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Portfolio Profile

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The Blue Sheet. Fidelity now sends all available cost basis information to you on your 1099. This has rendered obsolete the realized gain and loss sheet ("blue sheet") that we've previously sent you. Should you still want our version of the gain and loss report, simply give us call and we will get one to you.

1099's. When 1099's are issued, they are coded by the issuing firm. Even if the code is wrong, the financial institution (in our case Fidelity) will not change or reissue the 1099. It is our understanding that all financial institutions are now essentially the same. They have gone to a more generalized coding system and will not correct and/or reissue the 1099. The taxpayer or tax preparer, in order to change the 1099 code instructions, must go to IRS.gov to get the IRS form to make the change.

Discretionary Management. As you know, we are discretionary money managers and we will endeavor to shift your portfolio to find the very best investments within the risk parameters of your chosen model. But as such, we do not call our client's to talk about what is a good idea or what to buy or sell. We are fee only and operate as discretionary investment portfolio managers to act on your behalf. *Please remember that you give us guidance on your risk tolerance and objectives and we manage to those criteria. If you wish to change your risk profile or objective (i.e. become more or less aggressive with stocks), do not hesitate to call us at 336-998-7000 to discuss your needs and requirements.*

A Look Back. In 2014 there were several hurdles that moderated investment performance; asset class diversification was the highest of those hurdles. Small company stocks and international equities had negative or low single-digit returns. Historically, diversification has enhanced performance while mitigating risk. Last year, the only good returns were essentially in U.S. large-company stocks. Consequently, the S&P did well. Since preservation of principal is our primary focus for client accounts, we often diversify into lower-risk options. Unfortunately, the Fed's QE (Quantitative Easing) policy has increasingly pushed investors towards ever-greater risk in order to achieve return.

A Look Ahead. We are confident our utilization of historically sound principles of diversification based upon accepted portfolio theory, along with a cautious eye on risk, is a solid policy over the long term. However, we will modify our approach somewhat in this year. In 2015 and going forward we intend to retain a diversified approach, but we plan to focus more investment in those asset classes that we determine are affording the best investment potential. For example we expected U.S. large cap would outperform in 2014, but we did not significantly increase exposure to that asset class. Going forward, we intend to focus more portfolio assets in these high-expectation asset classes. We have endeavored to do this in the past to some extent, but we were driven to a greater extent by our commitment to diversification. We will refer to our primary investment focus for this year as our "2015 Core Objective." We will designate one primary or core objective and then add various and sometimes changing secondary objectives.

Core Objective. In 2015 we again expect U.S. large cap stocks to outperform for the majority of the year. We believe dividend payers will benefit in a market year of either single digit or low double digit returns. We intend to concentrate portfolios more in large company U.S. stocks funds.

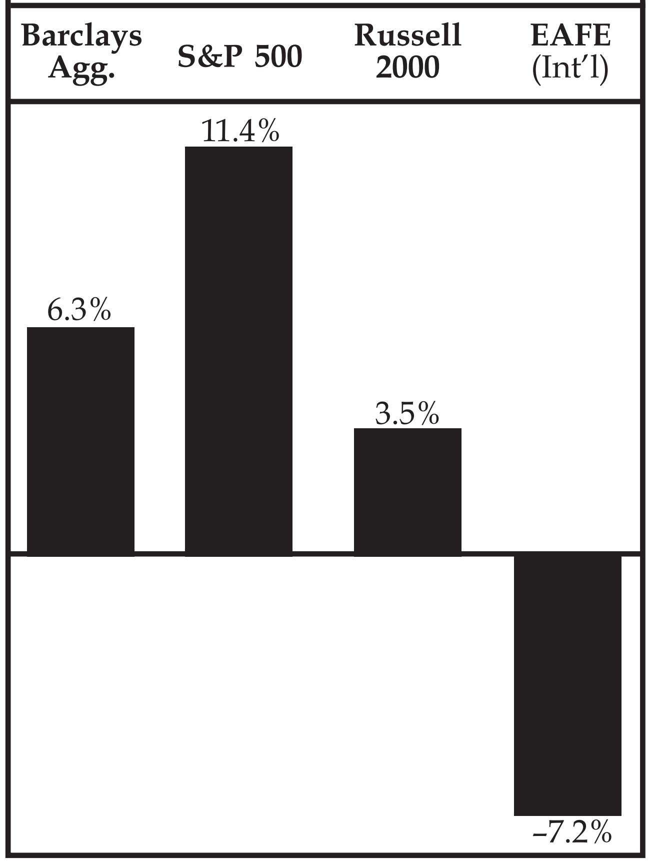
Secondary Objectives. We expect a flattening yield curve in 2015; meaning short-term rates should rise and intermediate and long term rates remain somewhat flat as a result of Fed action and deflation trends that are primarily coming from other parts of the world. We have sold most of our short-term and some of our unconstrained bond funds to primarily intermediate-term investment grade bond funds.

