THE TANDEM REPORT

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"It requires a great deal of boldness and a great deal of caution to make a great fortune, and when you have it, it requires ten times as much skill to keep it."

~ Ralph Waldo Emerson

Dear Clients,

Tandem is committed to the preservation of your wealth by minimizing risk while adding value through superior investment performance. This issue of *The TANDEM Report* provides a summary of our views pertaining to the investment landscape and subjects that influence our decision making. More information about our firm, including our investment style and process, is available at www.tandemadvisors.com or upon request. We hope you find this report useful.

Respectfully,

John B. Carew
President,
Chief Investment Officer

In This Issue

All performance figures, charts and graphs contained in this report are derived from publicly available sources believed to be reliable. Tandem makes no representation as to the accuracy of these numbers, nor should they be construed as any representation of past or future performance.

MARKET COMMENTARY:

THE MARKET PAUSES IN THE FACE OF NEAR-TERM UNCERTAINTIES. CORPORATE EARNINGS WILL DETERMINE THE NEXT MAJOR MOVE.

Given the unusual amount of economic and geopolitical uncertainty in the world, it is little wonder that the market has essentially gone nowhere thus far in 2015. Markets like certainty, and certainty is in short supply. Some question why stock prices haven't actually fallen. Others remain optimistic that negative factors such as Greece, Iran, China, a slowing economy, a strengthening dollar and falling oil prices will resolve themselves favorably. Lacking clear evidence in favor of either optimism or pessimism, the market has decided to pause.

The S&P 500 ended 2014 at 2,058.90. Six months later and halfway through 2015, the S&P has added just 4.21 points to its price and finished June at 2,063.11. That represents price appreciation of a whopping 0.20%. That also represents a pause. To be sure, the S&P has traveled a bumpy road over these past six months, rising as high as 2,130.82 (a gain of 3.48%) and falling as low as 1,992.67 (a decline of –3.22%). But at the end of the day (actually at the end of June) the S&P 500 could only manage a 0.20% increase in price. Including dividends, the S&P has returned 1.23% for the first half of 2015. Dividends therefore make up nearly all of this year's returns.

The stock market is waiting for a clearer picture. Many have argued, Tandem included, that stock prices had risen too far given the general lack of economic and corporate earnings growth. Most stated that a correction was long overdue. Our view has always been that a correction is possible but that overvaluation can also be corrected by prices pausing for a time. A correction makes stocks reasonably priced rather quickly. A pause in price takes longer but works to realign value every bit as well as a correction.

Perhaps we are experiencing the pause that refreshes rather than the calm before the storm. Corporate earnings will ultimately dictate the outcome. History

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COMMENTARY: IN RETIREMENT OR OTHERWISE,

A DEFENSIVE INVESTMENT STRATEGY LETS YOU PLAY OFFENSE

Most of us worry about affording retirement. In fact, that is why most of us invest in the first place - to pay for retirement. Certainly some invest to create wealth, but most of us simply want to live comfortably off of the wealth we have accumulated and leave a little something behind so our loved ones remember us fondly.

So how should a portfolio be managed for retirement? Smart people disagree. There is no one clear answer. We will happily share *our* answer.

We believe that the best way to manage a portfolio with regular withdrawals is the same way we manage our portfolios already - limit volatility and use cash wisely.

Some have asked about the amount of cash we hold. It has certainly caused us to underperform the stock market recently. So why don't we invest that cash while the market is going higher? We

