

EVERGREEN INSIGHTS: A WEEKLY SNAPSHOT

JUNE 22, 2015

Top News Headlines

- 1) Yellen Projects Gradual Interest Rate Increase Starting at End of Year
- 2) Greece Offers New Package To Creditors, Hopes for Breakthrough
- 3) Jordan Spieth, 21, Becomes Youngest US Open Champ in 80 Years

Economic News

- US existing home sales beat expectations and rise to a 5.35 million annualized pace
- US leading economic indicators rose in May, data steadily improving in Q2
- Real weekly earnings in the US rose at 2.3% as wages beginning to slowly climb
- Eurozone inflation rose 0.9% in May, the fastest pace in six months
- A survey tracking business conditions and expectations in Germany, fell in June as Greece concerns likely impacting confidence

Thought of the Week

The Federal Open Market Committee (FOMC) concluded its June meeting last week and as expected, left rates unchanged. Afterward, the FOMC released some of its key takeaways—the main one being that they've seen little change since April. Here are a few other points of interest and what we think about them:

- GDP growth expectations for 2015 were revised down from a range of 2.3-2.7% to 1.8%-2.0%. This was not a big surprise given the negative print in Q1. It is worth noting, however, as the Fed's forecast history has been consistently overly optimistic. To this point, they increased 2016 and 2017 growth targets. We're not too confident they'll be reached.
- Janet Yellen dismissed the IMF's request to hold off on tightening this year due to global growth concerns. This essentially implies she is focusing on US data instead of what may be in the best interest of other regions.
- Lastly, the federal funds rate is expected to close the year at 0.625%. And the dot plot, which tracks forward interest rate expectations from FOMC members, moved lower for 2016 and 2017 (as shown in the chart of the week). This activity aligns with Yellen's comments that this will be a "gradual process" in terms of tightening.

Overall, the rhetoric emerging from this most recent meeting is quite dovish. Our concern is the Fed has fallen behind the tightening curve, and may have missed its window in 2013 and 2014. This could leave little room to ease — outside of additional QE — if data takes a major turn south.

Chart of the Week

Federal Open Market Committee Dot Plot



Source: Federal Reserve

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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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Index Levels	Friday Close 6/19/15	Prior Week 6/12/15	Year End 12/31/14	Year Ago 6/19/14
S&P 500	2110	2094	2059	1959
Dow Jones 30	18016	17899	17823	16921
Nasdaq	5117	5051	4736	4359
Russell 2000	1285	1265	1205	1184

Market Returns	1 week	1 month	YTD	1 Year
S&P 500	0.8%	-0.6%	3.5%	9.9%
Russell 2000	1.6%	2.3%	7.2%	9.9%
Barclays Agg	0.6%	-0.1%	0.1%	2.8%
MSCI World	0.3%	-1.4%	5.2%	4.1%
MSCI Europe	-0.9%	-4.9%	14.6%	13.6%
MSCI Japan	-1.4%	-1.1%	16.2%	30.5%
MSCI China	-4.2%	-6.4%	15.1%	26.2%
MSCI Brazil	2.0%	-3.2%	-3.9%	-29.4%
MSCI Emerging Markets	-0.4%	-5.6%	2.8%	-4.8%

Market Valuations	P/E Trailing	P/E Forward	P/Sales	Dividend Yield
S&P 500	18.6	17.8	1.8	2.0
Russell 2000	21.0	17.3	1.3	1.3
FTSE 100 (Europe)	21.4	16.5	1.1	3.8
Hang Seng (Hong Kong)	11.2	13.0	2.0	3.1

Bond Yields	Friday Close 6/19/15	Prior Week 6/12/15	Year End 12/31/14	Year Ago 6/19/14
Fed Funds Target	0.25	0.25	0.25	0.25
2 Year Treasury	0.62	0.73	0.67	0.45
10 Year Treasury	2.26	2.39	2.17	2.62
Investment Grade	3.81	3.84	3.70	3.51
Muni Yield	2.53	2.54	2.32	2.79
High Yield	6.33	6.32	6.80	5.31

Consumer Rates				
15 Year Mortgage	3.12	3.21	3.09	3.29
30 Year Mortgage	3.99	4.09	3.99	4.22
Consumer Confidence	95.40	95.40	93.10	82.21

Commodities				
Gold	1200.3	1181.7	1184.9	1320.4
Silver	16.1	16.0	15.7	20.8
WTI Crude Oil	59.6	60.0	53.3	106.4
Natural Gas	2.8	2.8	2.9	4.6

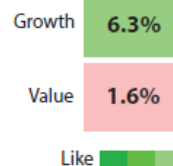
Currency				
Dollar Index	94.09	94.97	90.27	80.32
\$ per Euro	1.135	1.127	1.210	1.361
Yen per \$	122.70	123.40	119.68	101.94
CAD per \$	1.226	1.232	1.162	1.082

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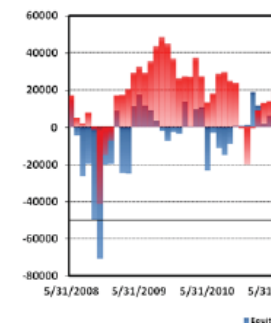
S&P 500 YTD



YTD Market Style Returns



(\$ millions) Monthly



Market question of the week:

The Fed cut its annual growth for 2015. What do you think the Fed predict for this reading in Dec 2015?
a) 2.3%-2.7% b) 2.6%-3.0%

Trivia question of the week:

With his US Open victory at Chambers Bay, who became only the sixth player ever to win the only player to accomplish this feat?
a) Tiger Woods b) Jack Nicklaus

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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 re-investment 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.