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"Doubt is not a pleasant condition, but certainty is absurd."

*— Voltaire,
1694-1778*

Risks Pointing to Opportunities

The quarter ended on a down note as all global stock markets declined in September, leaving most broad market indexes with losses. The exception was U.S. large cap stocks, which were up 1.1% in the quarter despite falling 1.4% in September. U.S. small cap stocks were down 7.4% in the quarter after losing 6.1% in September. Year to date, large cap stocks have gained 8.3% versus a decline of 4.4% for small cap stocks. Our portfolios have been tactically underweight small caps—a beneficial stance given this year's performance divergence between the two asset classes.

Developed international and emerging-markets stocks performed poorly last quarter. International stocks were down 6% for the quarter and are now down 1% on the year. Emerging markets declined 3.3% in the third quarter, though they remain up 2.8% for the year. Commodities experienced the sharpest decline for the quarter, losing 11.8%, and are down almost 5.6% for the year.

In the bond market, prices advanced and yields continued to decline. The 10 year treasury began the year at 3.04% and finished the quarter at 2.52%.

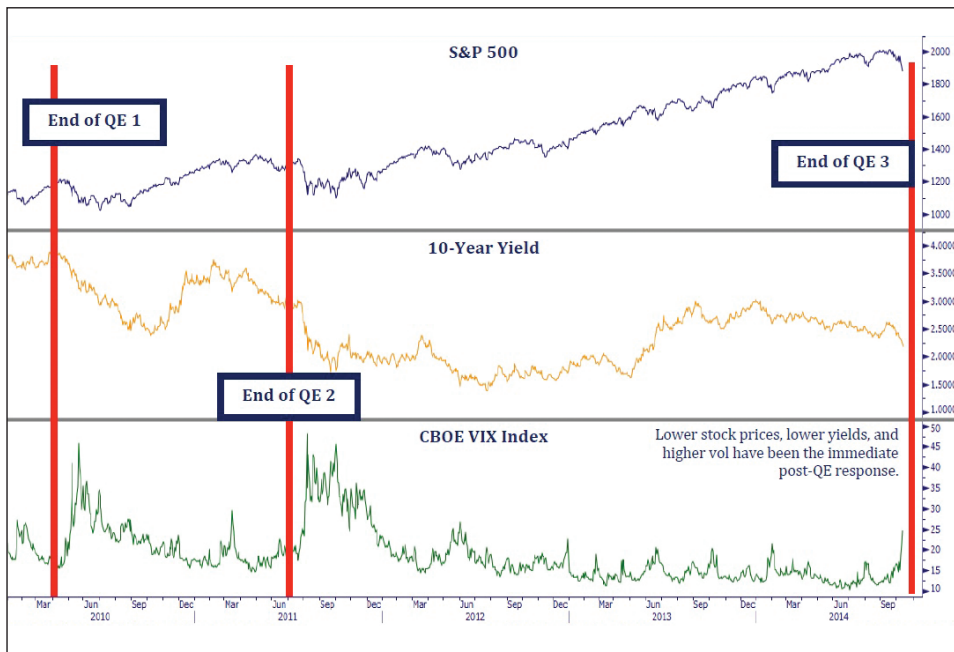
It is clear from the disparity of returns in the third quarter that market volatility is beginning to increase. Is this a warning sign of bigger declines ahead or a hiccup within an ongoing bull market? While impossible to know for sure, our Investment Committee discussions and debates focus on our being aware of the risks.

There are core convictions that underlie Equitable Trust's investment process: having a long time horizon; remaining patient; basing decisions on valuations and fundamentals; and focusing on risk management through asset allocation. Being disciplined in this process enables us to consistently and successfully execute our investment decisions over time.

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Equitable Trust Quarterly Review and Outlook

Risks Pointing to Opportunities ... (continued)



SPX Index (S&P 500 Index) VOL Daily 31Dec2009-14Oct2014

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Central to this process is our weekly investment meeting when our eight-member Investment Committee comes together to delve into topical economic and market developments and have an open and honest debate about the key drivers that shape our investment outlook. Currently, we are focusing on:

Monetary Policy — The Fed is scheduled to wind down its most recent stimulus program (Quantitative Easing or QE) later this month. Both of the last two times the Fed suspended QE, the market experienced a 15%+ selloff.

Interest Rates — Rates are close to historic lows, making us cautious on fixed income. Stock valuations have also benefitted from low rates as investors have been nudged into stocks and other risky assets as they seek to earn an attractive total return.

Inflation — An absence of signs of inflation, coupled with low interest rates, can be positive for stocks.

Valuation — Stocks appear fairly valued, but there is historical precedent for bull markets to continue longer than is broadly expected and, occasionally, to levels well above fair value.

Sentiment — Investors Intelligence reports that investment advisors were excessively optimistic at the end of September, even as the correction unfolded. Optimism is near levels last seen at the 2000 and 2007 stock market peaks.

Currencies — The appreciation of the U.S. dollar over the last 12 months has pushed many commodity contracts lower as they are typically priced in dollars on global markets. Historically, this pressure is often good for consumer-oriented sectors, negative for energy, and increases volatility in commodity-oriented economies (many emerging markets).

