



Dear Clients and Friends,

With global equity markets in a state of extreme volatility, it is our goal at Locust Capital to continue communicating with you until markets settle.

It again appears that global markets are headed for another down day due to China. No news from China is bad news; meaning that global markets were hoping for China to react by lowering their benchmark interest rate or lowering their bank reserve requirements. The positive news is that China has enough firepower in their arsenal to implement both policies. Unfortunately, markets in the short-term do not like uncertainty so we are seeing a very negative reaction. The fact that it is August and volume is low is also not helping the situation (remember August 2011).

Here are some helpful points to consider while global markets are reacting negatively:

- Numerous academic studies have shown that markets have rewarded those who have stayed invested.
- Volatility is unavoidable when investing. We all must keep an eye on the long-term horizon.
- It is important to distinguish between volatility from short-term events rather than long-term fundamentals. For example: Recent corporate earnings and U.S. economic data has, for the most part, been positive and exceeded expectations.
- Portfolio diversification and rebalancing can provide greater stability in all markets (see below chart on second page of Diverse Portfolio vs. Asset Class Returns). Although we are experiencing a correction phase in the markets, not all assets classes you are invested in are negative!
- Corrections while painful during the process are healthy. New highs are often not obtained without some sort of pullback.

During these times, we think it is important to reflect on your investment plan, diversification, and the long-term. Focusing on these three principles is critical to achieve long-term investment success. As we stated in Friday's letter, this too shall pass. Locust Capital, like you, is hoping this will occur very soon.

Best Regards,

Locust Capital Management, LLC

EXHIBIT 8: ASSET CLASS RETURNS - 2005 TO 2014

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	YTD	10-yrs. '05-'14	
											Cum.	Ann.
MSCI EME 34.5%	REITs 35.1%	MSCI EME 39.8%	Barclays Agg 5.2%	MSCI EME 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Russell 2000 38.8%	REITs 28.0%	REITs 6.2%	MSCI EME 132.0%	MSCI EME 8.8%
Bberg Cmdty 21.4%	MSCI EME 32.6%	Bberg Cmdty 16.2%	Cash 1.8%	MSCI EAFE 32.5%	Russell 2000 26.9%	Barclays Agg 7.8%	MSCI EME 18.6%	S&P 500 32.4%	S&P 500 13.7%	Barclays Agg 2.1%	REITs 122.3%	REITs 8.3%
MSCI EAFE 14.0%	MSCI EAFE 26.9%	MSCI EAFE 11.6%	Market Neutral 1.1%	REITs 28.0%	MSCI EME 19.2%	Market Neutral 4.5%	MSCI EAFE 17.9%	MSCI EAFE 23.3%	Barclays Agg 6.0%	MSCI EME 0.6%	Russell 2000 111.3%	Russell 2000 7.8%
REITs 12.2%	Russell 2000 18.4%	Market Neutral 9.3%	Asset Alloc. 24.8%	Russell 2000 27.2%	DJ UBS Cmdty 16.8%	S&P 500 2.1%	Russell 2000 16.3%	Asset Alloc. 15.0%	Asset Alloc. 5.2%	MSCI EAFE 0.5%	S&P 500 109.5%	S&P 500 7.7%
Asset Alloc. 8.3%	S&P 500 15.8%	Asset Alloc. 7.4%	Russell 2000 -33.8%	S&P 500 26.5%	S&P 500 15.1%	Cash 0.1%	S&P 500 16.0%	Market Neutral 9.3%	Russell 2000 4.9%	Cash 0.0%	Asset Alloc. 87.2%	Asset Alloc. 6.5%
Market Neutral 6.1%	Asset Alloc. 15.2%	Barclays Agg 7.0%	Bberg Cmdty -35.6%	Asset Alloc. 22.2%	Asset Alloc. 12.5%	Asset Alloc. -0.6%	Asset Alloc. 11.3%	REITs 2.9%	Cash 0.0%	Asset Alloc. -0.3%	MSCI EAFE 61.5%	MSCI EAFE 4.9%
S&P 500 4.9%	Market Neutral 11.2%	S&P 500 5.5%	S&P 500 -37.0%	Bberg Cmdty 18.9%	MSCI EAFE 8.2%	Russell 2000 -4.2%	Barclays Agg 4.2%	Cash 0.0%	Market Neutral -0.5%	Market Neutral -0.7%	Barclays Agg 58.4%	Barclays Agg 4.7%
Russell 2000 -4.6%	Cash 4.8%	Cash 4.8%	REITs -37.7%	Barclays Agg 5.9%	Barclays Agg 6.5%	MSCI EAFE -11.7%	Market Neutral 0.9%	Barclays Agg -2.0%	MSCI EME -1.8%	S&P 500 -3.0%	Market Neutral 54.0%	Market Neutral 4.4%
Cash 3.0%	Barclays Agg 4.3%	Russell 2000 -1.6%	MSCI EAFE -43.1%	Market Neutral 4.1%	Cash 0.1%	Bberg Cmdty -13.3%	Cash 0.1%	MSCI EME -2.3%	MSCI EAFE -4.5%	Russell 2000 -3.2%	Cash 15.7%	Cash 1.5%
Barclays Agg 2.4%	Bberg Cmdty 2.1%	REITs -15.7%	MSCI EME -53.2%	Cash 0.1%	Market Neutral -0.8%	MSCI EME -18.2%	Bberg Cmdty -1.1%	Bberg Cmdty -9.5%	Bberg Cmdty -17.0%	Bberg Cmdty -3.3%	Bberg Cmdty -17.1%	Bberg Cmdty -1.9%

Source: Russell, MSCI, Bloomberg, Standard & Poor's, Credit Suisse, Barclays Capital, NAREIT, FactSet, J.P. Morgan Asset Management.

The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays Capital Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the CS/Tremont Equity Market Neutral Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. All data represents total return for stated period. Past performance is not indicative of future returns. Data are as of 1/31/15, except for the CS/Tremont Equity Market Neutral Index, which reflects data through 12/31/14. "10-yrs" returns represent period of 12/31/04 - 12/31/14 showing both cumulative (Cum.) and annualized (Ann.) over the period. Market Neutral returns include estimates found in disclosures. *Guide to the Markets* - U.S. Data are as of 1/31/15.