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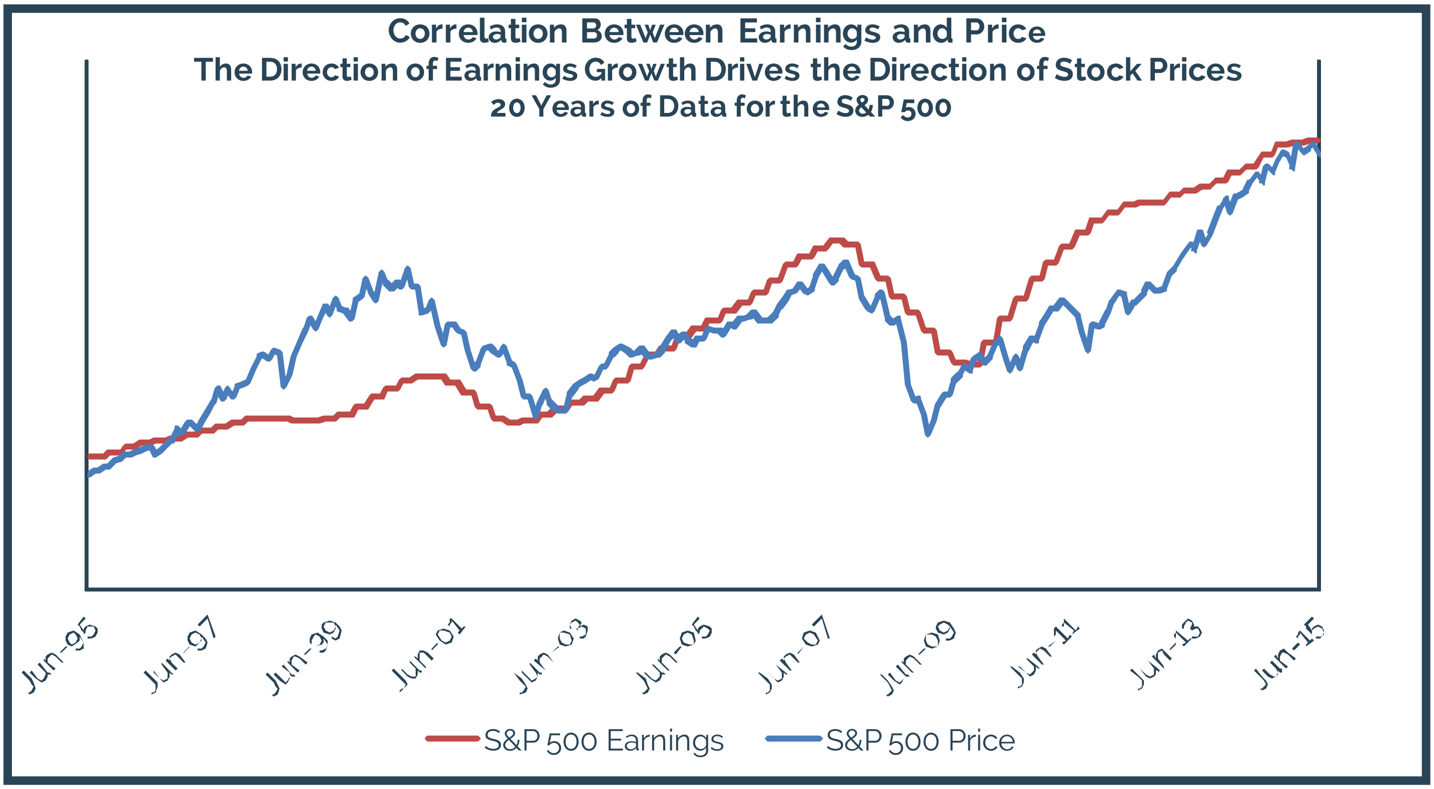
tells us, as does the chart below, that there has always been a strong correlation between the direction of corporate earnings and the direction of stock prices. Sometimes they disconnect, but invariably they return to their parallel march.

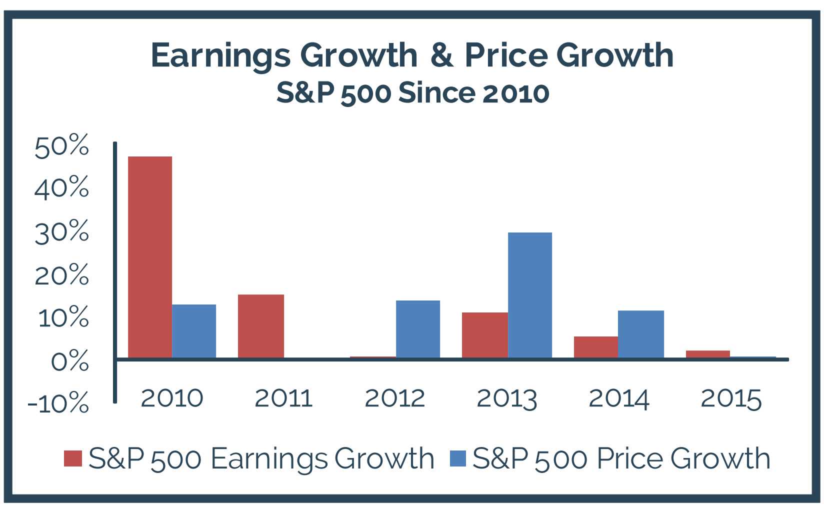
Trying to divine when earnings growth will materialize is challenging. What is going to happen in Europe as the Greek bailout unfolds? Will oil continue to fall in price as Iran's sanctions are lifted? Will the dollar's strength continue? All of these situations could have some bearing on earnings growth.



