

October 23, 2014

**Financial Services Separately Managed Account Program (SMAP)  
Update**

We started the separately managed account bank program over four years ago. The program primarily seeks to capitalize on the anticipated consolidation in community banks and thrifts with some focus too on banks that could benefit from unconventional drilling, and the associated infrastructure build, particularly shale, due to a rise in economic activity in these regions. We believe we are in the early stages of the two game changers for this sector.

Continued macro fears weighed on the market during the third quarter. The debate continues whether interest rates will move higher or stay at current levels causing reasonable volatility within the financial sector. As noted in our previous quarterly report, we believe deal activity will accelerate in the next 12-24 months with considerable interest in the smaller banks in the south central parts of the U.S. Positive economic activity has drawn major acquirers to this area of the country. In our opinion, energy and all of its derivatives are in part responsible for the economic revival. We believe we are well positioned to capitalize on this change.

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