



May 31, 2016

Dear Clients and Friends:

As we enter the summer months, lack of top line revenue growth and anemic GDP numbers have driven corporate earnings in a negative direction. These factors along with global economic and political situations (China, Brexit, Middle East refugees, and US elections) are continuing to give all of us and our portfolios a rollercoaster ride. Adding fuel to the fire, oil has contributed to both an Equity and High Yield markets retrenchment, resulting in sustained volatility in global markets. US bonds, as well, are fragile with the Fed Reserve signaling increased interest rates for the 2nd half of 2016 as the American returns to a more normal economic environment.

These global influences are causing markets to perform in a muted but positive direction, and for the balance of the year, we see modest positive growth of major indices. This growth is supported by the expected increased GDP growth in the 2nd half of 2016, recovering energy earnings and resolution to some of the economic and political situations.

The sustained volatility has resulted in high quality asset managers heightening their focus on staying fully invested in broadly diversified asset classes to protect capital for their clients.

To help Locust Capital provide continued support to our clients, we have made two significant investments in managing our clients' portfolios going forward:

- The first investment is in personnel. We hired Chris Hines as our dedicated Chief Investment Officer. Chris is a seasoned Chartered Financial Analyst (CFA) with an impressive resume. We are thrilled to have him as part of the team.
- The second investment is in technology. We are in negotiations with an industry leading technology company to provide us with a completely integrated platform for client management, including: portfolio reporting, portfolio performance, planning, analytics, asset allocation in a real-time environment. The software comes complete with a client portal for easy and secure client access. Stay tuned!



Locust Capital has always professed capital preservation with a focus on controlled growth and a desire for income-producing assets. This strategy is even more critical in today's environment. As a result, we agreed at our last Investment Committee meeting on 5/17/16, to make the following tactical enhancements to our portfolio construction and rebalancing process:

- Placing a higher weight on active managers (less to passive ETF/ Index Funds) as our active managers are expected to outperform the indices in times of uncertainty
- Tilting portfolios more to Value than Growth (value generates dividend/ income and growth is expected to be limited over the next 24 months)
- Allocating fixed income to managers that have the ability to react to rising rates, in addition to continuing to emphasize duration management
- Selectively increasing the allocation to Alternatives (i.e. long-short funds) to provide stable, low risk returns

We are confident that the above enhancements to our platform will give you, our clients, the best experience with a conservative risk-adjusted approach to the global markets that many Wall Street strategists agree will be challenging.

We wish you a wonderful summer season and, as always, hope that you get some quality time with friends and family!

Sincerely,

Locust Capital Management