INTERMARKET FORECASTING

TOP DOWN INSIGHTS . . . BOTTOM LINE RESULTS

TRACK RECORD 2014

IFI delivered decent forecasting success in 2014, closely predicting the U.S. equity gain of 14%; the out-performance of U.S. equities versus T-Bonds, T-Bills, and commodities; excess returns on U.S. large-cap versus small-cap stocks; out-performance by *Information Technology* and *Financials* and inferior returns by *Energy* and *Materials*; the U.S. dollar's appreciation; the drop in broad commodity prices; the rise in short-term and mid-term U.S. yields; better gains on U.S. equities than in Europe/U.K., Asia-Pacific/Japan, and Latin America/Canada; and the 20%+ total return on Greek bonds. We didn't forecast rising U.S. T-Bond yields or the declines in many European stock indexes, but correctly foresaw directional shifts in 56% of the 185 investable assets we cover, compared to our long-term success rate of 65% (page 3). We also out-performed 70% of our Wall Street peers in predicting the S&P 500 (page 3). Below is a summary of the main results:

- Global equities (MSCI World AC) gained 4.4%, but IFI's **Global equity portfolio** out-performed, with a return of 5.1%, due largely to a material portfolio *over-weighting* in U.S. equities, which returned 13.7%, while all other regions posted losses (Table 4, page 5).

- Our **U.S. Specific portfolio** returned 8.6%, due mainly to a large allocation to equities (85%), but the lesser share allocated to bonds, which performed better than we expected, caused under-performance of -2.0% points versus the benchmark (65% stocks, 30% bonds, 5% T-Bills). (Table 4, page 5). We were right to advise that no capital be allocated to loss-making commodities (-17%) and low-yielding T-Bills.

- Our model portfolio for **U.S. Equity Styles** returned 9.7%, slightly out-performing the passive benchmark of equal-weighted styles (Table 4, page 5). We advised the largest share (50%) in the second-best performer (large-cap value: +12.7%), but unfortunately advised no allocation in the best performer (large-cap growth: +14.6%). In **sector rotation** (Tables 8 and 9, pages 9-10) our five *most-favored* sectors delivered a weighted gain of 9.5%, versus 2.2% for our five *least-favored* sectors, but our model portfolio returned 11.7% and trailed the S&P 500 (price basis) by 2% points.

- IFI's model portfolio for **U.S. Specific Fixed Income** returned only 2.4%, versus 5.7% on the benchmark Barclays Aggregate Government-Corporate Bond Index (Table 4, page 5). We disproportionately favored corporate bonds (especially high-yield bonds, with a 90% portfolio share), versus U.S. T-Bonds (no allocation just 10%), but high-yield and investment-grade bonds turned just 1.9% and 7.6%, while U.S. T-Bonds gained 16.9% (Table 4, page 5).

- We predicted the appreciation of the **U.S. dollar** and the closely-related decline in broad commodity prices (Table 5, page 6).

- In 2014 we out-performed 70% of our peers (ten other strategists) on U.S. stocks, but we were in the middle of the pack on forecasting T-Bond yields, and they performed better than us on profits and U.S. GDP growth (Table 12, page 13).

- Over the past 12 years (2003-2014, inclusive) our forecasting success rate has averaged 65% (Table 2, page 3) and our **four model portfolios** have materially out-performed benchmarks on a long-term, compounded basis, as well as 75% of the years in which we've been forecasting/advising (Table 13, page 14)

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IFI's Market-Based Forecasting Method

IFI's unique forecasting system uses signals from forward-looking market prices to anticipate risk-adjusted returns on currencies, commodities, stocks, bonds and bills globally. We eschew the use of mere economic data, which are backward-looking, perpetually revised and thus inherently incapable of capturing the outlooks and incentives faced by market-makers with their own capital (or their clients' capital) at risk. IFI's most powerful, best-known signal is the Treasury yield curve, which has a stellar forecasting record with many practical applications. Our mission is to help our institutional investment clients consistently out-perform both benchmarks and peers.

IFI's core method is to seek and discover causal, quantitative, predictive, and exploitable relationships among asset prices consistent with classical (or "supply-side") economics,[1] market-clearing price theory, market efficiency and empirical history. The finance-investment research on which we rely most is Arbitrage Pricing Theory (APT).[2] Market prices reflect the combined, forward-looking wisdom of the most astute market-makers, and as such, prices themselves reliably embody forecasts. We "decode" the messages in prices by performing rigorous regression analyses on price data, scrupulously retaining only statistically significant explanatory factors. We employ no "gurus" and reject the conventional resort to subjective "hunches," anecdotes or pop psychology.[3]

Our approach is *neither* "top-down" (GDP-based) nor "bottom-up" (company-specific) but instead focuses on the reliable *inter-connections that exists* among the five key markets, while also incorporating judgment about political-legal factors. We differ most from competitors to the extent they rely on backward-looking, oft-revised economic-accounting data and claim that business cycles and investment returns are driven by consumers, irrational swings in emotions, or "animal spirits." [4]

History shows that initial asset allocations explain more than 80% of the variation in subsequent investment returns, with security selection and timing account for less than 20% of results. By forecasting asset-class performance, IFI focuses on the element of investment decision-making that most influences results. Our time horizon is *one-year*, because there we find the most dependable forecasting success. We also provide forecasts a half-year ahead, which are slightly less reliable. Optimal use of our forecasting system is achieved by *tactical asset allocation* (with a year-ahead horizon), versus day-trading, "market timing," or strategic asset allocation (multi-year horizons).

Today's investor has practical means of profiting by forecasts and asset-allocation advice. It's unnecessary (and dangerous) to be a "stock picker" (or bond picker) and much safer (and wiser) to profit from forecasts of broad asset classes and sub-classes.[5] All variables in our comprehensive monthly report, *The InterMarket Forecaster, are investable* assets. We don't waste much time forecasting GDP, CPI, non-farm payrolls, and sundry other "data" issued by Washington and discussed *ad nauseam* by the Street, since no one can invest in such data, which entail not foresight but hindsight. Such "macro" variables matter in our modeling only to the extent they're relied upon (as they are) by policymakers – who, of course, influence both the economy and markets, for good or ill.

All reports issued in 2014 are listed herein (pages 15-16). Clients can access IFI's reports archive (starting in 2000) by access code on our web-site. "Track Record 2014" measures performance based on "Outlook 2014," issued a year ago. As market conditions (and price signals) changed during the year we altered our forecasts, but to be objective we focus here on our year-ahead outlook of a year ago. As usual, we include *all* the things we forecast – whether results have been good, bad or ugly.[6]

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[1] See "Saysian Economics," *The Capitalist Advisor*, InterMarket Forecasting, Inc., December 31, 2003 (Part I) and January 5, 2004 (Part II).

