The S&P 500 Index declined by 6.4% in the third quarter of 2015. It was the first quarterly decline for the index since Q4 2012 and the largest percentage decline since the European debt crisis in Q3 2011.

The quarter got off to a good start in July (+2.1%) reflecting generally positive corporate earnings reports, but the market reversed course in August, falling 6% in the wake of a Chinese stock market sell-off and the surprise devaluation of the Chinese Yuan. Though the devaluation was not large, just 1.9%, it was unexpected and raised concerns about the health of the Chinese economy and the resultant impact on global growth.

The market’s decline and volatility continued in September as anxiety grew over Federal Reserve Committee members’ comments about the possibility of raising its short-term interest rate for the first time since cutting it to near zero at the depths of the financial crisis in December 2008.

The Fed ultimately decided to defer increasing interest rates at its September meeting, noting that though “the economy has been performing well, and we expect it to continue to do so….in light of heightened uncertainties abroad and a slightly softer expected path for inflation, the Committee judged it appropriate to wait for more evidence, including some further improvement in the labor market, to bolster its confidence that inflation will rise to 2 percent in the medium-term.” (Janet Yellen’s Press Conference on September 17, 2015.)

But if their intent was to inspire investor confidence by continuing their zero interest rate policy (ZIRP), it backfired badly. Equity investors around the world interpreted the Fed’s decision to not raise rates by even one-quarter percent as a signal of concern about the fragility of economic growth.

The equity market sell-off in Q3 was broad based and hit economically sensitive names especially hard. Defensive sectors, including Utilities and Consumer stocks, showed better relative performance results, while the Energy and Materials sectors posted double digit declines. Healthcare, which usually performs like a safe haven sector, was also hard hit after negative press reports regarding high drug prices.

Our Large Cap Value portfolios are well-diversified and positioned for the better economic environment we foresee, including higher interest rates. These economically sensitive areas were hard hit during the macro driven sell-off, and as a result, our performance lagged the S&P 500 for the quarter and year-to-date through September 30.
Historically difficult quarters for us, like this one, have often been followed by equally robust periods on both an absolute and relative basis. (See the attached Ideas About Investing for a more comprehensive discussion on this.)

Our Dividend Income portfolio fared a little better and declined along with the market. While for the very short-term the portfolio was less protective than usual during the market’s indiscriminate sell-off, we believe this decline will be short-lived and should reverse in short order. We have already seen this start to occur and have recouped most of the decline through the first two weeks in October.

On the economic front, as the Federal Reserve noted in its mid-September press conference, the U.S. economy continues to expand, and in light of upward revisions for the first half of the year, the Fed has raised its projections for economic growth this year.

Employment continues to improve, albeit at a grudgingly slow rate, with the unemployment rate at 5.1% and the ratio of job openings relative to the number of people looking for work this quarter at its highest level since 2001. This positive trend continues even accounting for the weaker than expected September employment data.

Consumer confidence is strong, housing data and auto sales are back to pre-recession levels and second quarter GDP growth was recently revised up (again) to 3.9% from the initial estimate of 2.3%. Though there has been a slow-down in manufacturing activity (12% of U.S. GDP) due to lower exports and lower capital spending, the much larger service part of the economy continues to expand.

In Europe, Eurozone GDP continues its slow, steady recovery, with increases in industrial production, service sector strength, growing corporate profits and a modestly improving unemployment picture.

There are, however, some notable areas of concern for the economy including: 1) the impact of lower oil and other commodity prices on investment and job growth for businesses related to those industries, 2) a deceleration in manufacturing (related to the first concern) versus service industries, 3) the poor performance of emerging economies versus developed economies (also due in part to the fallout of lower commodity prices), 4) the surprisingly weak absolute numbers of new jobs created last quarter, and 5) the fallout from China’s decelerating economy.

In regards to China’s weakness, investment outlooks are being revised and corporate profit estimates are being reduced to reflect the near and medium term impact of the slowing in China’s economic growth.

As the Wall Street Journal (10/2/15) discusses, we believe that there are really two economies in China, the older economy focused on heavy manufacturing, resource extraction and construction currently in recession and the newer service sector economy that is growing. This is the natural evolution of a maturing economy, but the transition is causing overall growth for the country to moderate.
For the last decade, China’s economy accounted for one-third of global economic growth (WSJ 8/17/15) and provided a powerful tailwind, while the U.S. and Europe struggled to recover from the Financial Crisis of 2008-09. The question investors have is what region can pick up the economic slack as China’s economy transitions from one based on infrastructure investments and manufacturing to one driven by services, consumption and a higher standard of living.

