



Dear Clients & Friends of Patriot Investment Management

After losing ground in January, the major indices had a strong February. March saw early losses, then solid gains, with the Dow industrials, S&P 500, and Russell 2000 all hitting closing highs, and the Nasdaq closing above 5000 for the first time in 15 years, just shy of its all-time high.

U. S. Economy:

The Fed's slower-than-expected approach to interest rate hikes caused a sharp but temporary drop in the U.S. dollar, which continued to gain strength during the quarter against the currencies of its major trading partners. In January, the benchmark 10-year Treasury note dropped below 2% for the first time since May 2013, with demand driving yields to as low as 1.68% that month, before stabilizing to end the quarter just under 2%.

Oil prices fell below \$50 a barrel during the quarter. Lower gas prices boosted consumers' spending power, however, the sharp declines also raised questions about whether prices would fall so far that energy companies would cut back on jobs and ongoing operations.

The U.S. economy added 295,000 jobs in February, which helped cut the unemployment rate from 5.7% to 5.5%. The Bureau of Labor Statistics said February's job growth exceeded the 266,000 monthly average for the last year.

Sales of existing homes rose 1.2% in February (4.2% higher than a year earlier, according to the National Association of Realtors) but ongoing low inventories of homes for sale pushed prices up once again. New home sales also were up by 7.8% in February, and the January figure was revised upward. The Commerce Department noted that sales were almost 25% higher than last February, and the 539,000 annual sales rate for new single-family homes was the highest since February 2008.

After 3 months of falling consumer prices, consumer inflation turned up 0.2% in February. The Bureau of Labor Statistics said energy, food, and housing costs all contributed to the monthly increase, which left the inflation rate over the last 12 months essentially flat.

Global Markets:

International stocks benefited from European quantitative easing and favorable foreign exchange rates as the U.S. dollar has continued its rise against foreign currencies. Despite foreign exchange losses, international and emerging market equities posted respectable gains in the first quarter of 2015. The MSCI EAFE Index of large cap stocks from developed countries gained 5.0% while emerging market stocks gained 2.3%.

As international interest rates fall, U.S. treasuries will continue to attract international investors searching for income. International assets flowing into U.S. bonds are continuing to drive down

yields. In this global low-interest rate environment, near term increases in U.S. interest rates are likely to be small and gradual.

In Summary:

Although falling oil prices, a rising dollar (which translates to cheaper imports), and slack in labor markets have reduced inflationary pressures, equity valuations have been rising faster than corporate earnings. In such a low-inflationary environment, the likelihood of recession is remote, but elevated equity valuations generally portend reduced returns in the coming years. In a low-yield environment, keeping investment costs, in the form of fees and taxes, low will play a larger role generating positive returns after expenses.

2015 First Quarter Returns

S&P 500 + dividends	0.95%
Dow Jones Industrial	-0.003%
Russell 2000	4.32%
Emerging Markets	4.19%
Barclays Aggregate Bond Index	1.61%
Returns are price-only unless otherwise noted	
10 year Bond yield as of 03/31/15	1.93%
Inflation	0.0% thru March 2015
Unemployment	5.5% in March 2015

*Sources: Broadridge Investor Communications Solutions, Inc.
Patriot Investment Management, Inc.*

Thank You!

We value the confidence and trust you have placed with us, and we welcome your questions and comments. Our goal is to be our clients' trusted resource for all things financial.

Do you know someone who could benefit from our expertise? We appreciate your introductions and the opportunity to help your friends and colleagues meet their financial goals.