[2] See "Arbitrage Pricing Theory," http://en.wikipedia.org/wiki/Arbitrage_pricing_theory. For technical articles on APT specifically and multi-factor forecasting models generally, see http://www.kellogg.northwestern.edu/faculty/korajczy/htm/aptlist.htm. For APT articles focused on investment applications and forecasting using the yield curve (or "the term structure of interest rates), see the work of Campbell Harvey, finance professor at Duke's Fuqua School of Business (http://www.duke.edu/~charvey/research.htm).

[3] For more on our basic forecasting framework, see "Introducing the 'Policy Mix Index,'" *The Capitalist Advisor*, April 23, 2002 and "The Basics of Inter-Market Forecasting," *The Capitalist Advisor*, September 7, 2004.

[4] On how and why we're distinct from competitors, see "Debating Doctor Doom – Part I," *The Capitalist Advisor*, January 27, 2009. "Debating Doctor Doom – Part II," *The Capitalist Advisor*, January 31, 2009; "Doctor Doom Revisited," *The Capitalist Advisor*, February 28, 2010; "The 'Who' vs. 'What' of Investing: The Irrelevance of PIMCO on T-Bond Returns," *Investor Alert*, March 31, 2011; "Wall Street Strategists 'Predict' Last Year's Equity Performance Instead of Next Year's – Unlike IFI," *Investment Focus*, March 31, 2012; "Should Investors Trust Economic Data?," *Investment Focus*, December 20, 2013; "The Roots of Wall Street's Mistaken Bearishness," *Investment Focus*, March 8, 2013; and "Wall Street Strategists Again Lagging IFI," *Investor Alert*, September 12, 2014.

[5] See "Exchange-Traded Funds: Asset Allocation Made Easy," *Investment Focus*, April 11, 2003.

[6] Some forecasters dishonestly "cherry-pick" their track records so as to emphasize only their successes; IFI prides itself on presenting the *full* record, not a mere *partial* one. Of course, there's nothing magical about measuring forecasting success solely in the calendar year after December; it's merely a convention in the field. The reports we issue *during* the year also can be consulted for our subsequent forecasting success. Please contact IFI for full details.

Table One

Forecasted Variables and IFI's Success Rate in 2014

Table	Page	Category	# of Variables	Correctly Forecasted Number	Correctly Forecasted Percent
3	5	Returns on IFI Model Portfolios	4	2	50%
5	6	U.S. Dollar & Commodities	44	25	57%
6	7	U.S. Money Market & Fixed Income	14	7	50%
7	8	U.S. Fixed Income Indexes	27	13	48%
8, 9	9, 10	U.S. Equities (Broad), Styles & Sectors	33	26	79%
10	11	International Currencies & Fixed Income	33	17	52%
11	12	International Equities	30	14	47%
		Total	**185**	**104**	**56%**

IFI vs 12 Other Strategists

Table	Page	Category	# of Competitors	Out-Performed by IFI Number	Out-Performed by IFI Percent
12	13	S&P 500 Price Index	10	7	70%
12	13	S&P 500 Earnings per Share	10	0	0%
12	13	10-Year U.S. Treasury Bond Yield	10	5	50%
12	13	U.S. Real GDP Growth	10	1	10%
		Average		**3.3**	**33%**

Table Two

IFI'S Annual Track Records

2001 - 2014

Year	# of Variables	% Correct	Above/ Below Average	% of WS Peers Surpassed
2001	68	70%	5%	64%
2002	100	60%	-5%	79%
2003	140	84%	19%	58%
2004	136	78%	13%	48%
2005	148	70%	5%	83%
2006	148	65%	0%	54%
2007	126	49%	-16%	72%
2008	126	48%	-17%	63%
2009	125	79%	14%	54%
2010	126	72%	7%	52%
2011	129	33%	-33%	40%
2012	129	80%	15%	65%
2013	129	67%	6%	63%
2014	185	56%	-9%	33%
AVG	130	65%		59%

For details on annual and cumulative returns on IFI's four model portfolios (2003-2014)—and relative to benchmarks—see page 14.

Table Three

IFI's Asset Allocation Recommendations in 2014

Allocations Assume a One-year Time Horizon

Global Investor	Dec 2013	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014
U.S.	66%	62%	60%	59%	57%	56%	57%	58%	59%	59%	61%	58%	56%
Europe/U.K.	30%	31%	32%	33%	34%	35%	34%	34%	30%	23%	20%	20%	21%
Asia-Pacific/Japan	3%	6%	7%	7%	8%	8%	8%	8%	10%	17%	19%	22%	23%
Latin America/Canada	1%	1%	1%	1%	1%	1%	1%	0%	1%	1%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Investor													
Equities	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	80%	75%
Bonds (U.S. & Corporate)	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	20%	25%
Bills (T-Bills & Aaa C/P)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Commodities/Gold	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Fixed Income Investor													
U.S. T-Bonds (Long Position) [TLH/TLT]	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
U.S. T-Bonds (Short Position) [TBF]	0%	30%	30%	30%	30%	30%	30%	30%	25%	20%	15%	10%	10%
Inflation-Indexed Bonds [TIP]	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Medium-Term T-Notes [IEI]	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Invest.-Grade Corp. Bonds [LQD]	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
High Yield Corporate Bonds [HYG]	90%	25%	25%	25%	25%	20%	20%	15%	15%	15%	20%	25%	30%
Mortgage-Backed Bonds [MBB]	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Convertible Corp. Bonds [CWB]	0%	35%	35%	35%	35%	40%	40%	45%	50%	55%	55%	55%	50%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Equity Investor													
Large-Cap Growth [IVW]	0%	0%	0%	0%	5%	10%	15%	20%	25%	30%	35%	35%	40%
Large-Cap Value [IVE]	50%	50%	50%	50%	45%	45%	40%	35%	30%	25%	20%	15%	10%
Small-Cap Growth [IJT]	5%	5%	5%	5%	10%	10%	15%	20%	25%	30%	35%	40%	40%
Small-Cap Value [IJS]	45%	45%	45%	45%	40%	35%	30%	25%	20%	15%	10%	10%	10%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Table Four

