Williams Investment Society 4Q Update

Introduction

WIS Summary

The Williams Investment Society employs a top-down investment procedure to identify superior companies trading at reasonable prices. The Society believes that through extensive research and analysis, it can identify companies priced by markets at significant discounts to their intrinsic values. Firms must have at least $500 MM in market capitalization and a minimum share price of $5. WIS will not hold more than 5% of its portfolio in a single stock.

Recent Activity

WIS meetings in the fourth quarter focused on industry group presentations. Eight of these presentations ultimately earned the approval of the Society, resulting in our investment in eight new holdings and the divestment of eight previous holdings.

The third quarter included the selection of the new directors for the 2015 calendar year. James Emanuelson has since taken over as Executive Director, with Associate Directors Kiril Krendov and Brian Krouskos. The outgoing and incoming directors also selected the new members for the group. We were happy to receive close to 100 applications for approximately 20 spots.

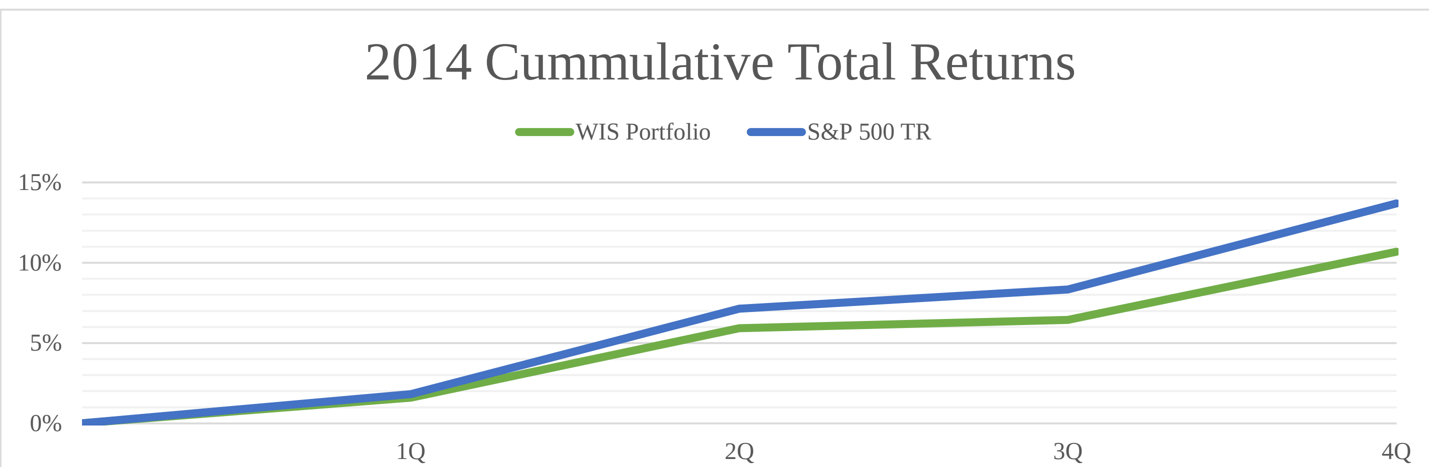
Performance Summary

In the fourth quarter, the WIS portfolio returned 3.99% versus an S&P total return of 4.93%. For the year, WIS returned 10.69% versus an S&P total return of 13.96%. Our largest gains from individual stocks this quarter came from ENSG (+27.56%), V (+22.89%), and CVS (+21.01%), with several other holding posting double digit returns. Our worst performing holdings included CBI (-27.43%), LYB (-26.94%) and SLB (16.01%).

The WIS energy sector understandably suffered losses, with WTI crude oil falling more than 40% over the quarter. However, our energy stocks outperformed the XLE, down just 5.15% versus the SPDR's loss of 12.07%. Notably, Kinder Morgan, our pick from last year, boosted the sector with a gain of 10.35%.

