SARATOGA CAPITAL MANAGEMENT, LLC
ADJUSTS SUGGESTED PORTFOLIO ALLOCATIONS
EFFECTIVE JULY 15, 2015

Saratoga's research indicates that economic conditions have changed enough to warrant adjustments in our suggested asset allocations. We study numerous macro economic statistics to determine which economic sectors are currently leading the economy. When the leadership of macro economic sectors changes or the overall composition of the economy changes, these changes typically suggest that a new stage of economic activity could be starting.

We believe that the U.S. economy is entering a "moderate core" stage of economic growth. A "moderate core" stage of economic growth is generally indicated by corporate profits growing temperately, a continuation of employment growth, and a Federal Reserve (Fed) posture that is supportive of economic growth while keeping its inflation target in focus. Additionally, the unemployment rate is well off of its cycle high, which has likely been a primary factor in elevating consumer confidence to its highest level in years. Positive Personal Consumption data, which is typically dependent on healthy employment growth and sound consumer confidence, appears at this time to be well rooted.

In addition, we believe that the U.S. stock market in general is now fairly valued. In broad terms, Saratoga categorizes the U.S. stock market as: undervalued, fairly valued, or overvalued. Consequently, Saratoga's new suggested allocations are intended to reflect a fairly valued equity market. Saratoga's most recent prior suggested allocations were intended to reflect an undervalued equity market.

Generally, Saratoga's asset allocation optimization process indicates that the following should be considered in Saratoga's models, as appropriate:

I. **Reducing the overall ratio of equities to fixed income and cash equivalents:**
   a. Overweighting Large Capitalization Growth versus Large Capitalization Value
   b. Weighting the sectors in order of largest to smallest weightings as follows: Health & Biotechnology, Financial Services, Technology & Communications, Energy & Basic Materials, Real Estate, and Multi Strategy

II. **Increasing the overall ratio of fixed income/fixed income alternatives to equities:**
   a. Reducing traditional bond weightings
   b. Adding a real return fixed income alternative allocation

The foregoing observations are **general** observations; please review the Saratoga models for specific suggestions.

As always, we will continue to monitor economic conditions in order to determine when other asset allocation changes may be appropriate.

Sincerely,

Stephen Ventimiglia
Vice Chairman, Chief Economist
& Chief Investment Officer
