Economic and Market

Overview

First Quarter
2015

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UMB Investment Management appreciates this opportunity to present our information to you.

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Economics

Once again weather played the spoiler and may delay the U.S. economy from reaching its potential. The economy likely slowed in Q1 to a growth rate less than 2% and slower than Q4's 2.2% annualized rate, primarily for reasons that are temporary. First, weather has adversely impacted incoming economic data; nine states recorded their second coldest February on record. The northeast, which accounts for 25% of economic activity, was hit particularly hard. Boston received 65 inches of snow in February, a record monthly snowfall. As a result, consumers decided to stay home instead of shop for cars or homes, or go to the mall. Overall, we believe most of the lost output related to weather will be captured in Q2. Next, the dollar has rallied at an historic pace. The dollar index increased approximately 8% in the quarter and is up 20% year over year, which is one of the fastest increases in history. The strong dollar curbs exports as U.S. goods become more expensive to international buyers. However, the U.S. is a net importer; a strong dollar and cheaper imports will be a positive to consumers. Lastly, oil prices remained low after plummeting in 2H14. This has resulted in lower oil-related capital expenditures (capex). We believe the impact of lower oil on investment spending is manageable as energy-related capex is only 6% of total capex.

We expect the economy to grow by 2.4 - 2.7% in 2015. With a weak first quarter, we lowered our expected range. We continue to anticipate that 2015 will be the year of the consumer as the labor market further strengthens and consumer confidence expands with lower oil prices and the prospect of higher wages. The labor market, an important driver of consumer confidence, is the strongest we have seen in 15 years. Over the last six months, an average of 293k jobs have been created per month, the highest six-month average since March of 2000. Moreover, there are five million unfilled jobs, approximately one for every two unemployed. The labor market should continue to tighten over the next few years, which will lead to some wage gains. Wage increases will, in turn, lead to increased consumer spending. Lower gasoline prices improve consumers' discretionary income and thereby increase consumer confidence. We expect consumers to spend their gas savings as the year progresses. The national unleaded retail price of gasoline is currently $2.42, which is down from around $3.40 this time last year, or 29%

Businesses are healthy and flush with cash. Moreover, small businesses are feeling quite confident — as evidenced in both the healthy readings in the NFIB small business optimism index and continued robust commercial and industrial (C&I) loan growth.

International markets will continue to be driven by stimulus (Europe) and stimulus expectations (China). Europe's economy appears to be improving somewhat as loan growth is starting to turn and the strong dollar boosts their exports. The quantitative easing (QE) announcement from the European Central Bank (ECB) will bolster risk-based assets. Commodity-rich countries may struggle as the strength of the dollar will put downward pressure on commodity prices.

The table below summarizes our 2015 forecasts:

	2015 Year-End Target
U.S. Real GDP Growth Rate	2.4% - 2.7%
Global Real GDP Growth Rate	2.8%
S&P 500 Price Target	2225
S&P 500 Operating EPS Growth	4.00%
Projected 10-Year Treasury Rate	2.50%

Equity Markets

The S&P 500 increased by 0.95% in Q1. The S&P 500 has been in a fairly tight trading range — between 2000 and 2090 — since last November, briefly breaking below and above this range at times. The market is increasingly sensitive regarding the timing and potential speed of Fed rate hikes. We believe as the rate path becomes more certain, the market will climb the proverbial wall of worry. We would note that the market typically performs very well six months prior to and six months after an initial rate hike. However, with other major central banks around the world easing policy (ECB, BoJ, China, etc.) and the prospect of Fed tightening later this year, some investors have begun rotating into international markets. European economic data points are improving with credit standards continuing to ease and signs of improving loan growth trends. In China, weak economic reports lead to further policy easing speculation with the market responding favorably. Differential monetary policies between the Fed and other central banks and better relative economic growth prospects in the U.S. have resulted in a rapid appreciation of the dollar. An increasing dollar puts pressure on oil as it is priced in dollars. These two factors — a stronger dollar and lower oil — have caused S&P 500 earnings estimates to be revised lower for 2015. Importantly, it is impossible to tell the true earnings hit of a stronger dollar until companies report earnings and guide the street as operational and financial currency hedges are difficult to ascertain. Moreover, while lower oil will negatively impact earnings for the energy sector, many more sectors and industries should benefit, such as the consumer discretionary sector, certain industrials, and many chemical companies. The net result of these would be positive. Despite these visible headwinds, we still believe earnings will grow by approximately 6% in 2015 as economic growth in the U.S. accelerates and international markets improve.

We believe earnings growth and valuations are supportive of a 8 – 12% return in the market in 2015. The S&P 500 currently trades at approximately 15.5 times 2016 earnings forecasts, which is slightly higher than the long-term average. However, interest rates have fallen around the world in Q1. Lower interest rates support higher equity valuations as alternative investments, such as bonds, become less attractive and cash flows become more valuable. As a result, we forecast the market trading at just over 17 times our estimate of 2016 earnings of $130. This leads to a price target on the S&P 500 of 2225, or around 8% higher from current levels.

