrial sector was the strongest sector for the Portfolio, with the most notable performers as follows: Orbital ATK (+46.0%), Trinity Industries (+27.3%), and RR Donnelley (16.0%). Orbital ATK, was strong in the quarter as the Portfolio's original holding, Alliant Techsystems merged its aerospace and defense businesses with Orbital Sciences to form Orbital ATK.

QUARTERLY RETURN BREAKDOWN

Total Return %	January	February	March	1 st 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 and Advent Axys.

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

We believe the new combined company, Orbital ATK, is well positioned in a bottoming defense market and a growing commercial space market, which translates into a margin expansion and cash flow story.

Strong stock selection occurred in the Energy sector despite the continued uncertainty with oil prices. The WTI price of oil finished the quarter down 11%. As we commented in the fourth quarter of 2014, “we would be very surprised if oil prices remain at current levels for very long and fully expect a recovery in 2015. The current price environment is on par with 2008/2009 and 1998/1999 in terms of severity. In both cases, the rebound was significant. Today, oil prices are significantly below marginal cost (which we estimate to be \$95 per barrel). The marginal cost of a barrel is generally a good long term tether for price. If oil markets have not fundamentally changed in the last few months (which we do not believe they have) then the price correcting mechanism capex cuts and natural production declines coupled with demand elasticity in a low price environment will be push oil higher in 2015.” The top performers in this sector were as follows: Valero Energy (+29.5%), Halliburton (+12.0%), Nabors Industries (+5.7%), and BP PLC (+4.1%). We believe the Portfolio’s Energy holdings remain significantly undervalued. Anadarko was sold in the Portfolio during the quarter due to its complete collapse in earnings coupled with its weak price momentum profile.

Stock selection was also strong in the Technology sector with the top performers being in the software and services industry group (Western Union +17.1%, and CA, Inc. +7.9% and the hardware group (Apple +13.2%). Micron Technology (-22.5%) was the worst performer in the Information Technology sector, as the group seemed to fall out of favor with rumors of additional semiconductor capacity to be announced. However, at only 7.5 times earnings we continue to believe that Micron is undervalued.

Finally in the Materials sector, strong stock selection ruled the quarter. Newmont Mining (+15%), LyondellBasell Industries (+11.5%),

and Agrium (+10.9%) were the top performers. It’s been awhile since the Portfolio’s gold exposure added to the overall return. Currently, the Portfolio has a 3% weighting in gold stocks. Longer term, this exposure should be a strong contributor to Portfolio returns.

The two weakest sectors by far were in the Healthcare and Financials sectors. In the Healthcare sector, stock selection was weak in the Pharmaceutical/Biotechnology and Healthcare equipment subindustries. In the Pharmaceutical/Biotechnology area, AstraZeneca was flat for the quarter. In the Healthcare equipment industry, St. Jude Medical was up 1.0%. Despite the underperformance, the most notable positive performers were Quest Diagnostics (+15.2%) and Thermo Fischer Scientific (+7.4%).

The Financials sector was also a laggard in the quarter as the main detractors were in the bank and REIT subindustries. In the bank subindustry, Bank of America was the largest underperformer down 13.7% with Home Loan Servicing being the second largest detractor as it was down 12.3%. Home Loan Servicing was sold late in the quarter. Lastly, the zero exposure to REITS also detracted from returns. It has been rather difficult for the financial institutions to operate in the zero interest rate environment. While they may have to put up with this for the foreseeable future, eventually interest rates will normalize and allow the banks to generate stronger profitability.

Investment Activity– 1st Quarter

The following new purchases and new sales occurred during the quarter:

1 ST QUARTER NEW PURCHASES & SALES	
Purchases	Sales
AT&T	Anadarko
Viacom	Home Loan Services

PORTFOLIO ANALYTICS

The best and worst contributors for the first quarter of 2015 are shown below:

1 ST QUARTER CONTRIBUTORS	
Best of 1Q 2015	Contribution
Kohl’s	+58 bps
Orbital ATK	+56 bps
Valero	+54 bps
Trinity Industries	+42 bps
Quest Diagnostics	+34 bps

Source: FactSet. Based on a representative account.

1 ST QUARTER DETRACTORS	
Worst of 1Q 2015	Contribution
Micron Tech	-48 bps
Chesapeake	-46 bps
Hewlett-Packard	-45 bps
Avon Products	-38 bps
Bank of America	-37 bps

Source: FactSet. Based on a representative account.

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

1 ST QUARTER REPRESENTATIVE CHARACTERISTICS		
3/31/2015	DVM Value Equity	Russell 3000® Value
P/E (wtd median)	15.6x	19.5x
P/E (Est.) (wtd median)	12.8x	17.4x
Dividend Yield	2.3%	2.3%
ROE (5yr avg. median)	11.7%	7.6%

Source: FactSet. Based on a representative account.

INVESTMENT OUTLOOK

It seems our “wall of worry” thesis is wearing thin as the U.S. bull market slowly plows ahead. Over the foreseeable future we expect an increase in financial market volatility as we get closer to the start of a rising interest rate cycle driven by the FED. However, its policy is data dependent and the views of market participants can be expected to shift with every surprising economic number. Given the sentiment that the U.S. recovery is progressing and the interest rate increases are coming at least by late 2015, the odds favor further dollar appreciation against the Euro.

We continue to believe that the positives for equities versus fixed income remain in place. 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. Today, there are nearly \$2 trillion of European bonds trading with a negative yield-to-maturity. 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. 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 are confident that Ms. Yellen, if spooked by weak economic data points, would be the first to delay any U.S. interest rate increases. In fact, recent comments from the Minnesota FED president, Narayana Kocherlakota, were to the effect that he believes that interest rates should not be increased until mid-2016 at the earliest and in fact that QE4 is theoretically possible. Stay tuned.

Despite the valuations of the major U.S. indices being not terribly attractive, we believe that the Portfolio remains attractive based on valuations as evidenced by the Portfolio’s median earnings yield of 7.8%. Below are the top ten companies in the Portfolio based upon earnings yield:

Earnings Yield

Top 10 as of 3/31/2015	Earnings Yield %
Orbital ATK	15.2%
Hewlett-Packard	12.1%
Micron Technology	11.9%
MetLife	11.4%
Trinity Industries	10.5%
Valero Energy	10.4%
LyondellBasell	10.2%
IBM	10.2%
JP Morgan Chase	9.7%
Avon Products	9.7%

Source: FactSet.

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

We thank you for your support.

FIRM OVERVIEW

Dreman Value Management, L.L.C. (“DVM”) 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.

(This area intentionally left blank)

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 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® Index

The Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies. The Russell Midcap® Index is constructed to provide a comprehensive and unbiased barometer for the mid-cap segment. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap opportunity set.

Russell Global ex-U.S. Index

The Russell Global ex-U.S. 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-U.S. 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 3000® Value Index

The Russell 3000® Value Index measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 3000® Value Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad value market. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

“Frank Russell Company is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. This material may contain confidential information and any unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a DAM presentation of the Russell Index data. Frank Russell Company is not responsible for the formatting or configuration of this material or for any inaccuracy in DAM’s presentation thereof.”

Past performance is historical and is no guarantee of future results.

The opinions expressed are those of the investment management team and are subject to change without notice, as are statements of financial market trends, which are based on current conditions. 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 the companies discussed were or will prove to be profitable. Current and future holdings are subject to risk. For more information please contact rfi@dreman.com.