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WORRYING ABOUT THE RIGHT THINGS

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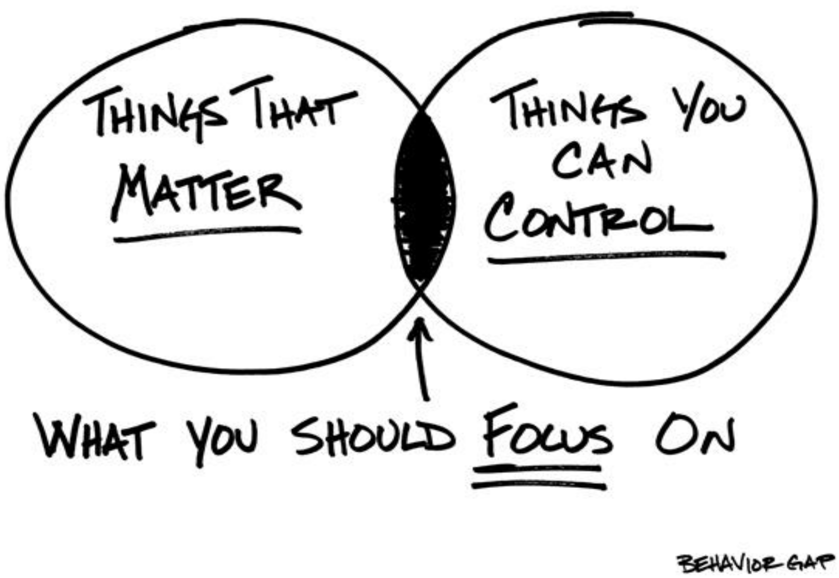
When you go to the beach and swim in the ocean are you worried about being eaten by a shark? When you get on an airplane are you worried about the person sitting next to you setting their shoe or underwear on fire? In both life and investing we are often deathly afraid of things that we have no control over and therefore, should not be worried about. These are things we should certainly consider, but we should not allow them to sway our decision to swim in the ocean or take that next plane ride. For example, in 2013 there were 10 shark attack fatalities in a world where more than 7 billion people live - you are much more likely to be struck by lightning than eaten by Jaws.

It always makes for good cocktail party conversation to postulate over opinions regarding Federal Reserve policy, what the stock market may do this year, whether next quarter's earnings will be good for a particular company, or what Congress may or may not do during the next term. These are among the many things over which we do not have control; as such we would consider them to be noise. Structuring a portfolio or making investment decisions based on noise is not a winning strategy.



Trustmark Investment Advisors, Inc., strives to eliminate the noise and focus on issues that do matter, that are worth worrying about, and are well within our control. These factors influence how we run our business, how we manage money, and shape the framework by which we view capital markets. What follows is a brief outline and discussion of some of the most important of these investment virtues – Valuation, Sentiment, Breadth, and Evidenced-Based Asset Allocation.

We consider both absolute and relative *valuation* when examining individual securities and asset classes. Absolute valuation in the traditional sense of the word considers how cheap a security or asset class is based on some valuation metric such as price-to-earnings or price-to-free-cash-flow. Absolute valuation can help determine when a stock is trading at the upper or lower bounds of its historical valuation range, therefore providing valuable information. Relative valuation is useful in determining the merits of one asset class versus another. For example, we might examine large-cap stocks relative to mid-cap stocks to determine which one is currently trading cheaper or may be more expensive. Relative valuation can help provide some context when choosing between asset classes or securities.

Sentiment indicators help eliminate much of the noise that the media and pundits can exert on an investor's judgment. Determining how the crowds are positioned provides enormous amounts of information and oftentimes creates investment opportunities. Historically, at extremes, the crowd is wrong both on the downside and on the upside. However, in the middle it pays to go with the crowds – in these cases the trend is very much your friend. We use sentiment in our security selection process as well as in our asset allocation process.

Breadth gives us insight into how structurally sound or valid a move in the market may be. For example, if the S&P 500 is in the process of rallying, and there is a confirmed bull market in progress, breadth indicators can give early warning signs to a consolidation or correction. When fewer stocks are participating to the upside that can be an indicator of cracks beginning to form under the surface. One breadth indicator we use for equities is the number of stocks that are currently trading above their 200-day moving average. A potential warning sign on this indicator would occur when the broad market is going higher with less stocks participating, in other words, fewer and fewer stocks trade above their 200-day moving average.

Finally, having an *evidenced-based asset allocation* policy and sticking to it through market cycles can help eliminate much of the noise and biases that may creep in to one's investment decision making process. We base our asset allocation calls on data-driven indicators based solely on real information provided by the market itself – we seek to avoid making sweeping allocation changes based on what we think the market will do, or how we think it should be acting. The investment virtues discussed above exemplify the approach we take to formulating our asset allocation policy. One of, if not the most critical lesson is that a sound asset allocation approach does you no good unless you are committed to it through market cycles. Overriding a proven asset allocation system is one of the easiest, most efficient ways to lose money over time, and this occurs when one allows biases and noise to pollute the process.

Perhaps the most value we can provide for our clients is by implementing and staying true to the principles discussed above, doing so will firmly insert us as a buffer between our clients and the biases that will inevitably cloud one's investment judgment from time to time. In other words, we can effectively manage risk by worrying on behalf of our clients about the things we can control and are worth worrying about.