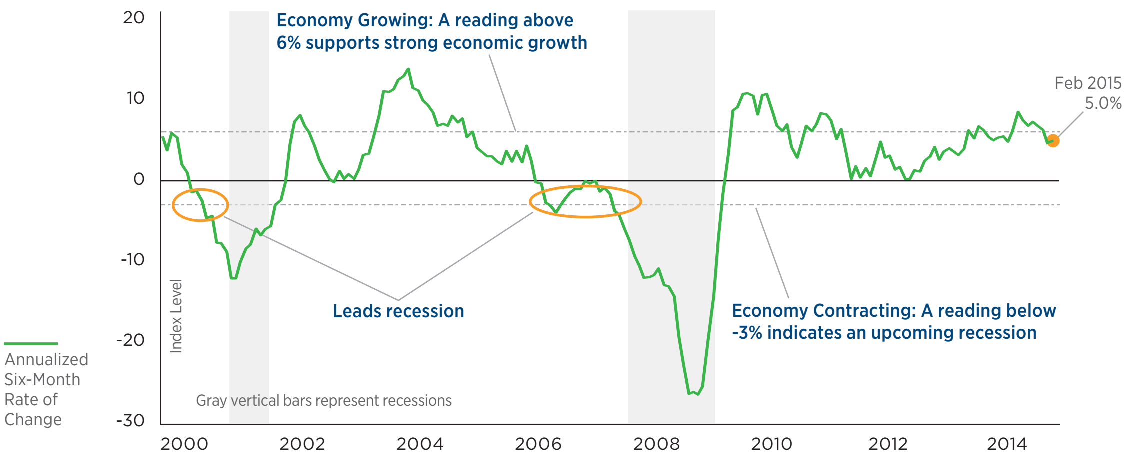
Fixed Income Markets

Recent economic releases have been lukewarm, and the guidance from the FOMC has tilted towards a lower trajectory for the normalization of rates. Consequently, the Treasury market has positioned itself for a much slower rise in rates over the upcoming quarters. This has lead to a drop in longer-term rates and a flattening of the yield curve. With Euro area rates holding near zero (and lower) and the U.S. Dollar still strong versus other major currencies, U.S. Treasury notes continue to be significantly more attractive to European (and global) investors, despite our historically low rates — a combination of factors that will keep our rates lower for longer than any other time in history.

Oil appears to have found a temporary floor, which has stabilized the Corporate and High Yield markets. (See page 9.) We believe it is too early to re-enter High Yield at this time, as we are looking for more prolonged stability in the price of oil and also hoping to see some traction from the ECB's QE program before we re-institute this trade. Given our optimistic outlook for the U.S. economy, we believe the long-term outlook for High Yield should be reasonably strong.

We continue to expect domestic economic strength to lead the FOMC to begin liftoff of overnight rates during Q3 of this year. Given recent commentary by Fed officials, it is apparent that the liftoff will come late in the quarter and further upward adjustments will be modestly paced as the economy slowly gains traction.

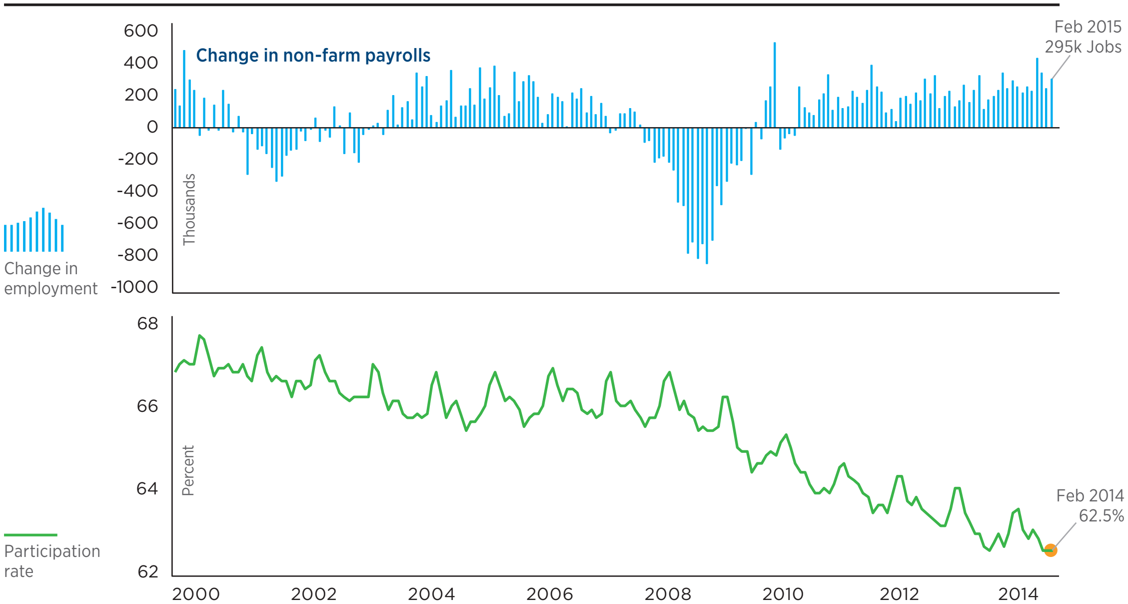
The Index of Leading Economic Indicators



Source: Thomson Reuters Datastream; UMB Investment Management

- The Index of Leading Economic Indicators (LEI) is made up of 10 components, 7 of which are non-financial and 3 of which are financial.
- The indicator is up over 5% over the last six months annualized, seven of the ten components made a positive contribution. Suggests economic growth remains healthy despite weather-related softness in Q1.
- A rate of change of -3% is normally a good leading predictor of an upcoming recession — not on the horizon.
- The current LEI reading supports our 2015 real GDP forecast of 2.4-2.7% in the US.

