

MAY 11, 2015

Top News Headlines

- 1) Janet Yellen Says Equity Market Valuations are 'Generally Quite High'
- 2) German Bunds' Recent Weakness Continues, US Treasuries Follow Suit
- 3) China's PBOC Cut One-Year Lending Rate on Weaker-than-Expected Trade Data

Economic News

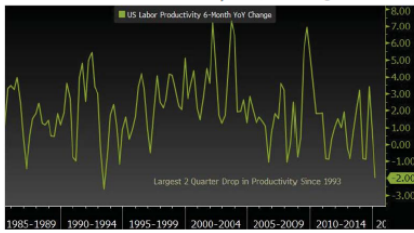
- US economy added 228k jobs in April as unemployment rate moves down to 5.4%
- US factory orders show improvement in March, but still down 4.0% year-over-year
- US productivity plunged -1.9% in Q1, a weak sign for future growth
- Eurozone retail sales rose less than expected in March at 1.6% (YoY)
- The HSBC China manufacturing PMI fell again in April, sits at one-year low

Thought of the Week

April's nonfarm payrolls were released last week and slightly missed expectations at 223,000 jobs added, versus estimates of 229,000. There were also negative revisions of 39,000 jobs over the last two months. It wasn't all doom and gloom, though. The labor market showed a dramatic improvement from March's dud of 85,000 job additions, and the unemployment rate improved once again from 5.5% to 5.4%. Overall, the report was somewhere around lukewarm. The initial reaction seems to be that it was just good enough for the Fed to maintain a rate cut by year-end, but not good enough to move up the timetable. This was well received by the markets, as the S&P ticked up 1.4% on Friday following the release. But looking closer at the report, we noticed that Q1 worker productivity fell -1.9% — the second straight quarterly decline. This puts the two quarter average for worker productivity at -2.0%, or the lowest reading in over 20 years. The problem the US is facing is that we have a not-so-friendly combo of an aging population and increased debt levels. To gain growth momentum, and overcome these hurdles, it's critical for the US to reverse the recent decline in productivity. If America fails to win that economic battle, it will likely spell a continued slow growth environment.

Chart of the Week

US Nonfarm Productivity Two-Quarter Average



Index Levels	Friday Close 5/8/15	Prior Week 5/1/15	Year End 12/31/14	Year Ago 5/8/14
S&P 500	2116	2108	2059	1876
Dow Jones 30	16191	16024	17823	16551
Nasdaq	5004	5005	4736	4051
Russell 2000	1235	1228	1205	1097

Market Returns	1 week	1 month	YTD	1 Year
S&P 500	0.4%	1.8%	3.5%	15.1%
Russell 2000	0.6%	-2.1%	2.9%	14.0%
Barclays Agg	0.0%	-0.9%	0.9%	3.8%
MSCI World	0.5%	1.9%	6.0%	9.1%
MSCI Europe	1.6%	-0.5%	18.3%	21.1%
MSCI Japan	0.0%	3.9%	13.7%	39.6%
MSCI China	-2.8%	15.1%	22.5%	45.5%
MSCI Brazil	2.6%	12.2%	1.8%	-20.8%
MSCI Emerging Markets	-1.0%	6.6%	8.8%	5.4%

Market Valuations	P/E Trailing	P/E Forward	P/Sales	Dividend Yield
S&P 500	18.6	18.0	1.9	2.0
Russell 2000	20.3	16.7	1.2	1.4
FTSE 100 (Europe)	24.0	16.8	1.1	3.8
Hang Seng (Hong Kong)	11.8	13.3	2.1	3.0

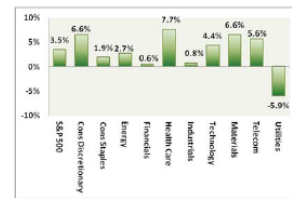
Bond Yields	Friday Close 5/8/15	Prior Week 5/1/15	Year End 12/31/14	Year Ago 5/8/14
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.57	0.60	0.67	0.39
10 Year Treasury	2.15	2.11	2.17	2.62
Investment Grade	3.55	3.52	3.70	3.49
Muni Yield	2.59	2.58	2.32	2.88
High Yield	5.99	5.97	6.80	5.56