Returns on Major Asset Classes & IFI's Model Portfolios

Based on Advised Portfolio Weightings at the Beginning of 2014 *

Global Equity Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
U.S. (S&P 500)	62%	13.69%	8.49%
Europe/U.K.	31%	-10.90%	-3.38%
Asia-Pacific/Japan	6%	-0.17%	-0.01%
Latin America/Canada	1%	-1.09%	-0.01%
Sum of Weighted-Average Returns:			**5.09%**
Benchmark Return (MSCI World AC):			**4.37%**
Excess/Deficient Return vs. Benchmark:			**0.71%**

U.S.-Specific Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
Equities (1)	85%	9.69%	8.24%
Bonds (Treas. & Corp.) (2)	15%	2.43%	0.36%
Commodities/Gold (3)	0%	-17.17%	0.00%
3-Month Treasury Bills	0%	0.04%	0.00%
Sum of Weighted-Average Returns:			**8.60%**
Benchmark Return (4):			**10.60%**
Excess/Deficient Return vs. Benchmark:			**-2.00%**

1. See weighted-average calculation from "U.S.-Specific Equity Investor"
2. See weighted-average calculation from "U.S.-Specific Bond Investor"
3. Half from the Goldman Sachs Commodity Index (GSCI) and half from gold
4. Benchmark: 65% Equities (S&P 500) + 30% Bonds (Barc-AGG) + 5% T-Bills = 100%

U.S.-Specific Bond Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
High Yield Corporate Bonds [HYG]	90%	1.86%	1.67%
Invest.-Grade Corp. Bonds [LQD]	10%	7.59%	0.76%
U.S. T-Bonds (Long Position) [TLH/TLT]	0%	16.97%	0.00%
Convertible Corp. Bonds [CWB]	0%	7.15%	0.00%
Mortgage-Backed Bonds [MBB]	0%	6.00%	0.00%
Inflation-Indexed Bonds [TIP]	0%	3.46%	0.00%
Medium-Term T-Notes [IEI]	0%	3.07%	0.00%
U.S. T-Bonds (Short Position) [TBF]	0%	-30.78%	0.00%
Sum of Weighted-Average Returns:			**2.43%**
Benchmark Return (Barclays Aggregate Bond Index):			**5.66%**
Excess/Deficient Return vs. Benchmark:			**-3.23%**

U.S.-Specific Equity Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
Large-Cap Value (in S&P 500) [IVE]	50%	12.18%	6.09%
Small-Cap Value (in S&P 600) [IJS]	45%	7.56%	3.40%
Small-Cap Growth (in S&P 600) [IJT]	5%	4.01%	0.20%
Large-Cap Growth (in S&P 500) [IVW]	0%	14.64%	0.00%
Sum of Weighted-Average Returns:			**9.69%**
Benchmark Return (50% in S&P500, 50% in S&P600):			**9.61%**
Excess/Deficient Return vs. Benchmark:			**0.08%**

* "Outlook 2014," January 20, 2014.

Table Five

The U.S. Dollar & Commodities

IFI Forecasts versus Actual Results, Dec. 2013 - Dec. 2014

	% Changes in 2014		Directionally
U.S. Dollar in Foreign Exchange	**Forecasted**	**Actual**	**Correct?**
Dollar Index	4.1%	11.1%	yes
in Euro	4.7%	11.2%	yes
in JapaneseYen	2.8%	15.3%	yes
in Swiss Franc	1.3%	9.2%	yes
in British Pound	3.0%	4.7%	yes
in Canadian Dollar	5.5%	8.4%	yes
in Australian Dollar	6.9%	8.8%	yes
in Mexican Peso	4.8%	11.6%	yes
in Brazilian Real	7.8%	12.6%	yes
	% Changes in 2014		**Directionally**
Broad Commodity Indexes	**Forecasted**	**Actual**	**Correct?**
CRB Index: Spot Prices (All Commodities)	-2.8%	-3.0%	yes
Diversified Basket of Commodities [DBC]	-2.9%	-24.3%	yes
Precious Metals [DBP]	6.7%	-6.4%	no
Base Metals [DBB]	-7.1%	-1.0%	yes
Energy Products [DBE]	2.7%	-35.5%	no
Agricultural Goods [DBA]	-6.5%	2.8%	no
Goldman Sachs Commodity Index [GSP]	0.6%	-28.4%	no
	% Changes in 2014		**Directionally**
Specific Commodities	**Forecasted**	**Actual**	**Correct?**
Aluminum	-7.3%	9.5%	no
Coal	3.4%	-8.7%	no
Cocoa	-8.4%	4.8%	no
Coffee	-6.0%	54.4%	no
Copper	-9.5%	-13.1%	yes
Corn	-6.1%	-6.7%	yes
Cotton	-6.0%	-24.8%	yes
Crude Oil	2.4%	-39.3%	no
Electricity	10.9%	6.5%	yes
Gasoline	0.7%	-41.7%	no
Gold	4.9%	-3.0%	no
Heating Oil	0.4%	-34.8%	no
Lead	-8.3%	-11.8%	yes
Lean Hogs	-5.8%	-5.4%	yes
Live Cattle	-5.4%	21.3%	no
Natural Gas	-0.9%	-18.9%	yes
Nickel	-6.5%	17.0%	no
Oats	-2.1%	-9.6%	yes
Orange Juice	-9.6%	4.6%	no
Palladium	8.3%	11.7%	yes
Platinum	5.4%	-10.5%	no
Silver	8.3%	-17.6%	no
Soybeans	-5.9%	-21.3%	yes
Steel	-1.5%	75.5%	no
Sugar	-7.2%	-9.5%	yes
Tin	-10.5%	-13.7%	yes
Wheat	-9.0%	-2.4%	yes
Zinc	-6.4%	8.2%	no

Table Six

U.S. Money Market & Fixed Income

IFI Forecasts versus Actual Results, Dec. 2013 - Dec 2014

U.S. Treasury Yield Curve	Yield Levels (averages in %) Actual Dec 13	Forecast Jun 14	Forecast Dec 14	Actual Dec 14	Forecasted Change in 2014 (bps)	Actual Change in 2014 (bps)	Directionally Correct?
Fed Funds Rate	0.09	0.24	0.39	0.12	30	3	yes
3 mo. T-Bill Rate	0.07	0.28	0.40	0.08	33	1	yes
2 yr. U.S. Treasury Note Yield	0.34	0.56	0.75	0.64	41	30	yes
5 yr. U.S. Treasury Note Yield	1.58	1.85	2.07	1.64	49	6	yes
10 yr. U.S. Treasury Note Yield	2.90	3.20	3.40	2.21	50	-69	no
30 yr. U.S. Treasury Note Yield	3.89	4.16	4.40	2.83	51	-106	no