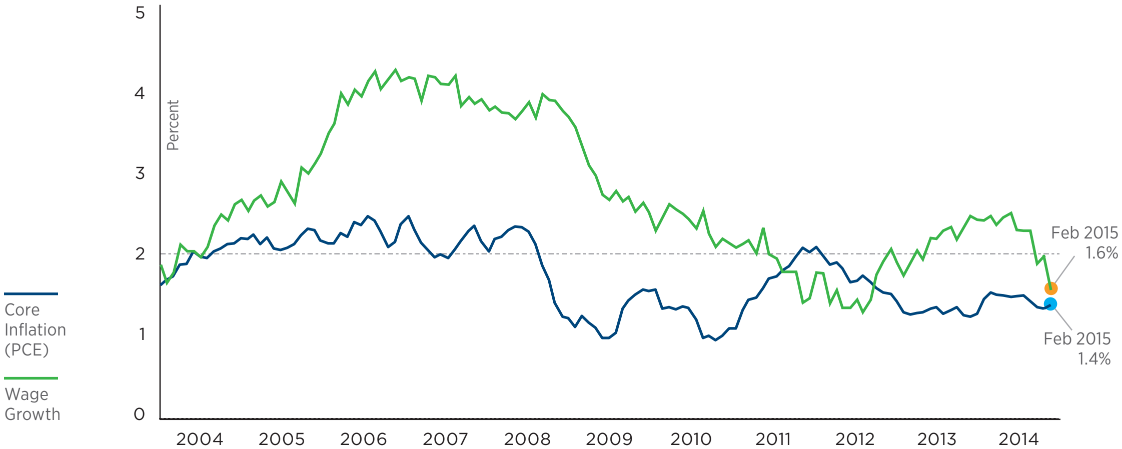
Employment



Source: Thomson Reuters Datastream; UMB Investment Management

- The unemployment rate stands at 5.5%. In addition to robust job gains, the historically low participation rate is helping drive the unemployment rate lower.
- Payroll growth remained robust over the last three months, averaging 288,000. We expect payroll growth will average 250,000 jobs per month this year — a slight increase compared to last year.
- We anticipate the unemployment rate to be at 5.4% by the end of 2015. We believe the participation rate could cyclically rebound as job openings are at a 15-year high. This would offset robust job gains and result in the unemployment rate remaining largely unchanged.
- The improved employment landscape will support consumer confidence and thereby consumer spending. This should accelerate economic growth.

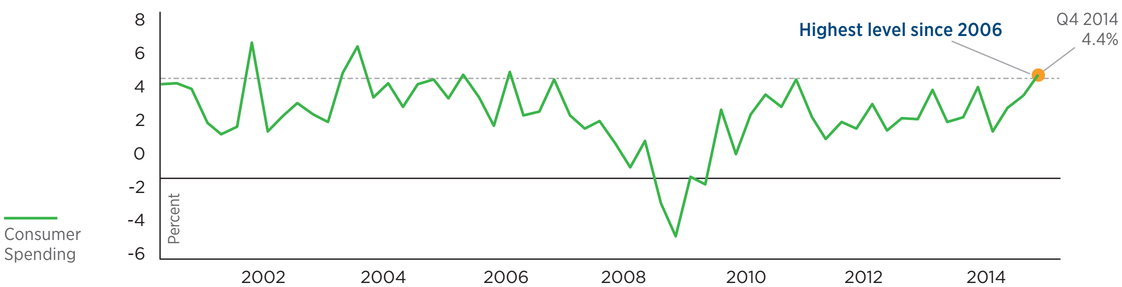
Core Inflation (PCE) and Wage Growth

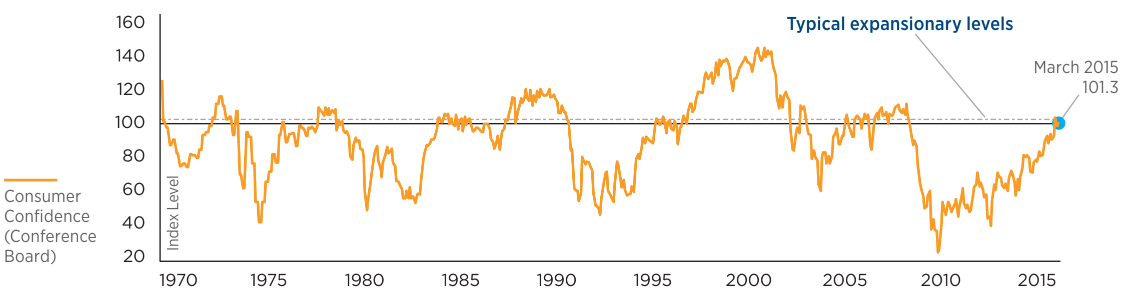


Source: Thomson Reuters Datastream; UMB Investment Management

- The Fed's measure for Inflation (core PCE) is well below its longterm "target" of 2.0%. Current core PCE, which excludes food and energy, is at 1.4%. Core CPI, which has a heavier weight towards housing, is at 1.6%.
- Lower energy prices is putting downward pressure on core inflation as energy is a significant input cost for many goods and services.
- We believe meaningful wage growth is necessary for sustainable inflation. Wages have been increasing at a moderate pace since the recovery began.
- Headline inflation will remain below 2.0% in 2015 due to lower energy prices. Core inflation is likely to be low as well due to moderate wage growth and the influence of lower energy prices.