We think the global economic growth baton is passing back to the U.S., with an assist from Europe, where the majority of economic indicators are positive and where many are showing accelerating growth.

**Equities - Large Cap Value Strategy**

All of our Large Cap Value Equity portfolio sectors had a negative return in the quarter. This generally tracked the market where all groups except Utilities were also lower for the period. While we are both frustrated and disappointed by this, it’s important to note that we strongly believe the businesses we have invested in are performing far better than their stock prices indicate and that past periods of poor portfolio performance have often quickly reversed. The portfolio’s Embedded Appreciation at over 50% is at its highest level since late 2012, a period that was followed by significant portfolio gains. (See *Ideas About Investing* for a more detailed discussion on our Embedded Appreciation metric).

With the market driven largely by macro and technical factors, a number of our sectors and industries whose fundamentals generally show little or no correlation suffered nearly synchronized price declines.

In general, Matrix’s Large Cap Value Portfolio was also negatively impacted by the preference for Growth versus Value. We also suspect that program trades and algorithmic traders were selling Index ETFs to capitalize on this dynamic:

**Total Rates of Return - 6/30/15 thru 9/30/15:**

- Russell 1000 Value Index: -8.39%
- Russell 1000 Growth Index: -5.29%

On a relative basis the best performing portfolio sector during the quarter was Consumer Staples led by PepsiCo. The worst performing sectors were Producer Durables and Energy.

Producer Durables were down on concerns about their sales in China and to Energy related companies. Energy shares were down across the board as higher oil production out of Saudi Arabia overwhelmed lower production from the U.S. and put downward pressure on oil prices.

As we noted earlier, China’s economy is in the midst of a transformation that is causing a near term deceleration in economic growth. We think their economy will remain a positive contributor to global business growth, but at a slower pace.
Energy prices will eventually move higher, as demand continues to grow and supply begins to level off as the curtailment of drilling activity takes hold. According to oil-field service provider Baker Hughes, the number of working U.S. oil rigs has fallen to a five year low (WSJ 10/3/15). On October 6th, the Energy Information Administration forecast that the U.S. oil output would decline by as much as 1.2 million barrels per day next year from its peak this April. On the same day, at an oil conference in London, the highly regarded former head of oil firm EOG Resources, Mark Papa, said “we are about to see a pretty dramatic decline in U.S. production growth”. There is some evidence that this is already occurring, as we have started to see a reversal of the negative oil price trends along with healthy gains in a number of energy stocks early in the fourth quarter.

Among some other notable sectors, Financial Services was down as interest rates fell in response to the Fed’s decision not to raise short-term interest rates. We think this is a timing issue and expect Financial shares to recover to their recent highs.

Healthcare names, which have been market leaders this year, declined sharply in the last few weeks of the quarter when there were several negative stories in the press focused on the high cost of drugs and a few politicians made comments about further regulation to restrain prices.

Consumer Discretionary shares were mixed with Viacom dropping after a disappointing earnings report and suffering with the rest of the media group on fears of lower ratings due to “cord cutting”. On the other hand, McDonald’s was a good performer as investors become more confident that its turnaround strategy is gaining traction.

Consumer Staples were modestly more protective than the S&P 500, with Pepsico showing a modest gain for the quarter, which was offset by weakness in CVS Health and Procter & Gamble.

Technology was a mixed bag with Microsoft delivering good results while Hewlett Packard, Qualcomm, Symantec, TE Connectivity and Teradata all detracted from portfolio performance. With the exception of Teradata which was sold after another poor earnings report, we believe our Technology holdings are well positioned competitively and are trading at attractive prices.

For the first nine months of the year, the top sector contributors to performance have been Healthcare and Consumer Staples. The largest detractors were Energy and Financial Services. We expect both our Energy and Financial holdings to perform better in the next 12 months as economic growth leads to higher energy prices and interest rates.

During the quarter, we added ACE Limited to the portfolio. ACE is a premier global reinsurance and property casualty company with a great management team and outstanding financial performance that is acquiring Chubb. The transaction expands and strengthens its business operations and is immediately accretive to earnings.
Where cash was available we also added to our holdings in American Express, Gilead, Harley Davidson and Viacom. The Viacom purchase was an addition to a partial position that we had started earlier in the year, and was implemented after a large pullback in media stocks in general, and in Viacom in particular.

