

**A NEWSLETTER FOR OUR CLIENTS**

Overview of the Markets

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**Investment Overview**

Happy New Year to all our investors and friends. We wish you the best in 2015. Looking back at 2014, even as we enter the 7th month of the current global market correction, we see many positives as we kick off the New Year. Returns of markets often vary greatly from year to year, and though 2013 was great for markets and our investment strategies, 2014 was a dud for the most part. That is how investing goes and why it's a difficult process emotionally. It is important to focus on annualized returns over long periods rather than short-term volatility.

Although large cap U.S. stocks had a positive 2014, most global regions outside the U.S. are in significant correction territory. European and Latin American markets are down more than 15% since June 2014. Emerging markets as a whole are down 15% since the beginning of September. Even Asian markets were down during the second half of the year.

How could we view down markets like this as a positive? Because we always maintain a long-term perspective and know that market corrections like this occur every few years, we see the current correction as a buying opportunity. Many reasons are given by experts of why markets are down globally, but the most likely cause is the precipitous declines we've seen in commodities like oil, gold and iron ore. Commodities in general are volatile, but like all markets the commodities that took a nose dive during 2014 are likely to come back up in price at some point soon. For now, the price of oil has dropped nearly 60% in the last 6 months -- the most extreme drop since the 2008 credit crisis began, and the quickest drop since the oil crisis of the early 1980s.

All that aside, rest assured that oil this cheap won't last. For now cheap oil will provide growth for global markets and all industries where oil is a major expense of doing business. On the flip side, it seems Wall Street has dumped any stock

**Our Performance Record**

Net of Fees

Strategy / Benchmark Indices	12 Months ending 12/31/14	Annualized Since Inception*
<b>Global Stock Score Strategy</b>	<b>-9.82%</b>	<b>10.14%</b>
MSCI ACWI Index Ex-US	-1.63%	8.97%
<b>Global ETF Score Strategy</b>	<b>-5.41%</b>	<b>6.40%</b>
MSCI Emerging Markets Index	-2.19%	2.93%
<b>Fundamental Value Strategy</b>	<b>-2.17%</b>	<b>14.62%</b>
MSCI ACWI Index	4.15%	11.63%
<b>Value Stock Score® Strategy</b>	<b>-11.32%</b>	<b>13.09%</b>
Russell 2000 Value Index**	4.22%	14.07%

\* Monthly results are preliminary. This information is provided to existing and prospective clients to assist investors in understanding their own results. Detailed performance reports are updated on a quarterly basis and made available on our website [www.ebertcapital.com](http://www.ebertcapital.com). GIPS® compliant performance reports are included on the following pages.

\*\* Please note that we have changed the benchmark index for the Value Stock Score® Strategy from the Russell 2000 Index to the Russell 2000 Value Index. This change has not yet been approved by the GIPS verification firm we engage for annual GIPS audits, but we will confirm with our auditor that this is the appropriate benchmark for the Value Stock Score® strategy.

related to oil markets and other commodities. We've seen the stock prices of very profitable companies in the energy, oil and mining sectors become extremely cheap. When we consider this and the fact that the U.S. economy and corporate earnings are growing, we are optimistic for the near-term future of stock markets here and abroad.

The prices of some energy stocks are so low it seems Wall Street expects oil prices to remain cheap indefinitely, which should be considered odd since commodities and securities markets have rebounded from every past drop in history and because oil is still the most used and demanded commodity in the world.

Despite the global market correction our domestic stock portfolio, the Value Stock Score® strategy, gained about 15%

from mid-October through the end of 2014. Given how cheap the stocks in our Value Stock Score<sup>®</sup> strategy are, continued strong performance would not be surprising. Prior to 2014, this strategy achieved annualized returns of better than 22% per year.

One area of the securities markets that performed exceptionally well in 2014 were domestic bond markets. The Barclays U.S. Aggregate Bond Index gained 5.95% in 2014, while the Barclays Municipal Index gained 9.05%. Both of our bond strategies performed well last year, rebounding from 2013 -- which ended up as one of the worst for municipal bonds in market history.

Bond yields are still near all-time lows, however, and with interest rates rising later this year the bond market may still be in a for a nasty surprise. Interest rates have an inverse relationship to bond prices, so rising rates is a negative sign for bond markets in the short-term. Since the U.S. Federal Reserve and many other international countries are keeping interest rates extremely low, the eventual interest rate rise will likely hurt bond returns over the short-term.