Consumer

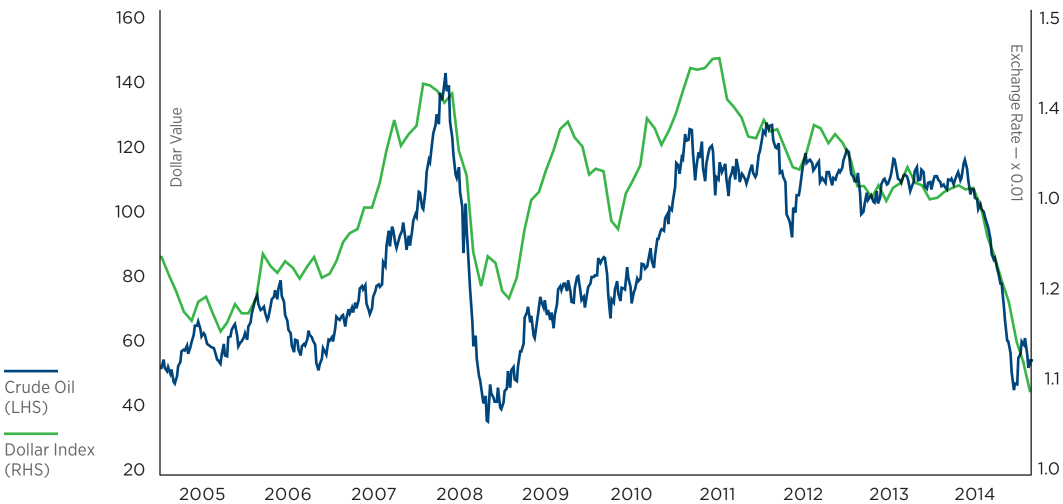




Source: Thomson Reuters Datastream; UMB Investment Management

- In Q4, consumer spending increased at the fastest level since 2006. We believe this momentum is a sign of things to come in 2015 as the consumer is healthy due to lower debt burdens, reduced energy prices, better job prospects and the wealth effect.
- Consumer spending appears to have been a slow starter in Q1 as consumers have decided to increase savings, and bad weather reduced traffic to shopping centers.
- Consumer confidence is just approaching normal expansionary levels. We believe improved consumer confidence will translate into higher spending and less savings as the year progresses.
- We believe consumers will increase spending in 2015 at a faster rate than 2014.

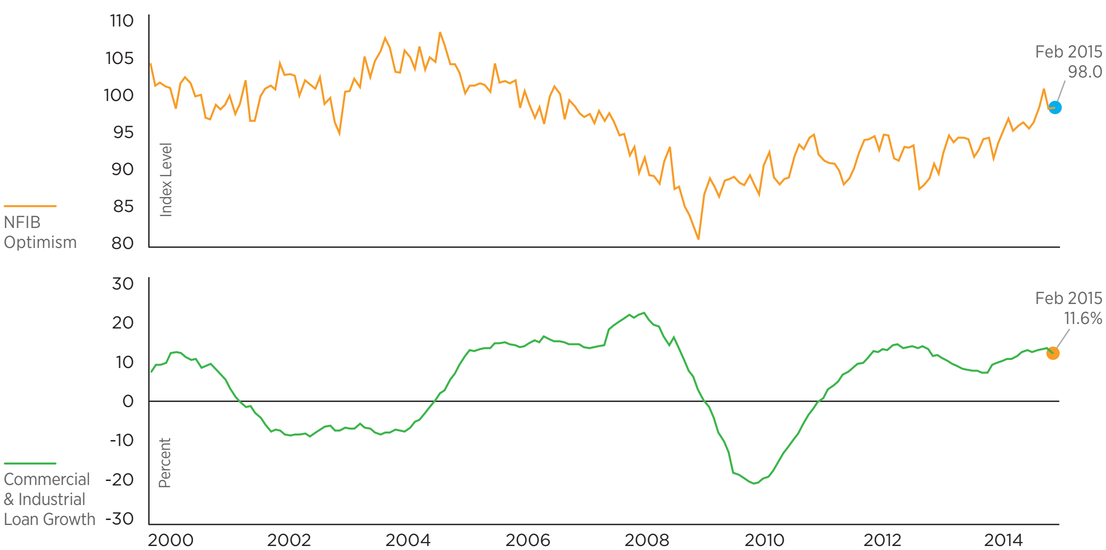
Oil & the Dollar



Source: Thomson Reuters Datastream; UMB Investment Management

- Lower oil and the strengthening dollar are a tailwind for economic growth over the medium- to long-term.
- There has been a strong inverse correlation between the dollar and oil prices over the last 10 years at -0.80.
- While lower oil will reduce energy related capex, the impact is manageable as oil-related investment is only ~6% of investment spending.
- The strong dollar will reduce exports. However, we are a net importer. So, our imports become cheaper and the net impact is positive.
- Lower oil and a stronger dollar are positive for the US economy as they improve consumer and business buying power.

Corporate Health

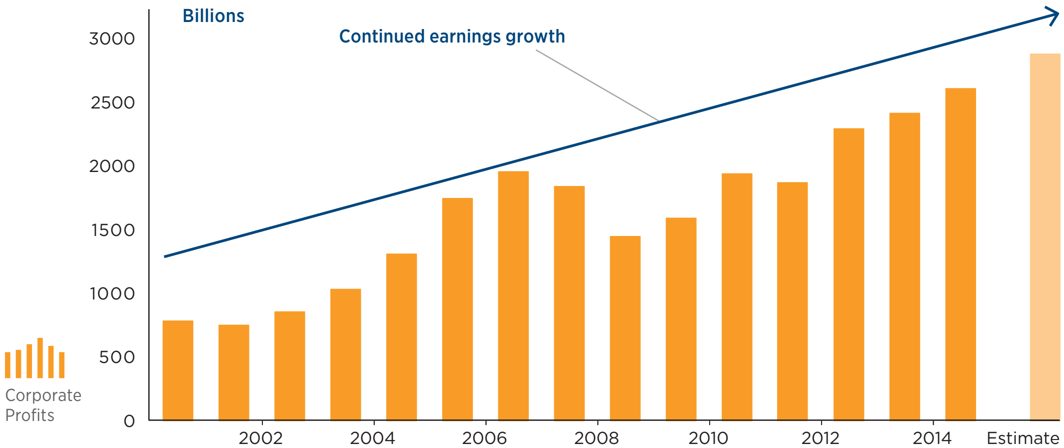


Source: Thomson Reuters Datastream; UMB Investment Management

- Corporate America is healthy, as evidenced by continued corporate profits and the NFIB optimism index remaining near 5-year highs.
- We expect companies to invest in capital and labor to grow their business.
- Commercial and Industrial (C&I) loan growth remains robust and has accelerated recently to a rate over 11% year over year, indicating firms are reinvesting in their business.
- The improved health of corporate America supports our forecast of an improving economy and continued earnings growth.