Consumer Rates	Friday Close 5/8/15	Prior Week 5/1/15	Year End 12/31/14	Year Ago 5/8/14
15 Year Mortgage	3.00	3.01	3.09	3.24
30 Year Mortgage	3.83	3.87	3.99	4.21
Consumer Confidence	95.20	95.20	93.10	81.71

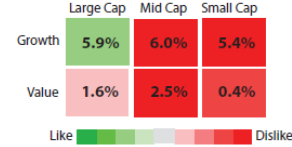
Commodities	Friday Close 5/8/15	Prior Week 5/1/15	Year End 12/31/14	Year Ago 5/8/14
Gold	1188.4	1178.6	1184.9	1289.3
Silver	16.5	16.2	15.7	19.2
WTI Crude Oil	59.4	59.2	53.3	100.3
Natural Gas	2.9	2.8	2.9	4.6

Currency	Friday Close 5/8/15	Prior Week 5/1/15	Year End 12/31/14	Year Ago 5/8/14
Dollar Index	94.79	95.30	90.27	79.36
\$ per Euro	1.120	1.120	1.210	1.384
Yen per \$	119.74	120.16	119.68	101.66
CAD per \$	1.207	1.216	1.162	1.083

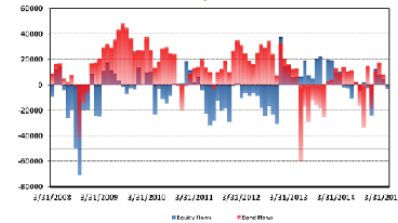
S&P 500 YTD Sector Returns



YTD Market Style Returns



Monthly Fund Flows



Market question of the week:

Since the 2013 lows for the Shanghai composite, in USD, how much has this index outperformed the S&P 500 (as of today)?

- a) 55% b) 75% c) 95%

Trivia question of the week:

Lebron James was the highest paid basketball player in 2014. According to Forbes, what was his salary and total earnings last year?

- a) \$22 and \$55 million b) \$19 and \$72 million c) \$24 and \$87 million

Answers: D 95% b) \$19 and \$72 million

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 Note: All returns represent total return including dividends
 YTD Market Style Returns are based on the Russell indices. Please see important disclosure on next page.

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Benchmark indices are provided in this material for comparison with well-known and widely recognized indices from various market capitalizations, asset classes, markets around the world, and economic data. You cannot invest directly in an index. Index results assume the reinvestment of all dividends and capital gains.

The S&P 500 is a market capitalization weighted index that includes the 500 most widely held companies chosen with respect to market size, liquidity, and industry. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The National Association of Securities Dealers Automated Quotation (NASDAQ) System is a nationwide computerized quotation system for over 5,500 over-the-counter stocks. The index is compiled of more than 4,800 stocks that are traded via this system. The FTSE 100 Index is an index of the 100 largest companies (by market capitalization) in the United Kingdom. A market capitalization-weighted index of 40 of the largest companies that trade on the Hong Kong Exchange. The Hang Seng Index is maintained by a subsidiary of Hang Seng Bank, and has been published since 1969. The index aims to capture the leadership of the Hong Kong exchange, and covers approximately 65% of its total market capitalization. The Hang Seng members are also classified into one of four sub-indexes based on the main lines of business including commerce and industry, finance, utilities and properties.

The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market. The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Value Index contains those Russell 1000 companies that have higher book-to-price ratios, and thus a less-than-average growth orientation, than the remaining companies in the Russell 1000 Index that encompass the Russell 1000 Growth Index. The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index. The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth rates. The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Index is an unmanaged index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer of the small-cap value market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine value probability approximates the aggregate small-cap value manager's opportunity set. The Russell 3000 Index is a market capitalization weighted index that measures the performance of the 3,000 largest U.S. companies representing approximately 98% of the investable U.S. equity market.

The Morgan Stanley Capital International (MSCI) World Index is a market capitalization weighted index composed of companies representative of the market structure of 23 Developed Market countries in North America, Europe and the Asia/Pacific Region. The MSCI Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 16 developed market country indices: Austria, Belgium, Denmark,

Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. The MSCI China Index covers the large and mid cap segments in the China and is constructed according to the MSCI Global Investable Market Indices Methodology. The MSCI China Index is part of the MSCI Emerging Markets Index. The MSCI Brazil Index is designed to measure the performance of the large and mid cap segments of the Brazilian market with 81 constituents.