Financials also outperformed its sector SPDR with a gain of 7.19% lead by strong quarters from Visa and Equifax. This compares to a XLF return of 1.18%.

The basics sector was our worst absolute performer with a loss of 6.82% versus the XLB's loss of 1.39%. Industrials posted the worst relative performance, flat on the quarter versus an XLI gain of 7.07%.



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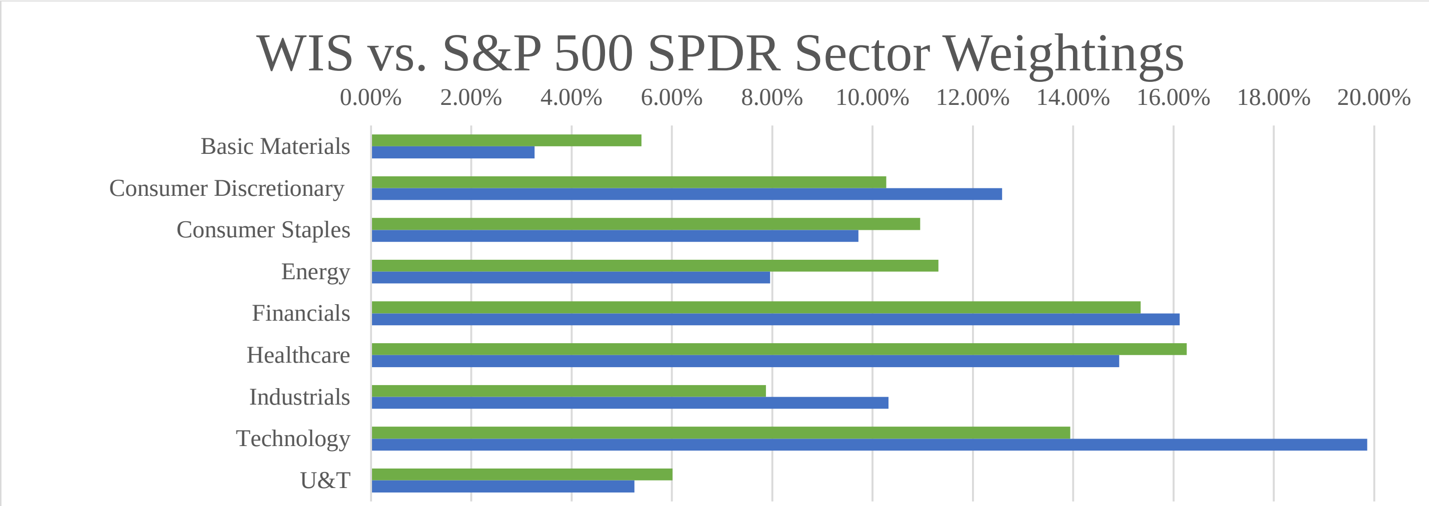

	BASICS	CONSUMER DISCRETIONARY	CONSUMER STAPLES	ENERGY	FINANCIALS	HEALTHCARE	INDUSTRIALS	TECHNOLOGY	U&T
S&P 500 SPDR	3.26%	12.58%	9.72%	7.96%	16.12%	14.92%	10.32%	19.86%	5.25%
WIS Portfolio	5.39%	10.27%	10.95%	11.31%	15.34%	16.26%	7.87%	13.94%	6.01%

*note: WIS returns calculated on a money-weighted basis

Investment Presentation Summaries

In the fourth quarter, each industry group presented a buy and sell recommendation, each of which earned the group's approval. Below, the groups summarize their investment proposals.

Basics

Buy PAH / Sell MEOH

Platform Specialty Products (PAH) is a global producer of high technology specialty chemical products and provider of technical services. Martin Franklin, the brainchild of PAH and the current Chairman, IPO'd the Special-Purpose Acquisition Company (SPAC) in May 2013 raising $881.2 million. With this money, PAH acquired MacDermid for $1.8 billion. MacDermid's core business involves the manufacture of a broad range of specialty chemicals, which they create by blending raw materials, and the incorporation of these chemicals into multi-step technological processes. These specialty chemicals and processes together encompass the products they sell to their customers in the electronics, metal and plastic plating, graphic arts, and offshore oil production and drilling industries. Aside from MacDermid, the recent acquisition of Arysta finalized their agricultural vertical. To now this vertical consists of ChemTura AgroSolutions, Agriphar Group, and Arysta LifeScience.