Earnings and Valuation Drive the Stock Market

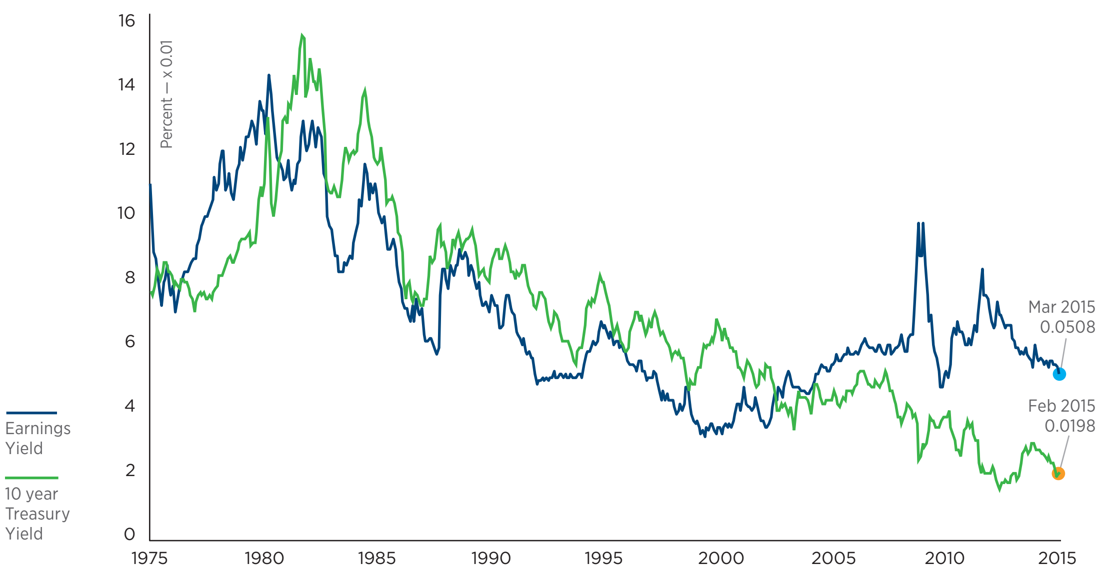
Corporate Profits



Source: Thomson Reuters Datastream; UMB Investment Management

- The stock market is highly correlated to corporate earnings growth. We believe economic conditions are favorable for continued earnings growth.
- We expect 6% earnings growth in 2015, driven by 4% revenue growth, flat margins, and continued high levels of share repurchases which should add 2% to EPS growth.
- The biggest risks to our earnings forecast are lower oil prices, a stronger dollar and a global economic slowdown. The energy sector is only 8% of the S&P 500 and around a third of S&P 500 company sales are generated internationally.
- Overall, the earnings backdrop supports our 8-12% return expectation for stocks in 2015.

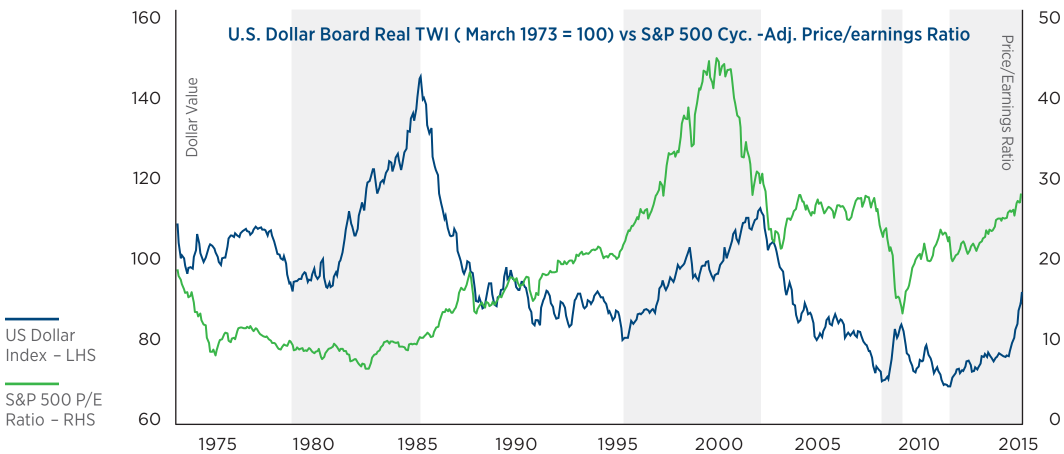
Earnings Yield of the S&P 500 vs. 10 Year Treasury Yield



Source: Thomson Reuters Datastream; UMB Investment Management

- Valuation, as measured by the earnings yield (the inverse of the price to earnings ratio) is attractive.
- The earnings yield on the S&P 500 is 5.1% compared to 2.0% on the 10-year Treasury yield. Historically, it is rare to see the earnings yield of the S&P 500 higher than the 10-year and this generally signals that the equity market is undervalued.
- Valuations on a P/E basis are in line with long-term historical averages.
- We expect slight multiple expansion in 2015. This supports our year-end price target on the S&P 500 of 2225 (17.1 x EPS of $130).