We sold our position in Teradata, which was a disappointing investment. While we like Teradata's fundamental business, we lost confidence in management's commitment to enhance shareholder value and its ability to effectively operate the business. We also scaled back our profitable positions in Schwab and CVS to lock in profits and to help fund other investments.

**Dividend Income Strategy**

Matrix’s Dividend Income strategy performed in-line with the S&P 500. Over the very short-term the portfolio was not as defensive as it has been in past sell-offs, as the market downdraft indiscriminately marked down nearly all stocks, without regard to valuation or fundamentals. But as we mentioned above, the portfolio has recouped most of this downside in the first two weeks of October.

Good relative and defensive performance during the market decline from our Consumer Discretionary, Consumer Staples, Utilities and even our Technology holdings were offset by our economically sensitive holdings in Energy, Financial Services and Producer Durables. Our Healthcare holdings also declined in the quarter when the sector came under renewed scrutiny for its pricing practices.

During the quarter we opportunistically bought a new position in United Technologies after its shares declined to our desired buy point. We funded the purchase with the sale of Emerson Electric which we do not believe is as well positioned to capitalize on the current business environment while it restructures its operations. While we continue to like Emerson for the longer-term, United Technologies’ sharp decline prior to our purchase brought it to a level where we thought the upside was as compelling and more timely than Emerson’s, and we could probably achieve that potential with less short-term risk.

We also scaled back our position in Consolidated Edison on price strength and added to our existing positions in AT&T and Procter & Gamble.

Four of our positions increased their dividends an average of 3.58% this quarter, which brings the increase for the 22 companies that have raised their dividends for the first 9 months of the year to 7.18%. As of September 30th, the portfolio had a 3.9% dividend yield.

We believe that the portfolio’s pull-back in the quarter leaves it with the most compelling outlook that we have had since the strategy’s inception. The yield is at the high end of its historic range, and the embedded appreciation is well above the high end of the range that the portfolio has had since we began the strategy in the fall of 2010.
Looking forward, we believe that over the next 12 months the portfolio will provide good income and steady appreciation with less volatility than the market, with the added kicker of much better than usual upside. We believe that the current portfolio diversification with some exposure to economically sensitive groups like Energy, Financials and Producer Durables will benefit the portfolio’s returns when it becomes clearer that the economy is still growing and interest rates begin their long road back to normalcy.

**Tax Mitigation Gameplan:** (Please note this Discussion applies only for TAXABLE Accounts.)

In light of the equity portfolio’s strong appreciation over the past few years, we have a number of stocks that have had significant stock price increases. We locked in some of these gains, in full or in part, as stocks reached their fair value or their positions became oversized throughout 2015. The recent market sell-off has resulted in declines versus our initial purchase price in a handful of holdings.

As is our practice, we will be seeking to offset as much of our realized gains as is feasible and where it makes sense during the fourth quarter, with the goal of lowering your 2015 capital gains tax bill.

This will entail some tax double-ups (purchase of additional stock which is down and then a subsequent sale of the high cost position after the required holding period), sale of stock at a loss and repurchase after the required period, or a swap out of a particular name at a loss and purchase of a new position that we believe is a more attractive alternative.

As we will be engaging in tax mitigation for taxable accounts as a matter of course, it is not necessary to instruct us to do so, except if: 1) you do not want us to offset gains, or 2) you have a meaningful tax loss carry forward, or 3) you have incurred large gains or losses outside of your Matrix assets that you want us to be aware of.

**Equity Outlook**

Market corrections are always stressful but often their aftermath is followed by very favorable investment returns. We think this is one of those times.

In our judgment China’s economic slowdown will not derail the global economic expansion, and we expect markets to recover as this becomes apparent in the months ahead. As important as China is to the world’s economy (“Moody’s Analytics calculates that every one percentage point fall in Chinese GDP growth reduces global GDP growth by a half percentage point” *WSJ* 9/9/15), it is far more important to developing countries and Asia than the United States.

U.S. exports to China are about 1% of American GDP (*WSJ* 9/9/15), and China remains a relatively small part of U.S. corporate profits. Deutsche Bank estimates that direct S&P profits from China are about 5% (*DB Equity Insights* 8/14/15), and Wells Fargo reports that only 16 of
the companies in the S&P 500 collect more than 10% of sales in China, with most of those in the Technology sector (WSJ 08/17/15). Europe is a much more significant trading partner for the United States, and Europe is showing slow but steady economic growth.

That doesn’t mean that the recent stock market decline will not have an effect on consumer confidence. And this quarter’s earnings will reflect the downward pressures of lower growth in China and the Emerging Markets, the relative strength of the U.S. Dollar, and the profits of companies tied to energy and other commodities.

