APRIL 16, 2015

Dear Investor,

The roller coaster metaphor has been a staple of journalists for as long as the amusement park fixture has existed. It lends itself equally well to erratic sports teams, hard fought political campaigns, personal relationships between members of reality TV families and countless other events ranging from the sublime to the ridiculous. However plentiful, the metaphors rarely make use of one key aspect of roller coasters; they end exactly where they began.

For the U.S. stock market as measured by the S&P 500, the first quarter of 2015 was truly a roller coaster ride. In the first quarter, the S&P moved over 1% in either direction on 19 days. (In contrast, the first *three* quarters of 2014 only saw 20 days in which the S&P moved more than 1%). However, when the dust settled, the most widely observed benchmark of common stock performance had hardly budged.

In our experience, daily price volatility, in the absence of clear direction, is a sign that market participants are recalibrating some significant assumption or trying to come to grips with an unforeseen change in the landscape. In our year-end letter, we wrote "*the U.S. economy finds itself in a virtuous circle of slow but reasonable growth, low interest rates and continuing capital in-flows fueled by a strong currency. The accepted wisdom is that our stock market will continue to be the world leader.*"

The basic tenets of this thesis (low interest rates and reasonable growth) are still intact. However, the brute strength of the dollar, which during the first quarter alone advanced 11% versus the euro (the largest quarterly move since the euro was established in 1999), brought the importance of currency into much sharper focus. This presents a two-part analytical challenge for investors. First, how will companies be impacted by the historic rise of the dollar that has already occurred against virtually all other currencies? Second, what will happen to currency relationships going forward?

The first question is a puzzle, perhaps solvable, though not easily so. When looking at most big companies, analyzing the effect of currency is like those nightmare-causing algebraic equations from high school; there are simply too many unknown variables[1]. Investors are already assuming that businesses that rely on foreign sales will be negatively impacted, but to what extent is more guesswork than calculation. U.S. companies with global exposure have

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[1] Companies that do business around the world feel the effects of currency fluctuation in numerous ways. On the income statement, currency changes can impact either revenues or costs (or both). On the balance sheet, both assets and liabilities may be held abroad. The relative attractiveness of foreign competitors' product offerings must be taken into consideration, as well as the currency exposures of customers. Some companies employ hedges, full or partial, while some do not.

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seen their stocks underperform so far this year. Time will tell whether this particular recalibration has been accurate or wide of the mark. First quarter earnings reports will shed some much needed light.

The second part, forecasting future currency relationships, is more shot in the dark than analytical challenge. We found the following excerpt from a recent Wall Street Journal interview "enlightening":

If the Fed tightens in June, then there's a natural transition: The U.S. rates story becomes the driver for the next leg in dollar strength. If Fed tightening is delayed through September, the euro could go all the way to $1.14. If, instead, the market is more confident the Fed could go in June, then the euro won't make progress against the dollar beyond the spike we saw after the Fed meeting. If we have to wait for November or December, that gives the foreign exchange market time for a lot of corrective activity.
Global Head of Developed-Market Currency Trading at a huge bank.

Clear as mud. This sort of mental gymnastics underlines our strong belief that trying to predict the future direction of the dollar should not be the focal point of an investment thesis. We know that currencies will fluctuate—at times, dramatically. The short to medium-term implications can be profound. But in the long run, good companies manage their business, and therefore their currency exposures are for the benefit of their shareholders. Rather than trying to guess whether the "Fed could go in June…November or December", we concentrate on the true, long-term fundamental strengths of the businesses in which we invest: competitive position, quality of management, allocation of capital, etc.

Portfolio Discussion

Much like the broader market, our portfolios experienced a flourish of activity during the first quarter, but ended looking much the same as they began. We reduced exposure to some existing positions, such as Republic Services, which had appreciated by approximately 30% since we added to the position a year ago, and added to others. However, we initiated only one new investment during the quarter: Actavis.

Actavis is the product of the roll-up of a handful of generic and specialty pharmaceutical companies. With the recent acquisition of Allergan, it has emerged as a major global competitor. What differentiates Actavis from its peers is its plan to de-emphasize early stage research in favor of acquiring later stage compounds. Actavis believes, and we agree, that this approach offers better returns on investment and allows the company to focus on its core competencies: commercialization and distribution. Because of the market's skepticism about this approach, we were able to purchase shares of Actavis at a price-to-earnings multiple that was comparable to global pharmaceutical peers despite our expectation that Actavis will likely deliver more rapid earnings growth potential.