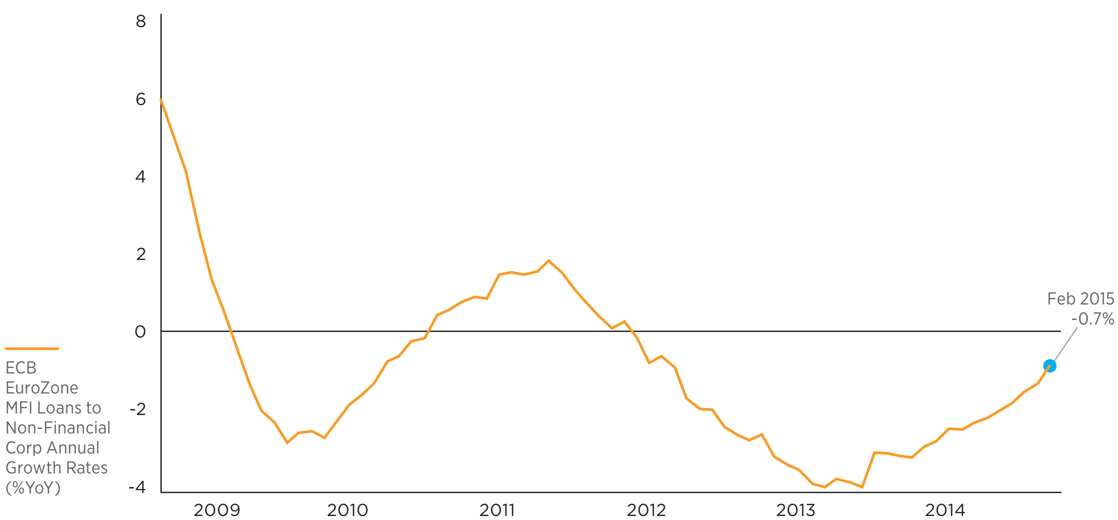
U.S. Dollar vs U.S. Stock Market



Source: Thomson Reuters Datastream; UMB Investment Management

- The U.S. dollar has risen sharply over the last year.
- There is a slight negative correlation between the U.S. dollar and the S&P 500 P/E ratio.
- Historically, a rising dollar is not a negative for market returns.
- However, a rapidly rising dollar can stoke fears in the market. As long as the pace of the dollar increase slows somewhat, an increasing dollar should be a slight tailwind for equities.

EuroZone Lending



Source: Thomson Reuters Datastream; UMB Investment Management

- Easing global central banks will continue to force investors into riskier asset classes and thus support equity valuations.
- Economic data out of Europe has been encouraging over the past few months.
- Importantly, loan growth in Europe is improving. Credit is the lifeblood of the economy. So, as credit flows more freely in the economy, economic growth will improve.
- China's economic data has been somewhat weak. However, policy is supportive. China is addressing its slowing economy and starting to reverse measures implemented in 2010 to slow the property markets.

U.S. Equity Sector Performance and Growth versus Value

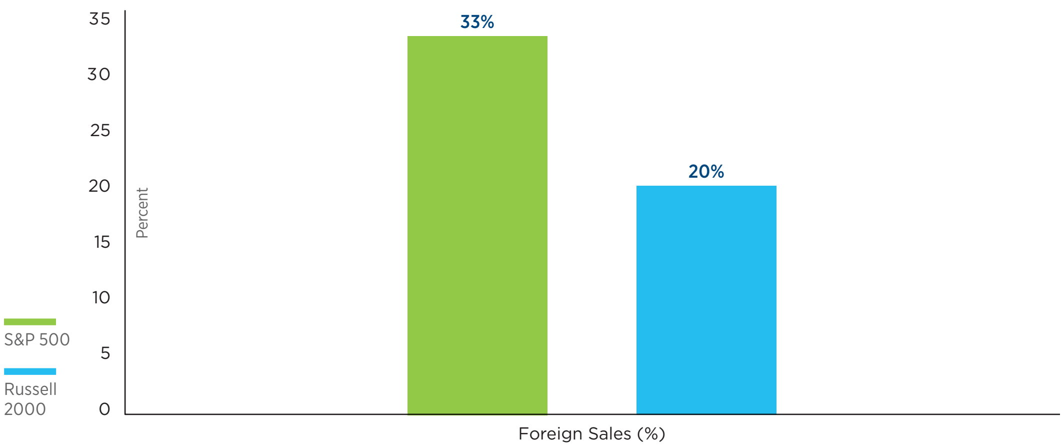
S&P 500 Year-to-Date Return

Index followed by sectors	Total Return % as of 3/31/15				
	1 Month	YTD	1 Year	3 Year	5 Year
S&P 500	-1.58	0.95	12.72	16.11	14.45
Health Care	0.88	6.53	26.19	26.86	20.08
Consumer Discretionary	-0.47	4.80	18.26	20.68	20.10
Telecommunication	-3.66	1.54	4.09	10.55	12.74
Materials	-4.73	0.99	4.97	11.93	10.81
Consumer Staples	-2.04	0.99	16.53	15.74	14.99
Technology	-3.30	0.57	18.11	13.62	14.54
Industrials	-2.60	-0.86	8.71	16.62	14.48
Financials	-0.61	-2.05	9.94	17.31	10.50
Energy	-1.92	-2.85	-11.12	4.09	7.98
Utilities	-1.04	-5.17	11.09	12.55	12.95

Source: Bloomberg

- The S&P 500 rose 0.95% in Q1. The market has essentially been moving in place over the past few months.
- Health Care and Consumer Discretionary have been the best performing sectors YTD. Health Care is benefitting from M&A activity and safety flows while Consumer Discretionary has been aided by lower oil prices.
- Utilities and Energy are the two worst performing sectors YTD. Utilities due to rising rate concerns, and Energy as energy prices have failed to rally.
- In 2015, we continue to expect an environment where active sector and stock selection will be critical to performance as the Fed prepares to tighten policy and global economic growth remains uneven.