Total Returns	Forecasted	Actual	
Long-Term U.S. Treasury Bonds (absolute):	-2.65%	16.97%	no
Long-Term U.S. Treasury Bonds Relative to U.S. Treasury Bills:	-2.95%	16.93%	no

U.S. Corporate Bond Yields (%)	Yield Levels (averages in %) Actual Dec 13	Forecast Jun 14	Forecast Dec 14	Actual Dec 14	Forecasted Change in 2014 (bps)	Actual Change in 2014 (bps)	Directionally Correct?
Non-Investment Grade	5.88	5.95	6.09	6.76	21	88	yes
Investment-Grade (Baa-rated)	5.38	5.51	5.67	4.68	29	-70	no
Investment-Grade (Aaa-rated)	4.62	4.78	4.95	3.79	33	-83	no
U.S. Corp. Yield Spreads to 10-yr T-Bond (bps)							
Non-Investment Grade	298	275	269	455	-29	157	no
Investment-Grade (Baa-rated)	248	231	227	247	-21	-1	yes
Investment-Grade (Aaa-rated)	172	158	155	158	-17	-14	yes

Table Seven

U.S. Fixed Income Indexes:

Government, Corporate & MBS

IFI Forecasts versus Actual Results, Dec. 2013 - Dec 2014

Composite Bond Indexes	ETF	% Changes in 2014 Forecasted	Actual	Directionally Correct?
Total U.S. IG Bonds	AGG	-1.2%	5.6%	no
Total U.S. IG Bonds (Float-Adj.)	BND	-1.7%	5.4%	no
U.S. Govt. Bills, Notes & Bonds				
3 Month U.S. Treasury Bill	BIL	0.3%	0.2%	yes
1-3 Year U.S. Treasury Notes	SHY	-0.2%	0.5%	no
3-7 Year U.S. Treasury Notes	IEI	-0.5%	2.6%	no
7-10 Year U.S. Treasury Notes	IEF	-1.2%	7.7%	no
10-20 Year U.S. Treasury Bonds	TLH	-1.6%	12.9%	no
20+ Year U.S. Treasury Bonds	TLT	-4.2%	24.3%	no
U.S. Inflation-Protected T-Bond	TIP	-2.5%	3.4%	no
2X Short: 20+ Yr. U.S. T-Bonds	TBT	8.3%	-21.6%	no
U.S. Agency, MBS, & Municipals				
GSE Mortgage Agency Bonds	AGZ	-0.9%	3.3%	no
Residential MBS	MBB	-1.3%	5.9%	no
Commercial MBS	CMBS	-1.6%	2.6%	no
Res. & Comm. Mortgage REITS	REM	7.8%	21.0%	yes
National AMT-Free Muni Bond	MUB	-2.5%	8.7%	no
U.S. Corporate Bonds & FRNs				
Short-Term Commercial Paper	MINT	0.7%	0.6%	yes
Invest.-Grade Floating Rate Notes	FLRN	1.9%	0.3%	yes
Bank Senior Loan Portfolio	BKLN	3.2%	0.5%	yes
1-3 Year Corporate Bond	CSJ	1.7%	0.7%	yes
Invest.-Grade LT Corporate Bond	LQD	2.7%	8.0%	yes
Aaa - A Rated LT Corporate Bond	QLTA	1.5%	6.0%	yes
Baa - Ba Rated LT Corporate Bond	QLTB	3.8%	8.3%	yes
B – Ca Rated LT Corporate Bond	QLTC	7.8%	-0.4%	no
High-Yield LT Corporate Bond	HYG	4.8%	1.7%	yes
Convertible Bond	CWB	12.5%	9.6%	yes
Utilities Sector Bond	AMPS	1.3%	12.0%	yes
Financials Sector Bond	MONY	2.3%	7.4%	yes

Table Eight

U.S. Equities (Broad), Styles & Sectors

IFI Forecasts versus Actual Results, Dec. 2013 - Dec 2014

	% Changes in 2014		Directionally
U.S. Equities and Style Bets	**Forecasted**	**Actual**	**Correct?**
DJIA 30	15.7%	10.3%	yes
NASDAQ Composite	12.6%	16.1%	yes
Large-Cap (S&P 500)	15.9%	13.6%	yes
Large-Cap Value (S&P 500)	22.8%	14.0%	yes
Large-Cap Growth (S&P 500)	8.9%	17.3%	yes
Large-Cap Value vs Large-Cap Growth (% pts)	13.9%	-3.3%	no
Super-Cap (S&P 100)	14.3%	14.9%	yes
Small-Cap (S&P 600)	16.0%	6.0%	yes
Small-Cap Value (S&P 600)	21.4%	7.8%	yes
Small-Cap Growth (S&P 600)	10.6%	3.9%	yes
Small-Cap Value vs Small-Cap Growth (% pts)	10.8%	3.9%	yes
Small-Cap (Russell 2000)	15.7%	5.7%	yes
Large-Cap vs. Small Cap (% pts)	0.2%	8.0%	yes
	% Changes in 2014		**Directionally**
S&P 500 Sectors: Absolute Change (%)	**Forecasted**	**Actual**	**Correct?**
Consumer Discretionary	19.6%	8.8%	yes
Consumer Staples	12.8%	14.2%	yes
Energy	15.1%	-8.8%	no
Financials	20.7%	14.7%	yes
Health Care	12.4%	26.8%	yes
Industrials	17.9%	10.6%	yes
Information Technology	16.6%	22.0%	yes
Materials	8.2%	8.1%	yes
Telecommunications Services	10.5%	0.8%	yes
Utilities	6.9%	23.5%	yes
	% Changes in 2014		**Directionally**
S&P 500 Sectors vs. S&P 500 (% pts)	**Forecasted**	**Actual**	**Correct?**
Consumer Discretionary	3.7%	-4.9%	no
Consumer Staples	-3.1%	0.5%	no
Energy	-0.8%	-22.4%	yes
Financials	4.8%	1.1%	yes
Health Care	-3.5%	13.1%	no
Industrials	2.0%	-3.1%	no
Information Technology	0.7%	8.3%	yes
Materials	-7.7%	-5.5%	yes
Telecommunications Services	-5.3%	-12.8%	yes
Utilities	-9.0%	9.9%	no

