Dear Clients and Friends,

Happy September- Well, summer is coming to an end, but equity volatility is continuing. I know we would all like to see this last statement in reverse order.

The Locust Capital Investment Committee has access to the latest research from some of the world's finest investment research teams. Last week, we participated in several conference calls. Two calls worth noting were from University of Pennsylvania Wharton School of Business Professor Dr. Jeremy Siegel and the Chief Equity Strategist at Nuveen, Robert C. Doll, CFA.

We thought we would provide you (in bullet form) with some of the important themes they conveyed during their respective calls.

Key Points from Dr. Jeremy Siegel:

- He thought a correction might be coming (and now has) for the following reasons:
  - Steady downward movement of earnings estimates throughout year.
  - Oil has weakened while the dollar has strengthened.

- In the long-run he continues to remain bullish.

- Seasonally this is the worst time of the year for equites. August is worst month over last 20 years, particularly in the second half of August.

- Siegel would not be surprised if we go back down to the lows we saw on Monday, August 24th, but believes this return to lows would be short-term.

- The probability of Fed action has now decreased. Fed watchers have capitulated and now many believe the hike will occur in December or not at all in 2015.

- We are in for lower interest rates for the long-term. The Fed Funds final rate is more likely to end up at 2 percent in the future. In 2000, as an example, the Fed Funds Rate reached as high as 6.5 percent.

- At current interest rates, equity markets should be selling at 18x-20x earnings. The Dow is selling just under 15x earnings recently; if it were 20x earnings, it would be above 19,000.

- If China slows down to 2-3 percent annualized growth then many economists say that a slowdown in China is actually good for the U.S. because it lowers resource prices. We are importers of Chinese goods but export very little to them.

- He sees no recession in the U.S. whatsoever.

- U.S. consumption has been stronger than initially expected due to savings in gasoline and other commodities, the effects of which will hopefully be seen in the latter part of the 2nd quarter.

- He believes that stock prices are going to be supported and would like to see a bigger bounce back in the 3rd quarter.

- Underlying fundamentals of companies has not changed the way prices have been moving in the last week.

Key Points from Robert C. Doll, CFA:

- He believes equity prices may have reached the low point for this cycle, he would not be surprised to see last week's lows tested further.

- Despite souring investor sentiment, the U.S. and global economies continue to improve.

- The revised second quarter gross domestic product report was solid and showed broad-based improvements. Real GDP was revised from 2.3 percent to 3.7 percent, while nominal growth improved from 4.4 percent to 5.7 percent. Nearly all segments of the economy showed improvements, with capital expenditures demonstrating particular strength.

- Consumer Confidence rebounded in August.

- It is important to remember that the U.S. and its equity markets are not China and its equity markets.

- The slowdown in China should produce economic growth in the U.S. This is due to lower energy prices which should boost consumer spending.

- He expects market volatility to remain elevated, even as data suggests that the U.S. and global economies are continuing to expand. There is a dislocation right now which suggests opportunities ahead.

- Investor sentiment has clearly taken a hit and will take time to recover, but he expects investors will slowly move back into equities. His view is that we have probably seen the worst of the current corrective action, and he does not believe we are at the onset of a new bear market. Volatility is likely to remain high, and there could be further downturns in the near-term.

- The S&P 500 has a dividend yield of 2.2 percent, out-yielding the 10-year Treasury yet again. History shows that when equity yields are higher than bond yields, it is usually a buying opportunity for stocks.

Our position at Locust Capital during this recent downward trend is to remain cautious but not to overreact. We have seen this movie before. A diverse portfolio can provide a short-term buffer to wild swings in specific asset classes while producing long-term risk adjusted returns to meet your financial goals. The most important result for all of us is the "cheese" at the end of the maze.

As far as weather is concerned the month of September is one of the best, let's hope it transcends the equity markets as well.

We hope you find this information helpful. As always, we are available to answer any questions at your convenience.

Best,

Locust Capital Management, LLC