Foreign Sales as a % of Total Sales

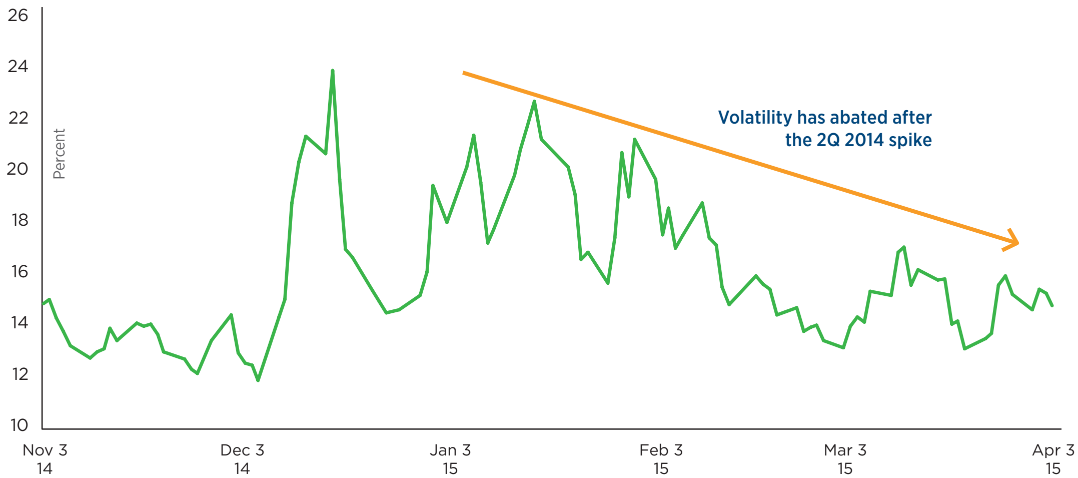


Source: Bloomberg

- International growth remains weak relative to growth in the U.S.
- Smaller capitalization stocks have less exposure to international economies than larger companies, which insulates them somewhat from global forces.
- We expect smaller capitalization stocks to outperform larger stocks in 2015 as growth in the U.S. will be strong versus the rest of the world and relative valuation is attractive.

Fixed Income and the Impact of Low Volatility

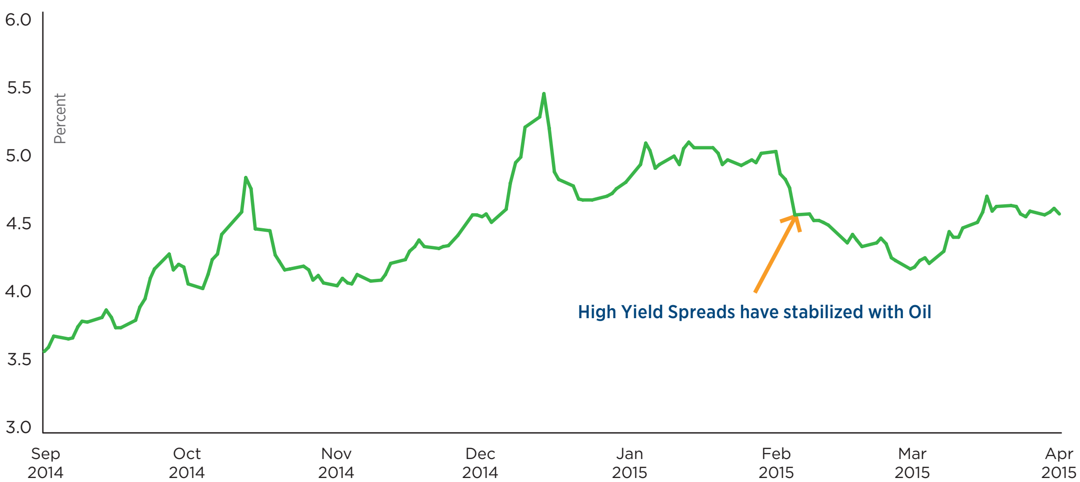
Market Volatility



Source: Thomson Reuters Datastream; UMB Investment Management

- Equity market volatility (left) drives high yield spreads (below).
- Volatility spiked late in 2014, damaging the High Yield Market.
- Despite the recent drop, we expect volatility to be higher on average over the upcoming cycle.

High Yield Spreads



Source: Thomson Reuters Datastream; UMB Investment Management

- High Yield spreads have stabilized.
- Fund flows have turned positive again.
- Valuations appear to be reasonable, given the modest outlook for defaults outside of the Energy sector.
- Returns for 2015 are likely to be very close to the yield carry of the sector.
- We are looking for more signs of stability in the price of Oil before re-entering High Yield.