Our main rationale revolved around Martin Franklin, the founder of PAH. Franklin has a history of very savvy deal making and is using Platform to consolidate the specialty chemical space just as he has done in the eye care space and consumer brand space at Jarden Corporation, the Fortune 500 broad-based consumer products company he founded twelve years ago. Over the last twelve years, Mr. Franklin built Jarden from a food-canning business into the owner of more than 100 consumer brands including Rawlings baseball equipment and Mr. Coffee brewers. His most recent Jarden deal was the $1.75 billion acquisition of specialty candle maker Yankee Candle Co. Mr. Franklin relinquished his role as CEO at Jarden in 2011 due to his interest in forming PAH. He has proven to be a superior capital allocator.

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Nevertheless, the business of MacDermid alone is highly attractive. Its dynamic chemistries typically represent a small portion of customers' costs, but is critical to the performance of its products. Further, operational risks and switching costs make it difficult for customers to change suppliers. Switching suppliers generally may not make sense for their customers from a cost-benefit standpoint: as switching expenses (including conducting expensive trials to ensure quality assurance and compliance with regulatory requirements, industry standards and internal protocols) can be significant. For this reason PAH is able to retain customers and maintain market positions.

The group also presented a sell of Methanex Corporation (MEOH). Methanex is the world's largest producer and supplier of methanol, a clear, liquid chemical that is biodegradable, water soluble, and produced primarily from natural gas. Methanol is currently a 57 million ton industry, and Methanex captures about an 18% global share on the merchant market. About 60% of the world's methanol is used to produce consumer and industrial products, while about 40% is used in the alternative energy and biofuels industry. Our decision to sell Methanex was based on three key factors.

First, the drop in oil prices hurt our portfolio and made us realize that we were too exposed to the ratio of oil to natural gas prices, as both LYB and MEOH benefit when oil prices are high and suffer when oil prices are low because their products serve as an alternative to oil. LYB and MEOH together make up 47% of our portfolio, 20% and 27% respectively, thus we were significantly overexposed in this area.

Second, we figured our buy thesis had played out. WIS bought MEOH in September 2012 on the basis that the company had high growth potential from tightening fuel blending standards and rapid. Lastly, we expect that favorable supply constraints that restricted Methanol supply and drove up prices were temporary and unlikely to continue.

Three main factors constrained methanol supply in 2013: limited methanol production capacity additions outside of China, a series of unplanned plant outages, and ongoing gas curtailments around the globe. As a result, methanol prices steadily increase in 2013 and Methanex repeated the benefits. While these factors benefitted Methanex greatly, we cannot count on the same factors to occur in the subsequent years. Thus, we cannot assume that Methanex will experience the same success that it enjoyed in 2013.

Consumer Discretionary

Buy HOT / Sell IGT

The Consumer Discretionary group presented a sell of IGT, a global gaming company specializing in the design, development, manufacture, and marketing of casino games, gaming equipment, and systems technology for land-based and online social gaming and wagering markets. The group originally bought IGT as a play on the legalization of gambling in light of state budget troubles. However, we now believe that this buy thesis is not going to play out. Furthermore, slot machine growth is diminishing and the company has shown little innovation for the future. Finally, we do not believe that IGT's acquisition of GTECH will prove to be a positive for the company.

Starwood (HOT) is one of the largest hotel and leisure companies in the world, acting both directly and through its subsidiaries. Starwood's brand names include St. Regis, The Luxury Collection, W Hotels, Westin, Le Méridian, Shetaton, Four Points, Aloft, and Element. The Consumer Discretionary group proposed a buy of HOT on the basis of a US economic recovery spurring demand for leisure and business travel at home, Starwood's international pipeline and growth in travel infrastructure, its strong brand portfolio and continued technological innovation, and its history of returning value to shareholders.