Table Nine

Absolute & Relative Price Performance of S&P 500 Sectors

Ranked by IFI's Advised Weightings at the Beginning of 2014 *

Changes in averages: Dec. 2013 to Dec. 2014

	IFI's Advised	Over-weight/	Absolute Changes		Relative to S&P 500	
Sectors	Weighting	Under-weight	Simple	Weighted	Simple	Weighted
Financials	32%	16%	14.7%	4.7%	1.1%	0.4%
Consumer Discretionary	26%	14%	8.8%	2.3%	-4.9%	-1.3%
Industrials	14%	3%	10.6%	1.5%	-3.1%	-0.4%
Information Technology	7%	-12%	22.0%	1.5%	8.3%	0.6%
Energy	6%	-4%	-8.8%	-0.5%	-22.4%	-1.3%
Consumer Staples	5%	-5%	14.2%	0.7%	0.5%	0.0%
Health Care	4%	-9%	26.8%	1.1%	13.1%	0.5%
Telecomm Services	3%	1%	0.8%	0.0%	-12.8%	-0.4%
Materials	2%	-2%	8.1%	0.2%	-5.5%	-0.1%
Utilities	1%	-2%	23.5%	0.2%	9.9%	0.1%
Change in S&P 500: +13.6%		IFI Sector Portfolio:		11.7%		-2.0%
Performance of IFI's 5 Most-Favored Sectors:			9.4%	**9.5%**	-4.2%	-2.1%
Performance of IFI's 5 Least-Favored Sectors:			14.7%	**2.2%**	1.0%	0.2%
Relative Performance, Most-Favored minus Least-Favored:			-5.2%	**7.3%**	-5.2%	-2.3%
			(average)	(sum)	(average)	(sum)

* "Outlook 2014," January 20, 2014.

Table Ten

International Currencies & Fixed Income

IFI Forecasts versus Actual Results, Dec. 2013 - Dec 2014

		% Changes in 2014		Directionally
Foreign Currencies vs. U.S. $	**ETFs**	**Forecasted**	**Actual**	**Correct?**
See Table 4, page 6 (the inverse of these currency forecasts and performances)				
Total Return on Foreign Govt. Bonds (Broad)				
Developed Markets (IG)	**ETFs**			
Short-Term 1-3 Year Int'l Govt. Note	BWZ	0.8%	0.3%	yes
Long-Term Int'l Govt. Bond	BWX	2.1%	-9.1%	no
Inflation-Protected Int'l. Govt. Bond	WIP	-1.7%	-2.3%	yes
Euro-Zone Government Bonds	EU	1.5%	0.3%	yes
Emerging Markets (NIG)	**ETFs**			
JPM Emerging Markets Bond (in US$)	EMB	-2.4%	6.7%	no
Emerging Markets Govt. Debt (in US$)	PCY	-4.8%	9.6%	no
Emerging Markets Govt. Bond (local FX)	LEMB	-6.0%	-3.0%	yes
Change in Foreign Govt. Bond Yields (bp)				
Australia		44	-128	no
Brazil		88	-62	no
Britain		20	-116	no
Canada		24	-82	no
France		55	-141	no
Germany		45	-121	no
Greece		-161	-24	yes
Italy		-66	-212	yes
Japan		11	-31	no
Mexico		79	-43	no
Russia		115	245	yes
Spain		-34	-235	yes
Switzerland		54	-87	no
Total Return on Foreign Govt. Bonds (%)*				
Australia		0.7%	0.2%	yes
Britain		1.5%	-3.5%	no
Canada		0.7%	-2.2%	no
France		-2.3%	-0.6%	yes
Germany		-1.8%	-1.5%	yes
Greece		22.7%	29.9%	yes
Italy		9.3%	6.6%	yes
Japan		-0.3%	2.3%	no
Spain		6.7%	10.0%	yes
Switzerland		-3.8%	-3.9%	yes
		** JP Morgan Indexes, in local currency*		
Total Return on Foreign Govt. Bonds (%)**				
Brazil		8.7%	9.1%	yes
Mexico		1.5%	11.8%	yes
Russia		1.1%	-7.3%	no
		*** JP Morgan Indexes, in external FX (U.S.$)*		

Table Eleven

International Equities

IFI Forecasts versus Actual Results, Dec. 2013 - Dec 2014

		% Changes in 2014		Directionally
Foreign Equities: Broad	**ETFs**	**Forecasted**	**Actual**	**Correct?**
EAFE	EFA	5.5%	-1.5%	no
Asia-Pacific ex-Japan	ADRA	-1.3%	1.2%	no
Europe ex-Britain	IEV	8.8%	-1.8%	no
Americas ex-Canada	ILF	-5.7%	-10.6%	yes
Emerging Markets	EEM	-7.1%	-2.5%	yes
BRIC Countries	BKF	-8.2%	-3.7%	yes
Foreign Equities: Asia-Pacific				
Australia	EWA	5.3%	-2.9%	no
China	FXI	-12.1%	7.6%	no
Hong Kong	EWH	7.0%	5.1%	yes
India	EPI	-6.9%	31.7%	no
Japan	EWJ	6.7%	-2.1%	no
Malaysia	EWM	-3.8%	-10.8%	yes
Singapore	EWS	0.2%	3.5%	yes
South Korea	EWY	-0.7%	-10.1%	yes
Taiwan	EWT	-3.6%	9.2%	no
Thailand	THD	-13.4%	15.1%	no
Foreign Equities: Europe				
Austria	EWO	6.0%	-17.2%	no
Britain	EWU	6.9%	-3.1%	no
France	EWQ	3.0%	-5.3%	no
Germany	EWG	10.2%	-6.0%	no
Italy	EWI	14.7%	-3.7%	no
Netherlands	EWN	8.3%	-0.5%	no
Russia	RSX	-3.2%	-39.7%	yes
Spain	EWP	17.6%	2.5%	yes
Sweden	EWD	5.3%	-1.5%	no
Switzerland	EWL	4.9%	3.5%	yes
Foreign Equities: Americas				
Canada	EWC	3.7%	1.9%	yes
Brazil	EWZ	-10.7%	-14.2%	yes
Chile	ECH	-7.4%	-12.7%	yes
Mexico	EWW	1.1%	-10.2%	yes