Of course the discussion about various global markets being undervalued and bond markets facing an eventual correction when interest rates rise does not necessarily mean investors should change their portfolios. Successful investors should make sure their asset allocation matches their risk tolerance and be patient, extremely patient, to reduce risk from short-term volatility and ensure long-term investment goals are met. Speculators buy and sell at a whim -- intelligent value investors buy undervalued securities and wait to achieve full value.

#### **Disclaimer/Disclosure**

The purpose of this newsletter is to explain what is happening with our investment strategies and our current views on the markets. We do not sell our investment report and it is intended only as a communication device. The information in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance or guarantee that the securities discussed herein will remain in an account's portfolio at the time this report is received. The securities discussed do not represent an account's entire portfolio and may only represent a small percentage of an account's portfolio. It should not be assumed that any of the securities discussed were or will prove to be profitable, or that the investment recommendations or decisions ECM makes in the future will be profitable or will equal the investment performance of the securities discussed herein.

ECM uses certain proprietary databases, formulas and devices in its investment decision process. Such devices, such as our Value Stock Score<sup>®</sup> program have limitations with respect to their use. The use

of these devices does not change the possibility of loss inherent in all investment decisions

#### **Contact Us**

For questions regarding fees and expenses, risks, or other investment questions, please visit our website at [www.ebertcapital.com](http://www.ebertcapital.com) or contact us directly and we will be happy to assist you.

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**Ebert Capital Management Inc.**  
**Value Stock Score® Strategy Composite**

As of December 31, 2014

Strategy/Index Name	Inception Date	1 Year Annualized	3 Year Annualized	3 Year Cumulative	Annualized Since Inception	Cumulative Since Inception	Annualized Standard Deviation
Value Stock Score® Strategy	12/01/10	-11.32%	14.50%	50.12%	13.09%	63.58%	18.83%
Russell 2000 Value Index*	N/A	4.22%	18.28%	65.48%	14.07%	69.33%	16.03%

Year	Composite Net Return (%)	Benchmark Return (%)	Composite 3-Yr Std. Dev	Benchmark 3-Yr Std. Dev	Internal Dispersion	Number of Portfolios	Composite Assets (\$)	Firm Assets (\$)
2010	11.70%	8.31%	N/A	N/A	N/A	1	\$10,294	\$740,775
2011	-2.44%	-5.52%	N/A	N/A	N/A	4	\$186,748	\$3,000,000
2012	28.91%	18.05%	N/A	N/A	5.70%	40	\$1,473,088	\$5,500,000
2013	31.32%	34.50%	18.49%	16.05%	3.69%	60	\$2,370,525	\$14,025,000
2014	-11.32%	4.22%	17.01%	12.98%	4.82%	69	\$2,269,932	\$17,000,000

A strategy that generally maintains 24 positions built and managed with our Value Stock Score® program. This strategy consists of U.S. stocks only and is benchmarked to the Russell 2000 Value Index. The strategy holds positions in what we consider to be undervalued, safe and profitable companies.

\*Please note that we have changed the benchmark index for the Value Stock Score® Strategy from the Russell 2000 Index to the Russell 2000 Value Index. This change has not yet been approved by the GIPS verification firm we engage for annual GIPS audits, but we will confirm with our auditor that this is the appropriate benchmark for the Value Stock Score® strategy.

\*\*The Value Stock Score® Strategy consists of all accounts that hold U.S. stocks of any market capitalization above \$50 million selected by using the Value Stock Score® Program. The strategy identifies undervalued companies by using ECM's Value Stock Score® Program to score different financial variables of each company. The composite returns represent the total returns as of December 1st, 2010 -- of all fully discretionary, management fee-paying and non-management fee-paying accounts including those accounts no longer with the firm.

Returns are presented net of actual management fees paid. Fees are described in the firm's *ADV Part 2*. ECM's account inclusion policy is the first full month or the end of the month in which the account is fully invested. The composite contains both taxable and nontaxable accounts. The returns of the individual portfolios within the composite are time-weighted, use trade date accounting, are based upon monthly portfolio valuations, and include the reinvestment of all earnings as of the payment date. The composite returns are asset-weighted based upon the beginning period market values calculated in U.S. dollars. The Benchmark for the composite is the Russell 2000 Value Index, presented in U.S. dollars.