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Consumer Staples

Buy WWAV / Sell SJM

WIS originally bought J.M. Smucker's as a good replacement for Heinz and for their strong product innovation, brand image, and potential growth in emerging markets. Not only did Smucker's fail to expand into emerging markets, but their brand image is still seen as an unhealthy snack provider. We believe that with the recent addition of PepsiCo and our holding of CVS, our portfolio has significant overlap. PepsiCo is a consumer staple giant that has strong brand loyalty and exposure, while CVS has already positioned themselves to meet shifting consumer health trends. With the original buy thesis failing to play out, in addition to coffee price inflation, losing market share in the K-cup coffee industry, and lagging behind the shifting consumer health trends, we believe that now would be a great time to sell J.M. Smucker and find a company that has more potential to grow and meet new consumer demands

Staples presented a buy of WhiteWave Foods on the attempt to find a niche company that was poised to benefit from the changing consumer food trends. WhiteWave Foods is a global consumer food and beverage company that operates in multiple categories such as plan-based food and beverages and organic greens and produce. Since our proposed sell of Smucker was on the basis of getting out of the unhealthy snack provider, we felt that getting exposure to a company who strives itself on health and wellness. WhiteWave Foods is a global leader in all of its operating segments and is looking to experience even more growth through a joint venture in China. This joint venture will make WhiteWave the first company to offer plant-based alternatives to dairy in China. In addition, WhiteWave Foods already has an extensive and successful commercial and supply chain network which is essential to producing affordable products and allowing for strong margins. Lastly, WhiteWave Food has a diverse portfolio of large-scale brands which are all number one or two in market share, giving the company great brand recognition and customer loyalty. WhiteWave Foods is the perfect addition to our already strong Consumer Staples portfolio. With its presence in emerging markets, niche product demand, and storied success of innovation and strong management, we are confident that investing in WhiteWave is a strategic, long-term play that will see large gains while further diversifying our portfolio.

Energy

Buy XOM / Sell ARLP

The Energy Group decided to sell Alliance Resource Partners (ARLP), a coal production company, and to buy the oil major Exxon Mobil (XOM). The group sought to exit the coal industry with declining industry fundamentals resulting from increased regulation and coal to natural gas switching. With an abundance of natural gas production in North America, numerous coal power plants have been retired as the price of thermal coal has fallen over 50% in the past year. Amid weaker oil prices, the group bought Exxon to add a stable performer to the portfolio in all environments. Exxon's unmatched balance sheet, LNG projects, and integrated business model offer safer protection in the current market that will allow it to outperform it's smaller, highly levered peers. Exxon's history of dividend growth and share repurchases delivers strong returns for investors in the long run, and XOM should be a cornerstone of the WIS Energy holdings for the extended future.

Financials

Buy CBRE / Sell VTR

This past fall, the Financials Group successfully presented a buy of CBRE Group, Inc. (CBRE) and a sell of Ventas, Inc. (VTR). The main goal of our buy/sell was to maintain real estate exposure in our portfolio while mitigating risk from impending rising interest rates inherent in a REIT such as Ventas.

CBRE provides commercial real estate investment management services in the Americas, Europe, Middle East, Africa, and Asia through advisory and outsourcing services. The company provides a comprehensive suite of services for clients including everything from financing and valuation to portfolio and property management. What we like most about CBRE is their rising proportion of stable revenue that stems from long-term contracts, as well as the fact that they provide real estate exposure for our portfolio while not actually keeping any property on their own books. Additionally, commissions are the company's greatest expense, and if transaction-based revenues decrease due to a rising rate environment, so too do operating costs for CBRE, leaving margins largely unaffected.