But on balance we believe that the pessimism has been overdone. We think that high quality stocks are a good value here and that many stocks are very simply too cheap relative to their prospects and intrinsic worth. When the selling exhausts itself and the fundamentals of individual businesses regain investors’ attention, the rebound in stocks could be substantial and occur sooner than many currently expect.

**Bonds**

U.S. Bond yields declined in the quarter. Inflation remained below the Fed’s 2% target, concerns about global growth resurfaced with weaker than expected economic data out of China, and the Federal Reserve consequently postponed an increase in their record low short-term interest rate. The yield on the 10-year Treasury bond declined to 2.061% from 2.335% at the end of the second quarter.

Matrix’s bond portfolios performed in line with their respective benchmarks for the quarter and nine months, and continued to show a positive return for the year-to-date through September 30th.

It is clear from their decision in September to hold off raising interest rates that the Federal Reserve is being extremely cautious about beginning the path back to normalcy. It also indicated that future rate increases after the initial lift off will be very gradual. However, we believe it is inevitable that they will ultimately increase rates, and whether it is in December or early in 2016, rates will be moving higher.

Matrix’s bond portfolios are positioned defensively in anticipation of rising rates. We expect the shorter maturities on our bond holdings to provide a reasonable level of protection in the rising interest rate environment we foresee. If rates move higher over the next 12 to 18 months, we expect to eventually start to lengthen our maturities to take advantage of the higher income stream we expect bonds will pay.

**Balanced Accounts**

We continue to favor stocks over bonds and have maintained our overweight to equities. This positioning was a negative for the quarter but we expect it to be the right decision over the next twelve months. In our opinion, the weak third quarter has paved the way for favorable
stock returns in upcoming periods and we believe that the bond market will be constrained by a rising interest rate environment.

We continue to constantly monitor the financial markets and global economies and would alter this positioning if our outlook were to change.

*     *     *

In the following Ideas About Investing, we take a look at Matrix’s most tried and true metrics. We feel very strongly that they are universally indicating that the recent stock weakness has paved the way for solid equity portfolio returns in the upcoming periods.

We hope you are enjoying the change of seasons and the rare opportunity to see the Mets play post-season baseball. Thank you for your continued confidence and trust in Matrix. Please contact any of us with any questions at (800) 366-6223 or (212) 486-2004.

Best regards.
Ideas About Investing

Our History Suggests Recent Weakness has Set the Stage for Strong Gains in Upcoming Periods

Prior to this past quarter, our Large Cap Value portfolio had been in a strong uptrend, both relative and absolute, since early 2013. While we were disappointed and frustrated with our portfolio’s performance decline in the third quarter, a review of the drivers of performance dating back to 1992 leaves us very upbeat about upcoming periods.

We break this down in three ways: 1) a look at the portfolio’s fundamentals and valuation, 2) historical patterns that have followed particularly weak periods, and 3) insights from our proprietary Embedded Appreciation Potential (EAP). All three lead to a positive assessment.

1) Large Cap Value Portfolio Fundamentals:

While we expect to see modest setbacks in the business progress for some of our holdings as a result of energy and China related weakness, it is important to recognize that business trends, earnings, cash flow, balance sheets and outlooks are generally very positive for our holdings. Furthermore, the portfolio currently sells at a meaningful discount to the market, with our holdings selling at 12.9 times 2016 estimated earnings, and the portfolio’s dividend yield at 2.9% as of 9/30. This yield is the biggest premium to the S&P 500 and the highest it’s been on an absolute basis in the past 20 years. Discounted valuations of these magnitudes have historically been very favorable indicators of our portfolio’s subsequent performance.

2) Standout Weak Periods Have Been Followed by Robust Gains Thereafter:

Since 1992, there have been 11 quarters out of the 95 (including Q3 2015) where Matrix’s Large Cap Value Composite was down 7.5% or more. We looked at returns subsequent to these poor quarters and saw that over the following 6 months, 9 months and 12 months, the portfolio registered very favorable absolute and relative returns (see Table 1 on the following page). Importantly this includes both the Bear Markets of 2000 to 2002 and 2008 - Q1, 2009, as well as a number of market corrections that were not caused by recessions.