Table Twelve

IFI's Forecasts for 2014 Compared to Wall Street Strategists

Source: "Outlook 2014," Barron's, December 14, 2013

	S&P 500 Price Index			
Forecaster/Firm	**Actual Dec. 2013**	**Forecasted Dec. 2014**	**Forecasted % Change**	**Actual Change (%)**
Steve Auth/Federated Investors		2,100	16.2%	
Richard Salsman/InterMarket Forecasting		**2,095**	**15.9%**	
Thomas Lee/J.P. Morgan Chase		2,075	14.8%	
S&P 500 Price Index (actual)	**1,808**	**2,054**		**13.6%**
Adam Parker/Morgan Stanley		2,014	11.4%	
John Praveen/Prudential International		2,014	11.4%	
Savita Subramanian/BofA Merrill Lynch		2,000	10.6%	
Jeffrey Knight/Columbia Management		1,950	7.9%	
Russ Koesterich/BlackRock Financial		1,920	6.2%	
David Kostin/Goldman Sachs		1,900	5.1%	
Barry Knapp/Barclays Capital		1,900	5.1%	
Tobias Levkovich/Citibank		1,900	5.1%	

	S&P 500 Operating Earnings per share			
Forecaster/Firm	**Actual Dec. 2013**	**Forecasted Dec. 2014**	**Forecasted % Change**	**Actual Change (%)**
Richard Salsman/InterMarket Forecasting		**$124.0**	**15.6%**	
Russ Koesterich/BlackRock Financial		$120.0	11.8%	
Steve Auth/Federated Investors		$120.0	11.8%	
Thomas Lee/J.P. Morgan		$120.0	11.8%	
Barry Knapp/Barclays Capital		$119.0	10.9%	
Savita Subramanian/BofA Merrill Lynch		$118.0	10.0%	
John Praveen/Prudential International		$117.6	9.6%	
Tobias Levkovich/Citibank		$117.5	9.5%	
Jeffrey Knight/Columbia Management		$117.0	9.0%	
David Kostin/Goldman Sachs		$116.0	8.1%	
Adam Parker/Morgan Stanley		$116.0	8.1%	
S&P 500 OPS (actual - Full Year)	**$107.3**	**$113.0**		**5.3%**

	10-Year U.S. Treasury Bond Yield			
Forecaster/Firm	**Actual Dec. 2013**	**Forecasted Dec. 2014**	**Forecasted Change (bps)**	**Actual Change (bp)**
Savita Subramanian/BofA Merrill Lynch		3.75%	85	
Thomas Lee/J.P. Morgan		3.65%	75	
Barry Knapp/Barclays Capital		3.50%	60	
Steve Auth/Federated Investors		3.50%	60	
Adam Parker/Morgan Stanley		3.45%	55	
Richard Salsman/InterMarket Forecasting		**3.40%**	**50**	
Russ Koesterich/BlackRock Financial		3.35%	45	
John Praveen/Prudential International		3.30%	40	
Tobias Levkovich/Citibank		3.25%	35	
David Kostin/Goldman Sachs		3.25%	35	
Jeffrey Knight/Columbia Management		2.90%	0	
10-Year U.S. Treasury Bond Yield (actual)	**2.90%**	**2.21%**		**-69**

	Growth Rate of U.S. Economy			
Forecaster/Firm	**Actual 2013**	**Forecasted 2014**	**Forecasted Change (% pts)**	**Actual Change (% pts)**
Steve Auth/Federated Investors		3.5%	0.4%	
Richard Salsman/InterMarket Forecasting		**3.2%**	**0.1%**	
David Kostin/Goldman Sachs		2.9%	-0.2%	
John Praveen/Prudential International		2.8%	-0.3%	
Tobias Levkovich/Citibank		2.7%	-0.4%	
Adam Parker/Morgan Stanley		2.6%	-0.5%	
Savita Subramanian/BofA Merrill Lynch		2.6%	-0.5%	
Jeffrey Knight/Columbia Management		2.5%	-0.6%	
Barry Knapp/Barclays Capital		2.5%	-0.6%	
Russ Koesterich/BlackRock Financial		2.5%	-0.6%	
Thomas Lee/J.P. Morgan		2.5%	-0.6%	
Growth, U.S. Real GDP (actual, 2013 vs 2012)	**3.1%**	**2.4%**		**-0.7%**

Table Thirteen

Annual & Compounded Returns on IFI's 4 Model Portfolios vs. Benchmarks, 2003-2014

"CAGR" = Compounded Annual Growth Rate

IFI Model Portfolio #1: Global Equity Investor

Year	IFI Model Returns	Benchmark Returns	IFI versus Benchmark
2003	30.00%	25.40%	4.60%
2004	15.50%	14.50%	1.00%
2005	12.80%	9.80%	3.00%
2006	18.00%	12.00%	6.00%
2007	10.20%	10.01%	0.19%
2008	-42.93%	-42.16%	-0.77%
2009	30.88%	30.37%	0.51%
2010	14.44%	11.07%	3.37%
2011	-11.65%	-4.95%	-6.70%
2012	12.91%	12.72%	0.19%
2013	25.98%	20.25%	5.73%
2014	5.09%	4.37%	0.72%

Year End	IFI Model Value	Benchmark Value	Multiple
2002	**$1.00**	**$1.00**	1.00
2003	$1.30	$1.25	1.04
2004	$1.50	$1.44	1.05
2005	$1.69	$1.58	1.07
2006	$2.00	$1.77	1.13
2007	$2.20	$1.94	1.13
2008	$1.26	$1.12	1.12
2009	$1.65	$1.46	1.12
2010	$1.88	$1.63	1.16
2011	$1.66	$1.55	1.08
2012	$1.88	$1.74	1.08
2013	$2.37	$2.10	1.13
2014	$2.49	$2.19	1.14
CAGR:	**7.89%**	**6.74%**	
IFI advantage (% pts p.a.):		**1.14%**	
% of years IFI has out-performed benchmark:			**83%**

IFI Model Portfolio #2: U.S.-Specific Investor

Year	IFI Model Returns	Benchmark Returns	IFI versus Benchmark
2003	25.50%	19.90%	5.60%
2004	18.60%	9.40%	9.20%
2005	7.02%	6.10%	0.92%
2006	5.65%	10.60%	-4.95%
2007	6.79%	6.50%	0.29%
2008	-8.82%	-20.10%	11.28%
2009	24.38%	11.80%	12.58%
2010	18.09%	12.15%	5.94%
2011	4.09%	12.63%	-8.54%
2012	12.37%	11.65%	0.72%
2013	27.92%	17.94%	9.98%
2014	8.60%	10.60%	-2.00%