Ventas is a healthcare REIT with a heavy focus on senior living. In holding Ventas in prior periods, we highlighted its prospects for growth with a rising senior population and its highly acquisitive strategy. With rising rates and therefore a higher cost of capital on the horizon, however, we felt as though Ventas would not be able to profit as much as it has in the past with compressing net interest spreads between financing for acquisitions and revenues from its tenants. Additionally, the WIS portfolio was already overweight in the healthcare sector as compared to the S&P 500, and we didn't want even more healthcare exposure than we already had.

Healthcare

Buy HQY / Sell CTRE

This fall the Healthcare group sold its $40,415 position in CareTrust REIT (CTRE). CareTrust has a market cap of $347 million, which is below WIS's $500 million market cap constraint. CTRE's primary business consists of acquiring, financing, and owning real estate property, which it leases to third party tenants in the healthcare sector. CareTrust was a wholly owned subsidiary of Ensign until June 1, 2014, when Ensign Group decided to separate its Healthcare and Real Estate businesses into two separate publicly traded companies through a tax-free spin-off transaction. WIS, as a shareholder of Ensign, received one share of CareTrust for every share of Ensign held.

As of September 30th, 2014, CareTrust owned 97 skilled nursing, assisted living and independent facilities, which had a total of 10,121 operational beds. Additionally 94 of these facilities where leased to Ensign. This lack of diversity was another key reason for selling CareTrust, besides the fact that it is too small for WIS. Owning CareTrust left WIS over exposed to Ensign since almost all of CareTrust's revenue comes from rental income on properties, with 94 of the 97 properties leased to Ensign. On top of that WIS already owns Ventas Inc. (VTR), which is another Healthcare REIT. Ventas is one of the largest REITs in the country with a diverse portfolio consisting of 1,500 companies, which is much larger than CareTrust's portfolio of 97 properties.

HealthEquity, Inc. (HQY) is a technology-enabled healthcare services company that allows consumers to make healthcare saving and spending decisions. The company's products and services comprise of: the healthcare saving and spending platform, health savings accounts, HealthEquity Advisor services, and Reimbursement Arrangements. These products and services generate revenue for the Healthequity through account, custodial, and card fees. Health Savings Accounts are the key offering in the product mix. An HSA is an account through which a consumer can spend and save for healthcare expenses on tax-advantaged basis. Currently, an increasing numbers of people are taking personal control over their healthcare spending in response to the rising costs of healthcare. HQY is a pure play on this trend identified by the Healthcare group. HealthEquity's services provide one place to review all past and upcoming healthcare expenses, which allows individuals to more effectively control their spending and save money.

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Additionally, HQY has a diverse and mostly recurring revenue stream from the account, custodial, and card fees. Due to their recurring nature, they give the company visibility into future earnings and cash flows. The company stated they have ~90% visibility into upcoming year's revenue. On top of that the company said during fiscal year 2014, they had 98% retention of accounts. Also, the company does not incur significant new costs each time a customer opens an account. Service costs for accounts decline as they age, as seen in the 19% reduction in account costs per HSA member over the past 2 years. As accounts continue to grow and mature, they become more profitable for HealthEquity as they collect more revenue while maintaining a steady level of costs. The diverse and recurring revenue streams, coupled with the scalable business model that provides a service with growing demand in the healthcare industry, make HQY an attractive company for WIS to own.

Industrials

Buy UNP / Sell UPS

There are a number of factors that contributed to UPS's lackluster performance as of late, which ultimately brought our group to a sell recommendation. Growing market competition, specifically small regional delivery services with less expensive rates have been eating up UPS's market share. Additionally, UPS saw minimal margin expansion over the last 5 years, largely due to difficulties in air shipping. Risks of a highly unionized workforce and exposure to outside factors such as weather were also concerns. Ultimately, the Industrials group felt that along with these factors, UPS had minimal growth potential and our portfolio would be better off with our buy recommendation: UNP.