Three-year ex post standard deviation for composite and benchmark is not present if 36 monthly returns are unavailable. A dispersion measure is not shown when there are five or fewer accounts in the composite for the entire year. The internal dispersion is calculated using the asset-weighted standard deviation of annual net returns of those portfolios that were included in the composite.

Ebert Capital Management Inc. (ECM) is an independent, fee-only registered investment adviser. We provide investment management and financial planning for individual investors, retirement plans, other financial advisers and institutions. ECM claims compliance with the Global Investment Performance Standards (GIPS®) and has been independently verified. The verification report is available upon request. Performance of the Value Stock Score® Strategy is as of December 1, 2010. To receive a complete description of the policies and procedures for this composite and a list and description of all firm composites, please contact us at (707) 407-3813 or [info@ebertcapital.com](mailto:info@ebertcapital.com).

**Past performance does not guarantee future results.** Performance data quoted represents past performance. Current performance may be lower or higher than the performance data quoted. Past performance of markets, strategies, composites, or any individual securities is no guarantee of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's portfolio. Investment in the above referenced model composite is subject to investment risks, including, without limitation: market risk, interest rate risk, management style risk, business risk, sector risk, and other risks related to equity securities. There are no assurances that a portfolio will match or outperform any particular benchmark. Historical performance results for benchmarks, such as investment indices and/or categories, generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, which would have the effect of decreasing historical performance results.

**Ebert Capital Management Inc.**  
**Global Stock Score Strategy Composite**

As of December 31, 2014

Strategy/Index Name	Inception Date	1 Year Annualized	Annualized Since Inception	Cumulative Since Inception	Annualized Standard Deviation
Global Stock Score Strategy	11/1/12	-9.82%	10.14%	22.29%	16.74%
MSCI ACWI Index Ex-US	N/A	-1.63%	8.97%	19.59%	10.75%

Year	Composite Net Return (%)	Benchmark Return (%)	Internal Dispersion	Number of Portfolios	Composite Assets (\$)	Firm Assets (\$)
2012	16.21%	5.45%	N/A	8	\$501,888	\$5,500,000
2013	16.68%	15.29%	4.45%	67	\$2,417,424	\$14,025,000
2014	-9.82%	-1.63%	4.37%	78	\$2,507,669	\$17,000,000

A strategy that generally maintains 24 positions built and managed with our Value Stock Score® program. This strategy is benchmarked to the MSCI All Country World Index Ex-U.S. and holds positions in what we consider to be undervalued, safe and profitable companies in both foreign stocks and U.S. listed companies with a majority of revenues or operations abroad.

The Global Stock Score Strategy consists of all accounts that hold international and domestic listed companies with a majority of operations and revenues coming from abroad. Stocks are selected using the Value Stock Score® Program, minimum market capitalization of \$50 million. The composite returns represent the total returns as of November 1st, 2012 of all fully discretionary, management fee-paying and non-management fee-paying accounts including those accounts no longer with the firm.

Returns are presented net of actual management fees paid. Fees are described in the firm's *ADV Part 2*. ECM's account inclusion policy is the first full month or the end of the month in which the account is fully invested. The composite contains both taxable and nontaxable accounts. The returns of the individual portfolios within the composite are time-weighted, use trade date accounting, are based upon monthly portfolio valuations, and include the reinvestment of all earnings as of the payment date. The composite returns are asset-weighted based upon the beginning period market values calculated in U.S. dollars. The Benchmark for the composite is the MSCI ACWI Index Ex U.S., presented in U.S. dollars.

Ebert Capital Management Inc. (ECM) is an independent, fee-only registered investment adviser. We provide investment management and financial planning for individual investors, retirement plans, other financial advisers and institutions. ECM claims compliance with the Global Investment Performance Standards (GIPS®) and has been independently verified. The verification report is available upon request. Performance of the Global Stock Score Strategy is as of November 1, 2012. To receive a complete description of the policies and procedures for this composite and a list and description of all firm composites, please contact us at (707) 407-3813 or [info@ebertcapital.com](mailto:info@ebertcapital.com).

