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Dear Friend,

Following a strong 2013 performance and in spite of valuation headwinds, US equity markets racked up a reasonably good year in 2014. While concerns abounded with geopolitical conflict in the Ukraine and Middle-East, slowing China and emerging markets as well as faltering recovery in Europe, the US recovery remained resilient and falling energy prices will provide a further boost. Net of fees and expenses, we underperformed for the fourth quarter and for the full year 2014. A deep value potential turnaround situation that did not work out and the sale of a portfolio company that failed to close due to the new anti-inversion regulation were among the notable issues. We are sticking with our strategy of investing in large cap out-of-favor value stocks with a margin of safety. We believe that we maintained our tax efficiency and improved on our turnover.

For the fourth quarter Mullick Value strategy returned net of fees and expenses 1.4% versus 4.9% for S&P 500 and 5.0% for Russell 1000 Value index. For the year 2014, our strategy returned net of fees and expenses 7.1% versus 13.7% for S&P 500 and 13.5% for Russell 1000 Value index. Since inception (June 30, 2012), Mullick Value strategy has returned net of fees and expenses 55.1% versus 59.5% for S&P 500 and 62.6% for Russell 1000 Value index.

While the US economy has continued on its path of modest recovery post the great recession, the surprise of 2014 was the unexpected reversal of the emerging markets and faltering recovery in Europe and Japan culminating in another year of decline in interest rates. China slowdown and geopolitical events in the Ukraine and Middle East added to the global growth concerns culminating in the failure of OPECs ability to manage the price of crude. Emergence of the US as the fastest growing supplier was just as responsible for the collapse in crude oil price. Benefits of lower energy prices should provide a boost for consumer spending and growth worldwide. Although economic indicators suggest a steady improvement in the pace of recovery in the US, the key question is whether the US economy can continue to accelerate in the face of faltering growth in most of the major economies. Markets expect the Federal Reserve to start raising rates in mid-year and start on its glide path to rate normalization with declining unemployment and stable inflation as key policy goals. We think such a move will be a positive for the financial sector. Low cost of crude oil and natural gas liquids will continue to be overall positives for the US economy in competitiveness for commodity chemicals, manufacturing and consumer discretionary sectors.

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We expect US shale oil producers to respond quickly to the collapse in commodity price with slower but continued growth in 2015. We see opportunities in financial stocks that will benefit from a normalized interest rate and absence of regulatory penalties, and energy stocks that can recover with oil prices stabilizing. We also see opportunities in chemical stocks that stand to benefit from the bounty of natural gas liquids and consumer discretionary stocks that should benefit from the higher disposable income.

Risks of further slowing in China and Europe as well as rising political tension in the Middle East are real. Valuation is less of a tailwind for US stocks (especially in emerging technology and biotech) and the reach for dividends has rendered many income strategies overvalued. Although we think stocks are better to own than bonds, potential returns for equity have clearly declined given the strong back-to-back returns of the past three years.

We will continue to look for dislocations in individual stocks to find unloved values which we perceive to have a margin of safety. Thank you and best wishes for a prosperous 2015.

S. Basu Mullick
Principal