Union Pacific is a railroad company that operates in the Western 2/3 of the continental United States. This stock gives WIS exposure to the railroad industry, a subsector that we are bullish on for a number of reasons including the energy boom, growing market share over trucking, and consistent past performance. More specifically, Union Pacific was our favorite railroad stock because of its market dominance, exposure to Mexico and China, pricing power, and their superior infrastructure compared to other railroads. Ultimately we feel that UNP is well positioned to continue its dominance in rail shipping in the Western United States, and WIS would benefit greatly by holding it in our portfolio.

Technology

Buy PCLN / Sell CPSI

The Technology group sold its stake in Computer Programs & Systems (CPSI) and used the funds to initiate a position in The Priceline Group (PCLN). CPSI is a provider of healthcare information technology solutions for rural and community hospitals with 300 or fewer acute care beds. The company was founded in 1979 and has over 650 client hospital in 46 states. Reasons for the sale included uncertain legislative and regulatory environment, increasing competition by more resourceful companies, and uninspiring growth prospects. CPSI's client hospitals cater to patients who are beneficiaries of the Medicare and Medicaid programs. Any turn of events that negatively affect these programs' funding would have a significant impact on revenue for these hospitals, thus, impacting expenditures on software and IT services provided by CPSI. The company may see customer attrition as larger health care systems acquire hospitals in the company's target market and consolidate vendors. In addition, a large portion of CPSI client hospitals used the Medicare Incentive program, which initially began in 2011, to subsidize the purchases of CPSI's products. As the incentive program nears its end in 2016, fewer hospitals will be able to afford the company's newer offerings.

PCLN is the world's leading provider of online travel & related services, and operates in 200 different countries through six primary, independently managed brands: Booking.com, priceline.com, agoda.com, KAYAK,

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rentalcars.com and OpenTable. The company uses the merchant and agency business models and generates additional revenue through advertising. Reasons for the buy included overall industry growth, the company's diversified portfolio of products, excellent acquisition policy and entry in new markets, and the value proposition to service providers. PCLN has high exposure to the European hospitality market which is currently growing at a steady pace both on the supply and demand side (despite the broader economic difficulties). The company's variety of products, including opaque, deal-seeking, and meta-search services, ensure it has exposure in every aspect of the market. In addition, the recent acquisition of OpenTable (a restaurant reservation service) and the $500 million state PCLN took in Ctrip (a Chinese tourist agency) will help it expand in untapped markets. Lastly, the company's well-known brands and marketing efforts provide an easy way for travel service providers to broaden their distribution channels and utilize inventory more efficiently.

Utilities and Telecommunications

Buy DISH / Sell AMT

The U&T Group chose to present a buy of DISH because it has an obvious advantage in innovation (Hopper and Sling, which are DVR and support). The content differentiation that gave DirecTV an advantage was quickly closing since DISH would be offering more shows and sports entertainment channels than DirecTV. They also signed a deal with Disney to offer ABC, ESPN, and others. The market has huge barriers, protecting DISH from new entrants and DISH excellent management with years of experience in the wireless industry. Furthermore, DISH has a multitude of growth opportunities due to the $9 billion it possessed in cash and cash equivalents, which could be aimed at Spectrum purchases, international expansion, and/or entry into the wireless industry through a possible merger with Sprint or T-Mobile. DISH recently changed the position of its satellite to expand its operations in South America, specifically Brazil. Since satellite TV is cheaper and easier to set up than cable, we believed that DISH would be widely accepted into a largely cable-dominated market. This past week took almost half of the available licenses on discount, saving $3billion by working through small-business partners. Speculators say DISH aims to move into the wireless industry, or it could resell the spectrum at a premium. We proposed to buy DISH when it was trading around $63 per share and it currently trades at $75.50 per share.

