



Registered Investment Advisor

**Index Returns**

**Third Quarter 2013**

• S&P 500	5.2%
• Dow Jones Industrial Avg	5.9%
• Russell 2000	10.2%
• EAFE (Int'l Index)	11.6%
• Barclays Cap Agg. Bond	0.6%
• GSCI Commodity Ind	4.8%
• DJ US Real Estate Index	-2.9%

"Tomorrow hopes we have learned something from yesterday."

John Wayne

**Third Quarter Recap – Tony Anderson, President**

Today's markets, economies and policies are more complex and interconnected than ever, leaving many investors unsure of what strategy to follow and what steps (if any) need to be taken. In light of this, I want to use this quarter's newsletter to help make sense of recent market events and to explain what ARS is doing to best prepare your portfolio for what may lie ahead.

**WHAT HAPPENED DURING THE 3<sup>RD</sup> QUARTER?**

In September, the Federal Reserve announced that it was not going to begin reducing or tapering its bond buying program (also known as Quantitative Easing) from the current level of \$85 billion per month. This move came as a complete surprise to most market participants who had been led to expect the tapering by Fed Chairman Bernanke during a speech in May. As a result of the Fed's decision to not begin tapering in September, bond prices rallied (as interest rates went down) making up for some of the price decline bonds experienced in the second quarter.

Given our belief that we are at an inflection point with respect to interest rates, we reduced our overall bond exposure and emphasized short maturities and sectors that provide positive returns, such as high yield, mortgage-back securities and corporate bonds. We also added exposure to bank loans, due to the attractive yield and floating rate nature of these securities, which helps provide protection from rising interest rates. With our reduced allocation to bonds, we added to tactical areas, such as Master Limited Partnerships (MLPs) and absolute return strategies, in order to increase diversification and expected returns.

The stock market experienced a turbulent quarter, as investors bounced between economic concerns and relief at the Fed's decision to not taper. After rebounding in July from the May/June declines, the market reversed course again in August before rising through much of September, touching new all-time highs. Given the increased uncertainty, gridlock in Washington and rising valuations, we continued to emphasize broad market exposure in areas that have historically exhibited reduced volatility. We remained overweight to the Consumer Staples, Healthcare and Technology sectors, which allowed us to capture a majority of the markets up-side, while offering some protection on the down-side.

**WHAT STEPS ARE WE TAKING GOING FORWARD?**

As we head toward year-end, we are faced with similar issues that we faced in 2011 and 2012 (raising the debt ceiling; budget fights; rising taxes; troubles in Europe; etc.). While we expect it to be a bumpy ride, we also expect to get through it like we did then. The biggest issue facing Washington now is the debt ceiling. While both parties seem far apart, the consequence of the U.S. Government defaulting on a debt payment would be so catastrophic that there must be a compromise. In the end, the politicians will figure out a way to reopen the government and raise the debt ceiling so we can continue to pay our bills and avoid a default. It won't be pretty, but it will get done.

With the Fed's decision to not taper during its September meeting the question becomes, "If not now, when?" Our belief is that we are at an inflection point for interest rates, meaning stimulus will be reduced soon and rates will continue to slowly increase. As such, we continue to emphasize bonds with short to intermediate term maturities and sectors such as



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## Our Mission Statement:

*To focus solely on meeting the unique needs of our clients and to help them prepare for life's most important financial decisions, by providing objective advice, free from conflicts of interest, based on time-tested, proven strategies. To give our clients peace of mind by placing their best interest first and always acting in a fiduciary capacity.*

*If you would like additional information about the services offered by ARS Wealth Advisors, please contact us at (727) 322-7681.*

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## Recap . . . (cont'd. from pg. 1)

floating-rate that provide protection from rising interest rates. Our underweight bond allocation will continue to be allocated to tactical strategies such as Master Limited Partnerships and absolute return vehicles, where the outlook going forward continues to be attractive.

We believe equities are the most attractive asset class and provide the best risk/reward relative to bonds or cash. Our favorite areas of the market continue to be Consumer Staples, Healthcare, and Technology which have historically displayed lower volatility, growing dividends, healthy balance sheets and strong business models. Once the politicians work through their differences and raise the debt ceiling, we expect the stock market to resume its upward trend into the end of the year.

Inflection points can serve as an ideal time to revisit long-term objectives and discuss portfolio strategies going forward. We would welcome the opportunity to sit down and answer any questions you may have and to confirm that you are on track toward meeting your goals. Please contact our office if you would like to schedule a review meeting or discuss your accounts in more detail.

Sincerely,

Tony Anderson  
President & CEO

## CLIENT APPRECIATION LUNCHEONS:

In an effort to show our appreciation for our clients and to have them meet the entire ARS staff, we have begun holding luncheons in various markets around the state where we have concentrations of clients. In September, we hosted our first luncheon in Ponte Vedra, Florida at the beautiful TPC Sawgrass Country Club. We had over 30 clients from the area attend the event. It was a pleasure for our staff to meet so many clients face-to-face.

Our next Client Appreciation luncheon is scheduled for November 20<sup>th</sup> and will be held at the Sarasota Yacht Club. If you live in the area, be sure to "save the date". We will be mailing invitations shortly. In February 2014, we will resume these gatherings and plan to be in Naples/Ft. Myers, Tampa/St. Petersburg, Orlando, Daytona and Gainesville/Ocala in 2014. We will make these gatherings an annual event in these locales.

## MEDICARE ALPHABET SOUP:

As many of you know this is the season for Medicare enrollment. If you have any questions about Medicare Part A, B, C and/or D, please feel free to call our offices. We have the resources to get you answers and give you peace of mind.

***If you would like a copy of the most recent version of our Form ADV Part II, one is always available to you upon written request.***