Concluding Thoughts

In our last letter, we posited that the eventual arrival of higher interest rates was "*likely to lead to unpredictable results and maybe even some short-term turmoil*". We got the market behavior right, though not exactly for the right reasons. As focused as we are on individual companies, it would be disingenuous to say that we are completely ignoring the high level of daily fluctuations of stock prices.

We have become more attuned to the potential risks that are naturally present when virtually every benchmark is at an all-time high. A 10% decline in equity benchmarks can happen at any time, but the broad case for owning stocks remains unchanged. Unless and until interest rates rise meaningfully, it will be hard to find more attractive investments than high-quality equities.

While the running-in-place exertion of the first quarter could be a sign of a coming market upset, it could just as easily be the product of repositioning portfolios in reaction to a changing global environment. It usually pays to question the "accepted wisdom" of the marketplace. As U.S. focused investors, it is natural for us to ponder the possible connection between an upturn in volatility and a pending sell-off in our own markets. But what we are witnessing could be less a change in market direction (from up to down) than a change in leadership, from domestic indices to foreign ones.

Since the market bottom in 2009, U.S. stocks have been the undisputed leaders; it is difficult to imagine that domestic stocks will be the best performing asset class forever. Broadly speaking, European and even Japanese markets are facing the potential of an increasingly favorable environment. An optimistic case for both can be summed up in three bullet points:

- Accommodative central banks will keep interest rates low until local economies recover
- Cheap currencies will make local businesses more competitive
- Cheap energy will be an unambiguous positive for countries that consume but do not produce it

Other than successful investments in Nestle and Unilever (sold in early 2011), we have focused our equity holdings on U.S. based businesses. This is neither canon nor constraint, but an active strategy that has paid off in the form of excess returns, when compared to fully global stock market averages. We have strong conviction in the long-term fundamentals of our current portfolio of businesses. However, there are good companies around the world, and we are always on the lookout for better investment opportunities. We will not hesitate to diversify our holdings globally if we see a tangible, potential benefit of doing so.

Regards,

Spears Abacus

Spears Abacus BeeHive Fund Performance (Net)

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	5.28%	-0.09%	3.43%	1.28%	3.87%	-1.78%	6.10%	-1.01%	4.78%	1.80%	4.26%	2.92%	35.13%
S&P 500	5.18%	1.36%	3.75%	1.93%	2.34%	-1.34%	5.09%	-2.90%	3.14%	4.60%	3.05%	2.53%	32.39%

2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	-4.22%	4.86%	0.00%	-0.36%	2.83%	3.67%	-3.07%	3.73%	-3.86%	2.40%	2.82%	-0.65%	7.87%
S&P 500	-3.46%	4.57%	0.84%	0.74%	2.35%	2.07%	-1.38%	4.00%	-1.40%	2.44%	2.69%	-0.25%	13.69%

2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
The BeeHive Fund	-4.88%	6.62%	-1.46%										
S&P 500	-3.00%	5.75%	-1.58%										

Trailing 12 months (03/31/15)	
The BeeHive Fund	7.33%
S&P 500	12.73%

Annualized Since Inception (9/2/08)	
The BeeHive Fund	9.04%
S&P 500	9.98%

Spears Abacus Municipal Bond Performance (Net)

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
SA Bond Account	0.09%	0.12%	-0.09%	0.48%	-0.56%	-1.15%	-0.20%	-0.46%	1.08%	0.28%	-0.24%	-0.13%	-0.70%

2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
SA Bond Account	1.10%	0.63%	0.15%	0.96%	1.04%	0.17%	0.34%	0.79%	0.48%	0.52%	0.16%	0.26%	6.43%

2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
SA Bond Account	1.38%	-0.67%	0.33%										

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1.04%: The total annual fund operating expense ratio, gross of any fee waivers or expense reimbursements, as stated in the fee table of the fund's prospectus, pursuant to FINRA Rule 2210(d)(5).

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SA Municipal Bond Performance

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