We recommended a sell of AMT largely on the premise of increased competition, rising interest rates, and AMTs business model highly depending on debt. AMT operates like a REIT, so investors flock to them when interest rates are low (since REITs have to return 90% of their taxable net income to shareholders). With speculation indicating that interest rates are going to rise in the near future, REITs are becoming less attractive for investors. Furthermore, debt will become more expensive for corporations that rely on it. AMT fund many of its projects through debt, such as: infrastructure repair, expansion, maintenance, upgrades, etc. Finally, the telecommunication infrastructure market in the US is largely an oligopoly between AMT, Crown Castle, and SBA Communications. AMTs competitors are growing at a faster rate than AMT, which could raise concerns about its future. However, AMT has long-term contracts with many of its clients (5-10 years), so its future is easily forecasted and it looks safe. It is expanding into South American markets and it has had solid performance last quarter. Overall, the company is on track to grow its revenues due to aggressive investments by carriers in network enhancements and expansions as smartphone usage and therefore data needs are projected to grow for several years, which generate business opportunities for AMT. The company's non-cancellable lease contracts with stable renewal rates strengthen the company's future revenue base while emerging market acquisitions also bode well for AMT.

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Current Holdings

Note: * denotes a purchase made in 2014 and returns are calculated since the date of purchase

Basic Materials

CF	$ 31,887.18	-2.39%
LYB	$ 52,397.40	-26.94%
MON	$ 76,938.68	6.19%
PAH*	$ 69,660.00	-9.56%
SLW	$ 65,564.25	2.01%
Total	$ 296,447.51	-6.82%

Consumer Discretionary

DIS	$ 170,954.85	5.80%
HOT*	$ 71,341.60	5.15%
PII	$ 67,906.76	0.97%
SBUX	$ 137,433.75	8.73%
TJX	$ 117,271.80	15.90%
Total	$ 564,908.76	7.75%

Consumer Staples

BUD	$ 114,566.40	1.33%
CL	$ 87,179.40	6.09%
CVS	$ 173,550.62	21.01%
PEP	$ 164,061.60	1.58%
WWAV*	$ 62,982.00	-4.50%
Total	$ 602,340.02	6.40%

Energy

CCJ	$ 63,178.50	-7.08%
COP	$ 112,567.80	-9.75%
DVN	$ 80,491.15	-10.22%
KMI	$ 148,508.10	10.35%
SLB	$ 122,819.58	-16.01%
XOM*	$ 94,761.25	1.96%
Total	$ 622,326.38	-5.15%

Financials

CBG*	$ 88,022.50	1.74%
EFX	$ 130,605.05	8.20%
SCHW	$ 121,665.70	2.72%
V	$ 180,918.00	22.89%
VRSK	$ 119,133.00	5.19%
WFC	$ 203,601.48	5.69%
Total	$ 843,945.73	8.37%

Healthcare

DVA	$ 208,285.00	3.55%
ENSG	$ 112,972.55	27.56%
GILD	$ 191,347.80	-11.45%
HQY*	$ 66,170.00	18.73%
PFE	$ 179,268.25	5.34%
UNH	$ 136,471.50	17.21%
Total	$ 894,515.10	5.47%

Industrials

CBI	$ 46,597.80	-27.43%
GE	$ 86,120.16	-1.37%
SNA	$ 123,066.00	12.93%
UNP*	$ 95,304.00	-1.39%
WM	$ 81,855.40	7.97%
Total	$ 432,943.36	0.00%

Technology

GOOG	$ 85,276.80	-8.83%
GOOGL	$ 85,966.92	-9.81%
MSFT	$ 168,149.00	0.19%
ORCL	$ 161,892.00	17.48%
PCLN*	$ 125,423.10	19.52%
QCOM	$ 140,112.05	-0.59%
Total	$ 766,819.87	3.57%

U&T

AMT	$ 65,241.00	5.58%
DUK	$ 121,133.00	11.73%
ITC	$ 76,008.40	13.47%
VZ	$ 68,298.80	-6.42%
Total	$ 330,681.20	6.61%

Totals

Equities	$5,354,927.93	4.16%
Cash	$ 145,263.90	-1.88%
Portfolio	$5,500,191.83	3.99%

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