Our view is that risks have risen. The stock market has not had a 10% correction in more than three years. Since 1900, the market has averaged a 10% correction annually. In the absence of a recession, which we do not see on the immediate horizon, such a correction would be normal and seen as an opportunity to increase equity exposure.

We encourage you to contact your Equitable Trust team members to discuss our current views in more detail and to determine how they align with your personal goals and expectations.

Market Diary Period Ending September 30, 2014

	CLOSE	RATES OF RETURN				
Equities	9/30/14	Last 3 Mo.	YTD	1 year	3 years	5 years
Global Stock Market (MSCI All Country World)	763.67	-2.20	4.16	11.89	17.24	10.65
U.S. Stock Market (S&P 500)	1,972.29	1.13	8.34	19.73	22.99	15.70
U.S. Mid-Cap Stocks (Russell Mid-Cap)	9,785.51	-1.66	6.87	15.83	23.79	17.19
U.S. Small-Cap Stocks (Russell 2000)	5,178.71	-7.36	-4.41	3.93	21.26	14.29
International Stocks (MSCI EAFE)	6,638.93	-5.83	-0.99	4.70	14.16	7.04
Emerging Markets Stocks (MSCI Emerging Markets)	2,009.95	-3.36	2.75	4.66	7.56	4.76
Alternatives	9/30/14	Last 3 Mo.	YTD	1 year	3 years	5 years
Hedge Funds (HFRX Global Hedge Fund)	1240.01	-0.60	1.20	3.50	3.60	1.80
Gold (SPDR Gold Trust ETF)	116.21	-7.59	0.95	-8.66	-9.47	3.67
Crude Oil (West Texas Intermediate)	91.17	-14.05	-7.13	-10.93	3.65	5.29
Real Estate (Bloomberg REIT)	7,320.32	-3.00	14.69	13.44	16.19	15.77
Commodities (Bloomberg Commodity)	239.04	-11.83	-5.59	-6.58	-5.34	-1.37
Fixed Income		Last 3 Mo.	YTD	1 year	3 years	5 years
Barclays 1-10 Year Muni Blend Bond Index		0.84	4.07	4.40	3.04	3.56
Lipper High Yield Bond Index		-1.90	3.30	6.80	10.70	9.90
Barclays Aggregate Bond Index		0.17	4.10	3.96	2.43	4.12
Barclays Global Aggregate ex US Bond Index		-5.38	-0.09	-0.81	0.14	1.68

Rates of return for periods longer than 12 months are annualized. Data provided by The Chart Store, Hedge Fund Research, Informais, and Morningstar.

Intra-Family Loans Remain Favorable, But Require Careful Planning

In the current low interest rate environment, intra-family loans continue to serve as a popular mechanism to assist a child or grandchild with major expenses, such as the purchase of a new home or to help start a business. Intra-family loans can also play a significant role as part of an effective wealth-transfer strategy. Parent and grandparent lenders must exercise caution, however, as an improperly structured loan may trigger unintended gift and income taxes.

It is important to structure any intra-family loan in a way that creates a bona fide creditor-debtor relationship. The IRS will presume that any transfer

of assets between family members is a gift, unless the parties can show that the transferor had a real expectation of repayment and intention to enforce the debt. Therefore, any loan to another family member should be documented with a written and properly executed promissory note. The note should evidence a fixed repayment schedule and a sufficient applicable interest rate, along with characteristics of an arms-length transaction. Family members should also maintain accurate records of all payments of principal and interest.

What exactly is a sufficient rate of interest? The IRS publishes monthly applicable federal rates (AFR), the minimum interest rates that must be charged. For a

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Intra-Family Loans ... (continued)

term loan, the AFR is determined by the length of the term and how often interest accrues.

TERM	TIME PERIOD	OCT. 2014 AFR ¹
Short Term	3 years or less	0.38%
Mid Term	>3 to <9 years	1.85%
Long Term	More than 9 years	2.89%

¹ Rev. Rul. 2014-26 Table 1; Annual Compounding

If a bona fide loan is made between a parent and child at a rate below the AFR, the IRS deems any deficiency between the AFR and the actual rate to be imputed interest. The difference will be considered a completed gift to the child borrower. In addition, this deficiency will also be deemed as interest paid by the child to the parent lender, which must be reported as income to the parent.

The IRS has carved out two exceptions that relax the rules on imputed interest within intra-family gift loans. The first involves aggregate loans between family members of \$10,000 or less. With this exception, a below-market interest rate will not trigger a deemed

gift to the child or generate phantom taxable income to the parent, provided the transfer is not used to purchase income-producing assets. The second exception involves aggregate loans between family members of \$100,000 or less. On such transfers, the IRS will only deem income to the parent lender to the extent of the child borrower's net investment income. However, in this instance, there would be an imputed gift to the child. Given the current structure of the gift tax, this may be an acceptable trade-off for most families.

Low-interest rates continue to spur the use of intra-family loans as a wealth-transfer strategy. Even intra-family loans made with no implications of wealth transfer and made with the expectations of full repayment should be structured at or above the AFR to avoid the implication of a gift. This would apply particularly to a family lender who has exhausted his/her annual and/or lifetime gift exemption. Because of the many nuances to structuring intra-family loans, such loans should be evaluated with one's advisors in the context of an overall goals-based plan.

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