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**Ebert Capital Management Inc.**  
**Global ETF Score Strategy Composite**

As of December 31, 2014

Strategy/Index Name	Inception Date	1 Year Annualized	Annualized Since Inception	Cumulative Since Inception	Annualized Standard Deviation
Global ETF Score Strategy	6/27/12	-5.41%	6.40%	16.18%	15.60%
MSCI Emerging Markets Index	N/A	2.19%	2.93%	7.23%	12.29%

Year	Composite Net Return (%)	Benchmark Return (%)	Internal Dispersion	Number of Portfolios	Composite Assets (\$)	Firm Assets (\$)
2012	18.98%	13.75%	N/A	19	\$553,361	\$5,500,000
2013	3.23%	-3.61%	5.12%	60	\$1,187,696	\$14,025,000
2014	-5.41%	-2.19%	4.77%	80	\$1,233,968	\$17,000,000

The strategy invests in a handful country-specific ETFs. The ETFs chosen are rebalanced periodically using our proprietary ETF scoring process. Specific economic data is used to select ETFs of the most undervalued countries for the world's 50 largest developed and emerging economies. This enables us to invest in what we determine to be the most undervalued global markets. The strategy is benchmarked to the MSCI Emerging Markets Index.

The Global ETF Score Strategy consists of all accounts that hold country specific ETF's selected by using ECM's Global ETF score strategy. This strategy identifies undervalued countries by scoring countries on different economic variables such as GDP and market capitalization; other information such as dividend yield is used in the selection process. The composite returns represent the total returns as of June 27, 2012, of all fully discretionary, management fee-paying and non-management fee-paying accounts including those accounts no longer with the firm.

Returns are presented net of actual management fees paid. Fees are described in the firm's ADV Part 2. ECM's account inclusion policy is the first full month or the end of the month in which the account is fully invested. The composite contains both taxable and nontaxable accounts. The returns of the individual portfolios within the composite are time-weighted, use trade date accounting, are based upon monthly portfolio valuations, and include the reinvestment of all earnings as of the payment date. The composite returns are asset-weighted based upon the beginning period market values calculated in U.S. dollars. The Benchmark for the composite is the MSCI Emerging Market Index, presented in U.S. dollars.

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**Ebert Capital Management Inc.**  
**Fundamental Value Strategy Composite**

As of December 31, 2014

Strategy/Index Name	Inception Date	1 Year Annualized	Annualized Since Inception	Cumulative Since Inception	Annualized Standard Deviation
Fundamental Value Strategy	4/1/13	-2.17%	14.62%	25.53%	13.03%
MSCI ACWI Index	N/A	4.15%	11.63%	20.13%	9.39%

Year	Composite Net Return (%)	Benchmark Return (%)	Internal Dispersion	Number of Portfolios	Composite Assets (\$)	Firm Assets (\$)
2013	28.31%	15.34%	N/A	32	\$258,223	\$14,025,000
2014	-2.17%	4.15%	2.72%	42	\$593,445	\$17,000,000

This strategy combines the strategies of our stock scoring and ETF scoring strategies to maintain a portfolio of value-oriented stocks and ETFs. The portfolio may also use ETFs from fixed income, commodity and other sectors of the investable market. The goal of the strategy is capital appreciation and it is indexed to the MSCI All Country World Index.

The Fundamental Value Strategy consists of all accounts that hold domestic stocks with market capitalizations above \$50 million and international stocks of any market capitalization above \$50 million, selected by using the Value Stock Score® Program and MSCI global ETFs, selecting using our proprietary ETF scoring method. The strategy combines the methodologies of both our stock scoring and ETF scoring strategies to maintain a portfolio of undervalued securities from multiple geographic areas. The composite returns represent the total returns as of April 1st, 2013 of all fully discretionary, management fee-paying and non-management fee-paying accounts including those accounts no longer with the firm.

Returns are presented net of actual management fees paid. Fees are described in the firm's *ADV Part 2*. ECM's account inclusion policy is the first full month or the end of the month in which the account is fully invested. The composite contains both taxable and nontaxable accounts. The returns of the individual portfolios within the composite are time-weighted, use trade date accounting, are based upon monthly portfolio valuations, and include the reinvestment of all earnings as of the payment date. The composite returns are asset-weighted based upon the beginning period market values calculated in U.S. dollars. The Benchmark for the composite is the MSCI ACWI Index, presented in U.S. dollars.

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