Year End	IFI Model Value	Benchmark Value	Multiple
2002	**$1.00**	**$1.00**	1.00
2003	$1.26	$1.20	1.05
2004	$1.49	$1.31	1.13
2005	$1.59	$1.39	1.14
2006	$1.68	$1.54	1.09
2007	$1.80	$1.64	1.10
2008	$1.64	$1.31	1.25
2009	$2.04	$1.46	1.39
2010	$2.41	$1.64	1.47
2011	$2.51	$1.85	1.35
2012	$2.82	$2.07	1.36
2013	$3.60	$2.44	1.48
2014	$3.91	$2.69	1.45
CAGR:	**12.04%**	**8.61%**	
IFI advantage (% pts p.a.):		**3.43%**	
% of years IFI has out-performed benchmark:			**75%**

"CAGR" = Compounded Annual Growth Rate

IFI Model Portfolio #3: U.S.-Specific Equity Investor

Year	IFI Model Returns	Benchmark Returns	IFI versus Benchmark
2003	32.30%	30.60%	1.70%
2004	20.50%	15.90%	4.60%
2005	7.32%	7.10%	0.22%
2006	15.80%	13.80%	2.00%
2007	3.53%	2.60%	0.93%
2008	-38.23%	-39.74%	1.51%
2009	22.81%	26.02%	-3.21%
2010	20.39%	20.68%	-0.29%
2011	2.56%	1.56%	1.00%
2012	14.48%	15.85%	-1.37%
2013	38.51%	37.66%	0.85%
2014	9.69%	9.61%	0.08%

Year End	IFI Model Value	Benchmark Value	Multiple
2002	**$1.00**	**$1.00**	1.00
2003	$1.32	$1.31	1.01
2004	$1.59	$1.51	1.05
2005	$1.71	$1.62	1.06
2006	$1.98	$1.84	1.07
2007	$2.05	$1.89	1.08
2008	$1.27	$1.14	1.11
2009	$1.56	$1.44	1.08
2010	$1.87	$1.73	1.08
2011	$1.92	$1.76	1.09
2012	$2.20	$2.04	1.08
2013	$3.05	$2.81	1.08
2014	$3.34	$3.08	1.09
CAGR:	**10.58%**	**9.83%**	
IFI advantage (% pts p.a.):		**0.75%**	
% of years IFI has out-performed benchmark:			**75%**

IFI Model Portfolio #4: U.S.-Specific Bond Investor

Year	IFI Model Returns	Benchmark Returns	IFI versus Benchmark
2003	16.50%	11.46%	5.04%
2004	9.10%	4.10%	5.00%
2005	4.08%	2.50%	1.58%
2006	2.44%	3.80%	-1.36%
2007	6.63%	5.62%	1.01%
2008	15.20%	-7.06%	22.26%
2009	39.97%	5.76%	34.21%
2010	12.81%	6.36%	6.45%
2011	10.57%	22.95%	-12.38%
2012	12.98%	3.75%	9.23%
2013	3.47%	-2.06%	5.53%
2014	2.43%	5.66%	-3.23%

Year End	IFI Model Value	Benchmark Value	Multiple
2002	**$1.00**	**$1.00**	1.00
2003	$1.17	$1.11	1.05
2004	$1.27	$1.16	1.10
2005	$1.32	$1.19	1.11
2006	$1.36	$1.23	1.10
2007	$1.44	$1.30	1.11
2008	$1.66	$1.21	1.37
2009	$2.33	$1.28	1.82
2010	$2.63	$1.36	1.93
2011	$2.91	$1.68	1.73
2012	$3.28	$1.74	1.89
2013	$3.40	$1.70	1.99
2014	$3.48	$1.80	1.93
CAGR:	**10.95%**	**5.02%**	
IFI advantage (% pts p.a.):		**5.93%**	
% of years IFI has out-performed benchmark:			**75%**

Appendix

IFI Research Reports in 2014

1. "Persistence in U.S. Equity Performance," *Investment Focus*, January 8, 2014.

2. "Outlook 2014," January 20, 2014.

3. "Track Record 2013," January 27, 2014.

4. "Why Inflation Has Been Low Despite Rapid Money-Supply Growth," *The Capitalist Advisor*, January 31, 2014.

5. "IFI's Foreign Equity Forecasts in 2013 – and the Currency Connection," *Investor Alert*, February 7, 2014.

6. "EM Currency Turmoil: No Necessary Impediment to DM Equity Gains," *Investment Focus*, February 14, 2014.

7. *The InterMarket Forecaster*, February 21, 2014.

8. "Bernanke's Record at the Fed: 'Unorthodox' (Thus Harmful) From Start to Finish," *The Capitalist Advisor*, February 28, 2014.

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11. *The InterMarket Forecaster*, March 24, 2014.

12. "Dubious Dow Theory Revisited," *Investment Focus*, April 3, 2014.

13. "The Irrelevance of Jobs Data to Equity Returns," *Investor Alert*, April 8, 2014.

14. "The Effect of the U.S. Corporate Tax Take on Output and Equities," *The Capitalist Advisor*, April 14, 2014.

15. *The InterMarket Forecaster*, April 21, 2014.

16. "Should Investors Trust Forecasts of Fed Policy Made by Fed Policymakers? Connecting the Dots in FOMC Projections," *The Capitalist Advisor*, April 28, 2014.

17. "The Treasury Yield Curve: Seven Inversions for Seven Recessions," *Investment Focus*, May 7, 2014.

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19. *The InterMarket Forecaster*, May 21, 2014.

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23. *The InterMarket Forecaster*, June 25, 2014.

24. "Is Out-performance by Defensive Sectors a Bearish Signal for Equities Broadly?" *Investment Focus*, June 30, 2014.

Appendix
IFI Research Reports in 2014

(continued from page 15)