Additionally, we expect the Eurozone may implement their version of "QE" resulting in a strong European market at some point. The Japanese market nearly doubled in a year when these policies were implemented there. However, returns there have been mitigated to a large extent by a currency decline in the Yen. We intend to do a hedged approach in Dollars vs. Euros. (A hedged approach means capturing the gains of European stocks without losing on the currency should the Euro continue to decline.)

Market Review and Forecast. 2014 ended with a nearly 2% sell-off the last two days of the year. However, the S&P 500 posted solid gains last year, up 11.4%.

Unfortunately, most diversified portfolios didn't do nearly as well last year. The 30-stock Dow Jones Industrials Average (Dow), the small stock Russell 2000 and international stocks all lagged the S&P 500. The Russell 2000 only returned 3.5% and, hammered by a strong dollar and weak economic growth in Japan and Europe, international stocks *dropped 7.2%* in 2014.

The Major Indices
Full Year — 2014



U.S. market volatility returned with a vengeance in the fourth quarter. We endured a 7% decline in October and a 5% loss early in December. Both times, U.S. stocks quickly recovered: no better example of its resilience came December 17 and 18 when after losing nearly 5% in early December, the Dow gained more than 700 points in two days, the best two-day rally since 2009.

Why has the U.S. done so well despite the consistent bad news from overseas? Japan is officially in a recession, Europe is averaging less than one percent growth and China's economy slows as it struggles to cope with its over-built real estate market.

Probably the number one reason the U.S. stock market has shone so brightly is that it is generally agreed that U.S. corporations are in their best financial shape ever. Incredibly low-interest rates since 2009 have allowed them to service their debts cheaply and, as Apple has done, borrow cheap money to purchase their own stocks. (It is estimated that Apple bought back $56 billion of its stock last year.) Computer technology, just-in-time inventories, negligible wage growth, and consistently improving productivity has led to double-digit profit gains for many large U.S. corporations recently except, of course, for energy producers.

One recent study claimed that U.S. manufacturing output cost per hour was only 4% higher than China's. It argued that even though Chinese industry wages were about one-fourth as much as U.S. workers, our superior productivity enables the average U.S. factory employee to produce nearly 4 times more per hour than the average Chinese worker.

S&P 500 corporations get only about 10% of their profits from international sales. Therefore weak overseas growth and a strong dollar -- up 12% last year against a trade-weighted index -- means that U.S. domestic sales, and profits from them, are much more important to U.S. corporations than home-market sales by European and Japanese companies. (German companies, for example, earn more than 40% of their profits from exports.)

The U.S. has natural gas prices that are one-third to one-fourth cheaper than China, Japan or Europe. We are now producing over 9 million barrels of oil per day, exceeding Russia last year to become the world's second biggest producer after Saudi Arabia. Oil prices dipped under $50 a barrel this month, less than half of the $107 cost just last June. The average price of gasoline, at $2.26 per gallon December 31, had dropped every day for over 100 days -- the first time ever!

Last week one organization argued that the American consumer is overall in "the best shape since 2007." Another earlier survey last month found that 40 percent of those polled were spending more for Christmas because of the extra money they saved at the gas pump.

Buoyed by a strong Christmas shopping season, many estimates for GDP growth for 2014's fourth quarter exceed 3 percent after the third quarter's surprising 5 percent growth. Unemployment is now down to 5.6 percent as each month the U.S. economy creates more than 200,000 jobs. The 321,000 new jobs in November was the highest one-month number in nearly three years.

Given the falling inflation rate at less than 1.5 percent and the Fed's December statement that it would be "patient" before it raised interest rates, it now seems apparent that the Fed will hold off increasing rates during the first half of 2015. Continuing low interest rates are definitely a positive for the stock market.