As we stated earlier, market corrections can be very stressful, but historically and especially for our portfolios, they have been followed by periods of very good performance.
3) **High Embedded Appreciation Potential Portends Good Things:**

For every stock in our portfolio, Matrix tracks the current stock price vs. our target sale price. We then take an average for the overall portfolio. We refer to this measure as the Embedded Appreciation Potential (EAP), and have tracked this measure since 6/30/2000. The EAP has ranged from 15% to as much as 115% at the 2009 lows. Since the summer of 2000 (a total of 61 quarters, excluding the 3rd quarter of 2015), there have been 19 quarters when the portfolio’s Embedded Appreciation Potential measured 50% or more. On average, portfolio returns following those quarters have been strong on an absolute and relative basis (see Table 2 on the following page). As of 9/30/15, the portfolio was at that 50% level; we believe this portends favorable performance going forward.

<table>
<thead>
<tr>
<th>6 Months Later</th>
<th>9 Months Later</th>
<th>12 Months Later</th>
</tr>
</thead>
<tbody>
<tr>
<td>+12.8%</td>
<td>+21.1%</td>
<td>+24.4%</td>
</tr>
<tr>
<td>+436 bps</td>
<td>+695 bps</td>
<td>+721 bps</td>
</tr>
</tbody>
</table>

**…TABLE 1 - Standout Weak Periods have been followed by Robust Gains thereafter.**

Since 1992, there have been 10 quarters where Matrix posted declines of -7.5% or more, and where we can analyze their aftermath. Subsequent returns were, on average, very favorable.
TABLE 2 - High Embedded Appreciation Potential Portends Good Things. Since 6/30/2000, there have been 19 quarters when our Embedded Appreciation Potential has exceeded 50%. The average 12 month subsequent return has significantly outperformed the S&P 500.

Average 12 Month Subsequent Return

This study encompasses quarterly returns thru 9/30/15. Performance returns are cumulative and gross of fees. Past performance is not indicative of future results. Performance returns are preliminary. Please see composite disclosure on the next page.

In summary, we believe that all of the above time-tested metrics strongly suggest that the recent portfolio sell off has set the stage for favorable performance in upcoming periods.
### Total Firm Composite

