Portfolio Shift Commentary: May 7, 2015

It is no surprise that US economic growth stalled in the first three months of the year against the backdrop of a strengthening US Dollar, a collapse in oil prices and a tough winter. We believe that the slowdown is temporary, similar to last year where 1Q14 GDP was revised to negative growth, but then the economy rebounded throughout the rest of the year. We expect the US to reaccelerate in the second quarter back to a 2.5% - 3.0% growth range. While broad quantitative easing among major central banks continues to provide a favorable backdrop for risk assets, particularly equities, we do expect higher volatility due to this policy dependence.

Within fixed income, we expect long-term US rates to remain contained by low inflation and strong overseas demand for US Treasuries. Along these lines we shifted into Treasury bonds and preferred stocks using proceeds from our short term investment grade bonds and short term credit bonds. This move increases our overall portfolio duration, modestly increases our credit exposure and boosts our portfolio dividend. We feel comfortable modestly increasing our credit exposure as we believe any upward pressure to rates will be driven by strong economic data, which should be positive for credit spreads.

As always, we thank you all for your continued support and look forward to discussing any or all of our thoughts at your convenience.

Best Regards,

Richard A. Funk, CFP®
Senior Vice President, Investments

Jenny G. Davis, CFA®
Senior Investment Portfolio Specialist