Source: Standard and Poors (www.standardandpoors.com)

For the last three years earnings growth has slowed appreciably while price growth marched onward and upward. Now, as earnings growth slows further, price has reacted by pausing so far this year. The chart below illustrates that coming out of the recession earnings growth outstripped price growth by a fair amount in 2010 and 2011. The next three years saw earnings growth slow to a crawl while price growth accelerated.

Now that stock prices have paused, valuations have become somewhat less expensive, though still expensive historically. For prices to move higher, we need sustained growth. Earnings growth must return at some point.



Source: Standard and Poors (www.standardandpoors.com)

We think the economic and geopolitical uncertainties tend to be short-term influences on stock prices. The traders get very excited about events as they unfold, but these events only become meaningful in the long run if they influence earnings and economic growth.

This is the 7th year of economic expansion since the Great Recession. It is only natural for the economy and earnings to falter. We view it is as positive that stock prices reflect this reality by pausing. For prices to rise again in a sustainable manner, one need look no further than earnings growth. Healthy stock prices require healthy growth. It sure would be nice to have some.

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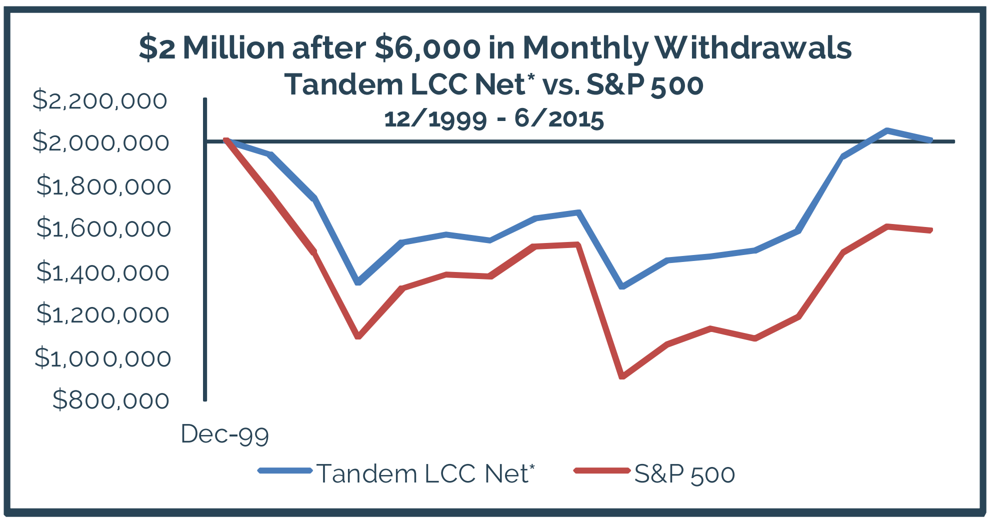
don't because we want to buy stocks when they are cheap. Stocks aren't cheap right now, so we are patient. When prices fall, or when a client needs cash, we don't have to sell something at a depressed price. We already sold it at an expensive price!

Outperforming a stock market over all the peaks and valleys is our priority. Outperforming an expensive stock market is not. In order to perform through the ups and downs, we must eliminate as much volatility as possible, both good and bad. In order to not lose as much when prices fall, we are willing to not make as much when prices rise. If you are withdrawing money from your account regularly, this is terrifically important. Withdrawing money when prices fall has a compounding effect on the value of your portfolio. You will never make that money back.

Tandem's practice is to sell a stock when it is expensive and buy it when it is cheap. This requires a great deal of patience and the willingness to hold cash. Expensive and cheap rarely happen at the same time. If you are withdrawing money regularly, this practice makes even more sense.