<table>
<thead>
<tr>
<th>Year End</th>
<th>Total Firm Assets (millions)</th>
<th>Composite Assets USD (millions)</th>
<th>Number of Accounts</th>
<th>Composite Gross</th>
<th>Net</th>
<th>S&amp;P 500</th>
<th>Composite Dispersion</th>
<th>3 Year Annualized Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,044</td>
<td>555</td>
<td>212</td>
<td>13.30%</td>
<td>12.21%</td>
<td>13.68%</td>
<td>0.3%</td>
<td>11.73% 8.98%</td>
</tr>
<tr>
<td>2013</td>
<td>978</td>
<td>537</td>
<td>208</td>
<td>41.19%</td>
<td>39.90%</td>
<td>32.39%</td>
<td>0.5%</td>
<td>16.53% 11.94%</td>
</tr>
<tr>
<td>2012</td>
<td>785</td>
<td>427</td>
<td>218</td>
<td>10.00%</td>
<td>8.93%</td>
<td>16.00%</td>
<td>0.2%</td>
<td>19.81% 15.09%</td>
</tr>
<tr>
<td>2011</td>
<td>874</td>
<td>500</td>
<td>271</td>
<td>-11.61%</td>
<td>-12.52%</td>
<td>2.11%</td>
<td>0.6%</td>
<td>23.93% 18.71%</td>
</tr>
<tr>
<td>2010</td>
<td>1,043</td>
<td>591</td>
<td>308</td>
<td>13.12%</td>
<td>12.02%</td>
<td>15.06%</td>
<td>0.5%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>2009</td>
<td>1,226</td>
<td>837</td>
<td>306</td>
<td>38.88%</td>
<td>37.60%</td>
<td>26.47%</td>
<td>1.4%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>2008</td>
<td>1,014</td>
<td>668</td>
<td>343</td>
<td>-38.91%</td>
<td>-39.60%</td>
<td>-37.00%</td>
<td>0.7%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>2007</td>
<td>1,606</td>
<td>1,161</td>
<td>407</td>
<td>3.17%</td>
<td>2.14%</td>
<td>5.49%</td>
<td>0.5%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>2006</td>
<td>1,658</td>
<td>1,166</td>
<td>392</td>
<td>17.38%</td>
<td>16.25%</td>
<td>15.79%</td>
<td>0.4%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>2005</td>
<td>1,799</td>
<td>881</td>
<td>430</td>
<td>1.42%</td>
<td>0.41%</td>
<td>4.91%</td>
<td>0.9%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>2004</td>
<td>1,550</td>
<td>1,006</td>
<td>460</td>
<td>4.62%</td>
<td>3.59%</td>
<td>10.88%</td>
<td>0.7%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>2003</td>
<td>1,077</td>
<td>582</td>
<td>366</td>
<td>44.65%</td>
<td>43.33%</td>
<td>28.68%</td>
<td>1.1%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>2002</td>
<td>709</td>
<td>287</td>
<td>298</td>
<td>-20.66%</td>
<td>-21.50%</td>
<td>-22.10%</td>
<td>1.2%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>2001</td>
<td>761</td>
<td>266</td>
<td>221</td>
<td>11.72%</td>
<td>10.63%</td>
<td>-11.89%</td>
<td>2.9%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>2000</td>
<td>671</td>
<td>186</td>
<td>174</td>
<td>8.72%</td>
<td>6.77%</td>
<td>-9.10%</td>
<td>3.0%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>1999</td>
<td>456</td>
<td>179</td>
<td>179</td>
<td>31.35%</td>
<td>30.12%</td>
<td>21.04%</td>
<td>3.7%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>1998</td>
<td>467</td>
<td>168</td>
<td>177</td>
<td>3.52%</td>
<td>2.48%</td>
<td>28.58%</td>
<td>2.3%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>1997</td>
<td>491</td>
<td>164</td>
<td>166</td>
<td>18.98%</td>
<td>17.84%</td>
<td>33.36%</td>
<td>2.7%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>1996</td>
<td>403</td>
<td>118</td>
<td>123</td>
<td>22.85%</td>
<td>21.68%</td>
<td>22.96%</td>
<td>1.9%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>1995</td>
<td>296</td>
<td>66</td>
<td>81</td>
<td>26.42%</td>
<td>25.23%</td>
<td>37.58%</td>
<td>2.3%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>1994</td>
<td>169</td>
<td>35</td>
<td>53</td>
<td>4.21%</td>
<td>3.18%</td>
<td>1.32%</td>
<td>1.7%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>1993</td>
<td>149</td>
<td>48</td>
<td>44</td>
<td>19.27%</td>
<td>18.14%</td>
<td>10.07%</td>
<td>2.0%</td>
<td>N.A. N.A.</td>
</tr>
<tr>
<td>1992</td>
<td>117</td>
<td>36</td>
<td>33</td>
<td>14.78%</td>
<td>13.67%</td>
<td>7.62%</td>
<td>1.9%</td>
<td>N.A. N.A.</td>
</tr>
</tbody>
</table>

The **Value Equity Composite** contains fully discretionary accounts invested in equity securities of financially strong, U.S. Large Capitalization Companies using a value-oriented strategy. For comparison purposes the Value Equity Composite is measured against the S&P 500 Index, an index that measures the performance of 500 publicly traded companies, which are among the largest in the United States. Composite performance comparisons to the Russell 1000 Value Index, and Russell 1000 Index may be presented for this composite. The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index. The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The minimum account size for this composite is $250 thousand.

Matrix Asset Advisors, Inc. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS Standards. Matrix Asset Advisors, Inc. has been independently verified for the period January 1, 1992 through December 31, 2013. Verification assesses whether [1] the firm has complied with all the composite construction requirements of the GIPS Standards on a firm-wide basis and [2] the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS Standards. The Value Equity Composite has been examined for the periods January 1, 1992 through December 31, 2013. The verification and performance examination reports are available upon request.

Matrix Asset Advisors, Inc. is a registered investment adviser that manages equity and fixed income assets for client accounts. The firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Beginning July 1, 2002, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of 15% or greater of portfolio assets. Additional information regarding the treatment of significant cash flows is available upon request. Past performance is not indicative of future results. The 3 year annualized standard deviation is calculated using monthly data.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using the highest management fee of 1%, applied quarterly. In addition to a management fee, some portfolios may also pay a performance fee. The annual composite dispersion presented is an asset-weighted standard deviation calculated for accounts in the composite the entire year. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

The management fee schedule is as follows: 1.00% on accounts below $1,000,000 of assets under management, .90% on the first $1,000,000 to $5,000,000 of assets under management, .80% on the next $5,000,000 of assets under management,. 75% on the next $15,000,000 of assets under management, .65% on the next $25,000,000 of assets under management, .5% on the next $50,000,000 of assets under management and .45% on assets under management in excess of $100,000,000. Actual investment advisory fees incurred by clients may vary.

The Value Equity Composite was created January 1, 1992.