History is another positive argument for U.S. stocks. Since 1946 large U.S. stocks have averaged 17% gains 12 months after mid-term elections and 15% yearly upticks when there is Democrat president and a Republican Congress. Also the third year of a president's term is historically by far the best for U.S. stocks, also averaging 15% returns.

The problem is that a historic average of 15% return this year, as outlined above, would mean the market would double in just 4 years, from 2012 to 2015. That rosy scenario seems unlikely. A high-single -digits return seems more likely for this year.

Perhaps 2014's biggest surprise was that nearly every expert predicted that bonds would selloff as interest rates rose. Instead, they fell from 3.03% for the 10-year U.S. Treasury Bond to a 2.17% rate at year-end.

Also, almost no one predicted last January that (1) oil prices would plunge so much, (2) large companies would more than triple the returns of small companies, (3) the U.S. dollar would appreciate by double digits, or (4) the returns posted by international stocks would be so bad. Markets are indeed difficult to predict.

Interest Rates. 2014 was a decent year for fixed income with the broader Barclays US Aggregate Bond Index returning 6.3%. Treasurys rallied on geopolitical and global economic worries. A Federal Reserve signaling no rate increases for 2014 didn't hurt bonds either. The 10 Year Treasury Note started 2014 yielding 3.03% and closed the year with a 2.17% yield. Bond fund manager Jeffery Gundlach of Doubleline has forecast that the 10 Year yield will drop as low as 1.38% in 2015 while short-term rates rise.

We believe the Fed will raise short-term rates this year, but are inclined to agree with Mr. Gundlach that intermediate and long-term rates may not rise. Given the incredibly low rates worldwide -- for instance, Germany's 10-year bond yields *less than ½%* -- and global disinflation, it seems likely that yields on any quality bonds maturity in five years or longer should stay put or possibly even go lower.

Commodities. As an asset class, commodities may often be overlooked and misunderstood. However, 2014 may have changed all of that. As the world watched oil's precipitous decline in the last quarter of 2014, the impact of commodities on the overall market became clear. With that in mind, the commodities outlook for 2015 merits discussion.

How long will oil remain at these low prices? That question may be answered by watching OPEC, Saudi Arabia in particular. The price of oil, in the $40s per barrel, has dropped to lows not seen since 2009. While this has translated into less "pain at the pump" for US consumers, it is important to remember that it may not last. Saudi Arabia has determined to maintain current output levels, thus keeping oil at low levels. This has put serious pressure on countries such as Russia and Venezuela, as well as crimped the U.S. oil boom. Still, it remains to be seen how long OPEC is willing to endure reduced profits in order to hurt competitors.

Domestic oil production has fallen slightly as a result of lowering prices. However, disciplined cost-cutting measures and technological advances may help U.S. drilling and refining companies maintain a competitive advantage and continue the move by the U.S. toward becoming a net exporter of oil by 2020.

ADV Document. We are happy to provide you with a copy of our "ADV," which is our disclosure document that we file annually with the U.S. Securities and Exchange Commission (SEC). You can also view it on the SEC's website at www.sec.gov and there is a link to it on our website. We are also pleased to provide our confidentiality statement and code of ethics. We are happy to mail you one upon request or you can view it on our website at www.wcamg.com.

Our New Website. Speaking of our website, it has been completely redesigned and should be much easier to navigate. If you have an opportunity, check it out at the aforementioned www.wcamg.com.

Non-Managed Assets. Many clients have brought in stocks, bonds, funds, and other assets that were purchased previously which they either do not wish to sell due to the tax implications or other reasons. We have placed these assets in a "non-bill" category to take into consideration these facts. We are pleased to facilitate custodial services without cost and to consult on these assets when requested for the convenience of our clients. However, we do not assume responsibility for tracking these assets or responding to news, mergers, events or information regarding these unmanaged assets. We do, of course, take responsibility for the assets we manage and track them closely.

Required minimum distributions (RMD). For those of you 70 ½ or over this year, you are aware of the IRS RMD requirements for your Individual Retirement Account (IRA). Explanatory materials for RMDs will be mailed to you in January. It will include a sheet that details your minimum distribution amount. The Federal penalty for not taking an RMD is a very-high 50%.

If you would like a distribution before this material is available, or have any questions about your RMD or any other issue, please give us a call at 336-998-7000. We always enjoy talking with our clients.