



Becker Capital Management, Inc.

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EVERETT SCHOOL

NOV 03 2014

EMPLOYEE BENEFIT TRUST

Everett School Employee Benefit Tr.

Investment Summary

September 30, 2014



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October 29, 2014

EVERETT SCHOOL

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EMPLOYEE BENEFIT TRUST

Everett School Employee Benefit Tr.
Darla Van Duren
PO Box 2098
Everett, Washington 98213

Dear Darla:

Enclosed is your third quarter, 2014 report including investment results, transactions, summary of investments, and a fee statement.

	QTD	YTD	1 Year	3 Years	5 Years	Incept. 09-03-09
Everett School Trust	0.1%	0.5%	0.7%	0.5%	1.4%	1.4%
Fixed Income	0.1%	0.6%	0.9%	0.6%	1.6%	1.6%
BAML 1 Yr Treasury Note	0.1%	0.3%	0.3%	0.3%	0.5%	0.5%

Bonds provided poor returns in the third quarter. The broad market of Treasury, agency and investment grade corporate bonds returned just 0.264%, or an annualized rate of about 1.1%. The intermediate sector of this market posted a 0.03% loss. Prices widely fell, but the losses were generally offset by the interest earned. Municipal bonds fared better with the intermediate sector returning 0.625%.

The Federal Reserve will likely announce the end of “quantitative easing” after their October meeting. The Fed has clearly guided the market to this conclusion. Less clear has been the timing and pace of rate increases. There appears to be some debate within the Fed. Members of the Committee have publically staked out opposing positions. Now, market consensus is for the first increase in the Funds Rate to occur in the third quarter of 2015. The Rate, which has been at zero since December 2008, will initially go to 0.25% and then is expected to be 0.75% by year end. This is a bit faster than previous forecasts and can account for the third quarter bond market weakness.

It might have been worse, but a long list of foreign economic and political concerns helped support the U.S. fixed income markets. Conflicts continued in Syria, Ukraine and Iraq. “ISIS” emerged. Demonstrations occurred in China, particularly in Hong Kong. Ebola erupted in Africa. The economies of Europe and China appeared to slow. These concerns caused investors to seek out fixed income as a relatively safe asset class.

In addition, the prospect of tighter monetary policy in the U.S., at a time where Europe and China are becoming more accommodative, increased the value of our dollar. This can lower the cost of imported goods and diminish our inflation rate making fixed income investments more attractive.

Your portfolio returned 0.11% in the third quarter, nearly identical to your index's return of 0.10%. Cash was slightly elevated from time to time and this dampened performance by about 0.02%.

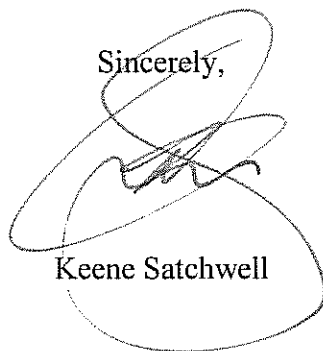
After the quarter ended, bonds staged a rally. The 10-year Treasury yield declined to 1.86% on October 15. At the same time the yields on corporate bonds jumped higher. It was a classic, although short-lived, flight-to-quality trade. Currently, much of this volatile move has been reversed with the 10-year now at 2.26% and the corporate bond market recovering. It appears that much of the rally was short covering. Wall Street and the hedge fund community had aggressively positioned themselves for rising rates. After a disappointing retail sales report and Ebola scares in Texas, there was a rush to cover these positions.

In the U.S., our interest rates look relatively attractive. For example, our sovereign 10-year rate, at 2.26%, compares favorably to Germany's 0.87%. But fundamentally, 2.26% for a 10-year investment is unexciting. Our 10-year rate only provides a real rate of return of only 0.56 percentage points above the current inflation rate of 1.70%. Historically, the 10-year has provided a 2.5% real rate of return. The U.S. economic growth has been resilient despite slowing world growth. If this continues, the Federal Reserve is likely to initiate rate increases in the second half of 2015.

The risks in the bond market appear low, but the rewards remain even lower. We are continuing to invest your fixed income assets conservatively.

If you have any questions or comments, please do not hesitate to contact any of us at Becker Capital.

Sincerely,

A handwritten signature in black ink, appearing to read 'Keene Satchwell', is written over a large, faint, circular outline that serves as a background for the signature.

Keene Satchwell