U.S. Fixed Income Sector Performance and Weightings

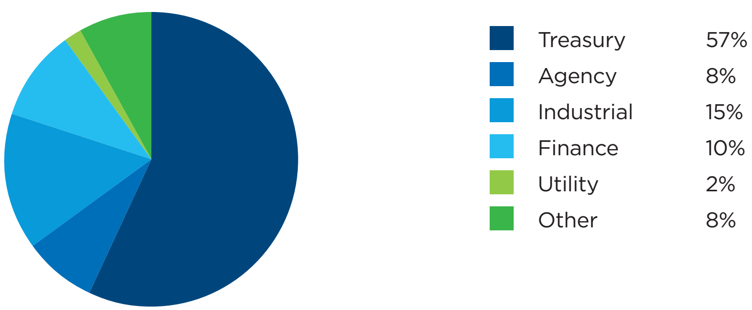
Performance

Index/Sector	MTD Return	YTD Return
Gov Long	1.15	3.89
Corp Long	0.15	3.29
Baa	0.29	2.31
A	0.35	2.19
U.S. Credit	0.35	2.16
Aa	0.38	1.84
U.S. Aggregate	0.46	1.61
Gov/Cred Intermediate	0.49	1.45
Intermediate Agg	0.45	1.32
Gov Intermediate	0.53	1.25
U.S. Agency	0.43	1.17
U.S. MBS	0.37	1.06
Agency Intermediate	0.38	0.95
1–3 Yr	0.23	0.59

Source: Thomson Reuters Datastream; UMB Investment Management

- Falling rates pushed long-duration assets to the top of the performance rankings.
- Stabilization of oil and volatility led to a recovery in the credit-based sectors, pushing those to the forefront, especially the lower-rating buckets.
- High-grade and intermediate/low duration assets lagged, but still posted decent returns for the quarter.

Barclays Intermediate Government/Credit Sector Weights

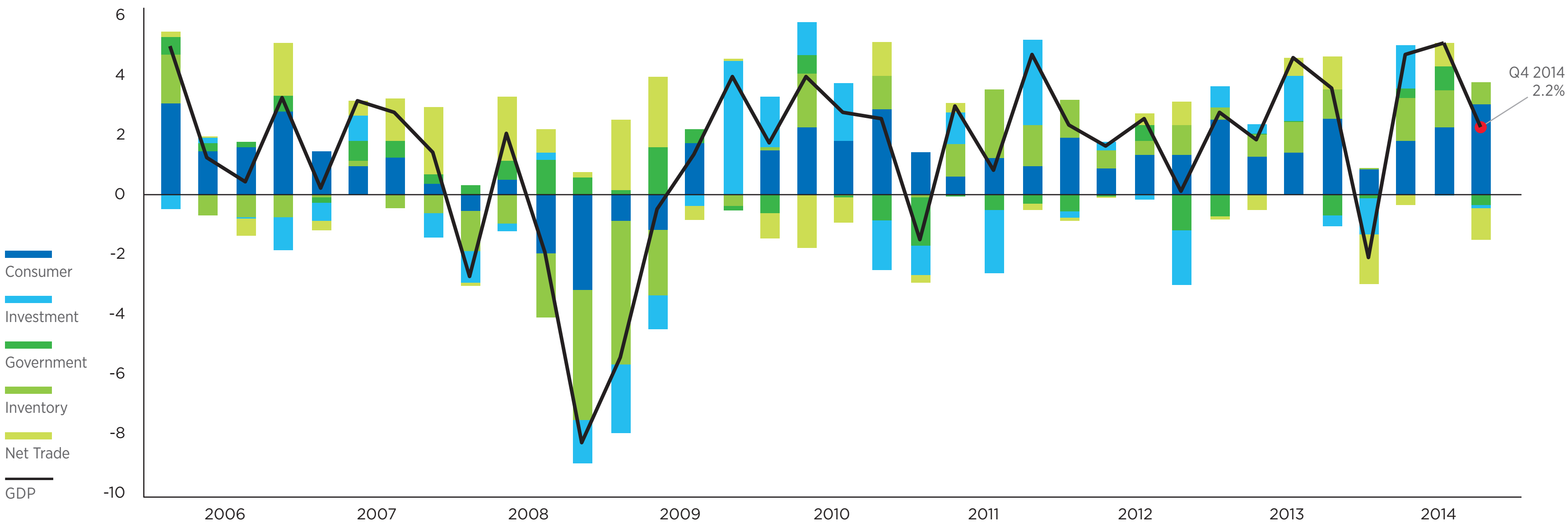


Source: Thomson Reuters Datastream; UMB Investment Management

- The Treasury sector dominates the performance of the broad indices.
- With Treasury rates at the bottom of a long-term range, and Credit/High Yield performance slowing, fixed returns will likely be quite modest going forward.
- MBS can be used to enhance yield carry, but valuations appear stretched and the sector (like High Yield) is susceptible to increases in volatility.

Real Gross Domestic Product (GDP)

Contributions to GDP Growth



Source: Thomson Reuters Datastream; UMB Investment Management

% Contribution to GDP by Quarter

Component	13-Sep	13-Dec	14-Mar	14-Jun	14-Sep	14-Dec
Consumption	1.4	2.5	0.8	1.7	2.2	2.8
Investment	2.5	0.6	-1.1	2.9	1.2	0.8
Net Exports	0.6	1.1	-1.7	-0.3	0.8	-1.1
Government	0.0	-0.7	-0.1	0.3	0.8	-0.3
Total	**4.5**	**3.5**	**-2.1**	**4.6**	**5.0**	**2.2**

Source: Thomson Reuters Datastream; UMB Investment Management

UMB GDP Forecast

Year	Q1	Q2	Q3	Q4	Year
2012	2.3 (A)	1.6 (A)	2.5 (A)	0.1 (A)	2.3 (A)
2013	2.7 (A)	1.8 (A)	4.5 (A)	3.5 (A)	2.2 (A)
2014	-2.1 (A)	4.6 (A)	5.0 (A)	2.2 (E)	2.4 (E)
2015	1.0 (E)	2.3 (E)	2.8 (E)	3.0 (E)	2.5 (E)

(A) = Actual, (E) = Estimate

Source: UMB Investment Management

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