25. "Are Lower Foreign Bond Yields Depressing U.S. T-Bond Yields?" *Investment Focus*, July 10, 2014.
26. "When Heightened Geo-Political Risk is a Good Thing," *The Capitalist Advisor*, July 17, 2014.
27. ***The InterMarket Forecaster*, July 25, 2014.**
28. "The Incorrect Greenspan Correction," *Investor Alert*, July 31, 2014.
29. "IFI's Model Advice on Global Equities," *Investment Focus*, August 8, 2014.
30. "To Those Who'd Dare Short This Bull Market," *Investor Alert*, August 14, 2014.
31. ***The InterMarket Forecaster*, August 25, 2014.**
32. "The U.S. Economic-Financial Expansion in Context," *The Capitalist Advisor*, August 31, 2014.
33. "Wall Street Strategists Again Lagging IFI," *Investor Alert*, September 12, 2014.
34. "Dollar Strength: Bullish For Equities, Bearish for Commodities," *Investment Focus*, September 17, 2014.
35. ***The InterMarket Forecaster*, September 25, 2014.**
36. "Cases When Dollar Strength Justifies Bearishness on U.S. Equities," *Investment Focus*, September 30, 2014.
37. "Does Europe's Economy Presage U.S. Performance?" *Investor Alert*, October 9, 2014.
38. "Moving Average Breaches Don't Reliably Signal Bear Markets," *Investor Alert*, October 14, 2014.
39. "U.S. Treasury Yields Without QE and ZIRP," *Investor Alert*, October 29, 2014.
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45. *"Fiscal* Discipline is Bullish for Equities and Economies: Global Evidence," *The Capitalist Advisor*, December 8, 2014.
46. "Fiscal Discipline is Bullish for Equities and Economies: U.S. Evidence," *The Capitalist Advisor*, December 15, 2014.
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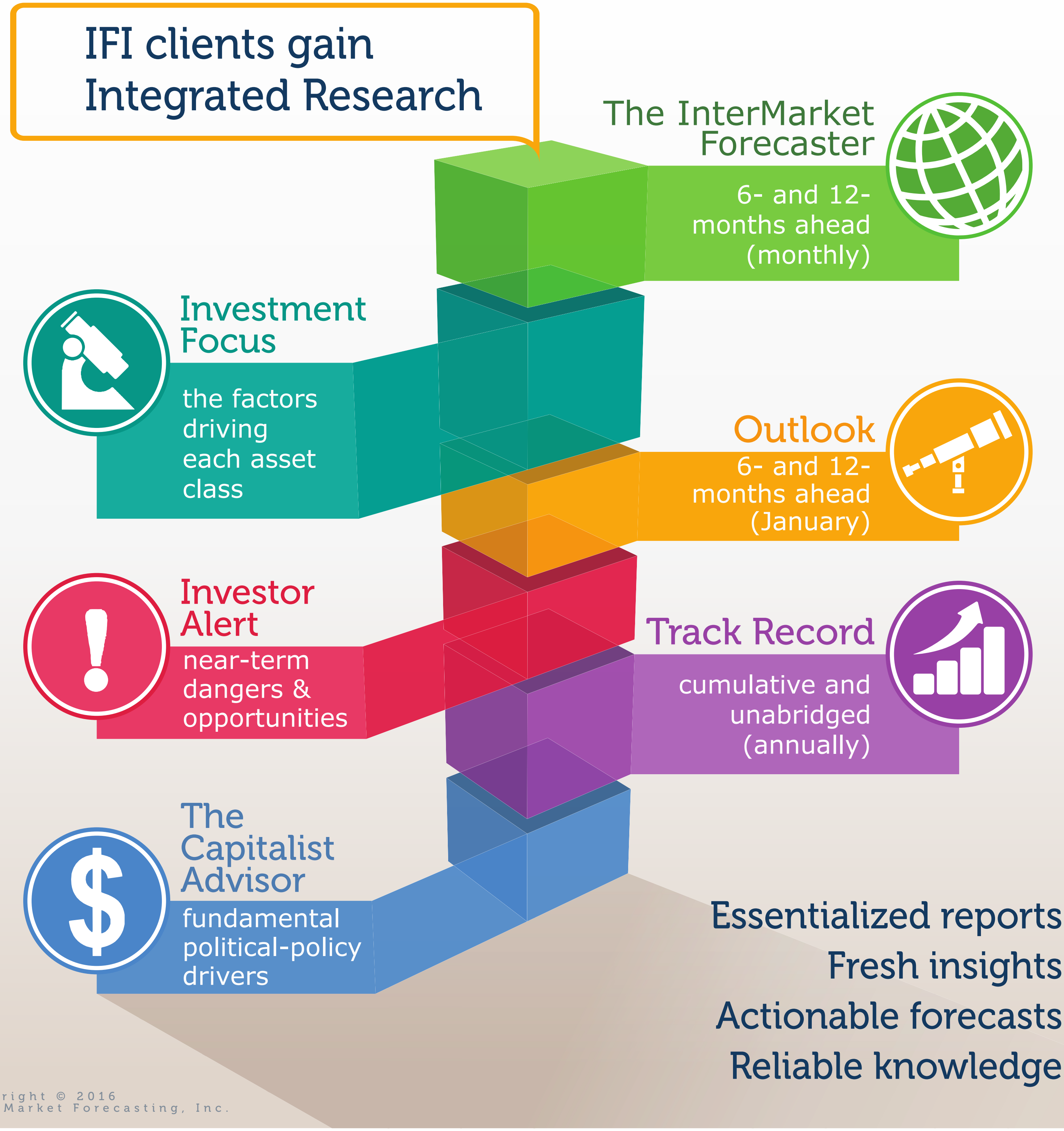

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INTERMARKET FORECASTING

Top Down Insights
Bottom Line Results

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Methodologically, IFI's research emphasizes the incentives and disincentives faced by producers, savers and investors and how these effect investments – the essence of classical or "supply-side" economics, in contrast to the flawed themes and track records of Keynesian economics. IFI views markets as global, inter-connected, and often politicized, so it also provides a rational framework for understanding and predicting how policies (monetary, fiscal, regulatory) will influence investment performance. IFI has no vested interest in rising or falling markets or in any particular investment styles. It offers clients an independent, objective source of investment research, forecasts and advice, in contrast to the bias often exhibited in brokerage firm material and salesmanship. Since its founding in 2000 IFI has delivered an average, across the board forecasting success rate of 66% and has outperformed its peers (Wall Street strategists) 61% of the time.

Richard M. Salsman, Ph.D., CFA®

Richard Salsman is founder, president and chief market strategist. Prior to IFI he was senior economist at H.C. Wainwright Economics, Inc. (1993-1999) and from 1981 to 1992 a banker and capital markets specialist at the Bank of New York and Citibank. Mr. Salsman has authored numerous articles and is an expert in market history, economics, forecasting, and investment strategy. His work has appeared in the Wall Street Journal, Investor's Business Daily, Barron's, Forbes, National Post (Canada) and the Economist. In addition, he has authored three books—Gold and Liberty (1995), Breaking the Banks: Central Banking Problems and Free Banking Solutions (1990), The Political Economy of Public Debt: Three Centuries of Theory and Evidence (2017) —plus many chapters in edited books. Salsman speaks regularly at conferences, investment gatherings and universities. He earned his B.A. in Law and Economics from Bowdoin College (1981), his M.B.A. in Economics from the Stern School of Business at NYU (1988), and his Ph.D. from Duke University in Political Economy (2012). In 1993 he earned the designation of Chartered Financial Analyst (CFA) from the Association for Investment Management and Research.

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