Source: Advent Software

Portfolios that don't hold cash must sell when cash is needed. We don't have to do that. We don't have to sell your stocks at the wrong time simply because you need the money.

By being defensive in nature, we are able to better play offense for you. We do not react to the market, we proactively manage your portfolio. When prices fall, we are the ones with cash to buy the bargains and continue to pay the distributions you need.

Examples are often helpful, and pictures more than words for most people. So consider the case of the woman who decided she was ready to live off of her investments. She saved $2,000,000 and wanted to receive $6,000/month, or $72,000/year. Seems reasonable enough.

However, this woman's timing could not possibly have been worse. She decided to retire at the end of 1999 - the end of the tech bubble. Within a span of 9 years she would experience **two** major bear markets with declines of over 50% each time for the market (S&P 500). What a terrible time to be withdrawing money!

This is truly a worst case scenario. So how would this woman have fared over last 15 1/2 years? The table below summarizes some options. Had she invested in a stock index fund that replicated the S&P 500, she would still have about $1.6 Million left. If she had chosen a balanced approach with both stocks and bonds, she would have nearly all of her initial investment. Had she invested with us, she would have made a profit on her initial investment. It turns out that a defensive investment strategy is a good offense.

Account Valuations after a $6,000.00 Monthly Withdrawal from 12/1999—6/2015
Tandem LCC Net* vs. the S&P 500 and a Balanced Index**

	Tandem Large Cap Core Net of Fees*	S&P 500	Balanced Index**
Initial Value	$ 2,000,000.00	$ 2,000,000.00	$ 2,000,000.00
Total Withdrawals*	$ 1,116,000.00	$ 1,116,000.00	$ 1,116,000.00
Ending Value	$ 2,007,427.33	$ 1,585,885.51	$ 1,978,258.57

Source: Advent Software

** Tandem LCC Net of Fees performance is for Tandem's Large Cap Core Institutional Composite. Fees include a management fee of 1.00% on the 1st $2,000,000 and negotiable above that for each individual account. Commissions and custodian fees are also included in these results. Some clients may incur a different fee structure. For more information on Tandem's composites and fees, please contact John Carew at (843) 720-3413. Past performance is no guarantee of future success. This is not intended as a solicitation. Please consult your financial advisor before making any investment decisions.*

*** Balanced Index is a constant blend of 65% S&P 500 Total Return and 35% Citi 1-5 Year Treasury Index.*

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Yield Table			
	Current	3 months ago	1 year ago
3-month Treasury Bill	0.01%	0.02%	0.02%
2-year Treasury Note	0.65%	0,56%	0.46%
5-year Treasury Note	1.65%	1.37%	1.63%
10-year Treasury Bond	2.35%	1.93%	2.53%
30-year Treasury Bond	3.12%	2.54%	3.36%
Prime Rate	3.25%	3.25%	3.25%
Federal Funds Rate	0.04%	0.04%	0.03%
Discount Rate	0.75%	0.75%	0.75%
30 yr Fixed Mortgage	3.66%	3.28%	3.72%

The data used to compile the above tables come from publicly available sources. Tandem believes it to be reliable, but makes no such assertions. Such data is not meant to imply past or future performance for Tandem or any securities market.

Key Market Data				
	6/30/15 Close	% Change 1 Year	% Change 3 Years	% Change 5 Years
S&P 500	2,063.11	5.25%	51.46%	100.16%
Dow Jones Industrial	17,619.51	4.71%	36.80%	80.27%
NASDAQ	4,986.87	13.13%	69.91%	136.43%
Russell 2000	1,253.95	5.11%	57.04%	105.74%
German Xetra DAX	10,944.97	11.31%	70.58%	83.47%
London FTSE 100	6,520.98	-3.31%	17.05%	32.62%
Shanghai Composite	4,277.22	108.81%	92.20%	78.34%
Crude Oil	59.47	-43.56%	-30.00%	-21.37%
Gold	1,171.00	-10.95%	-26.74%	-5.87%
CRB Index	227.17	-26.30%	-20.06%	-12.13%
U.S. Dollar Index	95.54	19.75%	17.08%	11.04%
Euro/Dollar*	111.37	-18.67%	-12.02%	-8.86%

** Negative return represents dollar strength, positive return represents dollar weakness. Returns are cumulative, not annualized.*