



August 6, 2013

Market Data through July 31st, 2013

Total Returns:	Month of July	2013 YTD
❖ S&P 500	5.1%	19.6%
❖ Dow Jones Ind Avg	4.1%	20.1%
❖ Russell 2000	7.0%	23.8%
❖ MSCI EAFE	5.2%	8.3%
❖ Emerging Market Index	1.1%	-10.9%
❖ Barclays Bond Aggregate	0.1%	-2.3%
❖ S&P GSCI Commodity Index	4.7%	-1.3%

Recent Investment Activity

- **Fixed Income:** Reducing duration (interest rate sensitivity) by selling longer maturity bonds (iShares Core Total US Bond ETF, symbol AGG) and buying floating rate bonds (iShares Floating Rate Bond, symbol: FLOT) and a special situations mortgaged securities fund (Angel Oak Multi-Strategy Income Fund, symbol: ANGIX). As is the case with all mutual fund purchases, ANGIX shares are institutional class, no-load shares.
- **Equity:** Continuing to sell individual securities and take profits. Moving part of the proceeds into baskets of securities (Exchange-Traded Funds – ETFs) to lower risk and minimize volatility.
- **Alternatives:** Purchased Gabelli ABC Advisor Fund, symbol: GADVX. This fund seeks absolute total returns over various market conditions attempting to avoid excessive risk of capital loss. Historically, the fund’s risk profile has been substantially lower than the market averages with only one calendar year loss in the past decade (2008 down 2.84%).

Things to consider

Interest rates stabilized in early July as did most interest sensitive investments. The rapid spike in rates in the May-June period was one of worst in over a decade taking a lot of investors by surprise. It appeared to be an over-reaction to the Fed’s comments regarding the “possibility” of reducing the quantitative easing. Our fixed income portfolio continues to pay above average yields helping to offset price declines.

The variability of returns ACROSS asset classes and WITHIN asset classes during 2013 has been significant:

<u>Equities (stocks)</u>		<u>Bonds</u>	
Consumer Discretionary	+19.6%	7-10 Year Treasury Index	-9.0%
Materials	+3.2%	Aggregate Bond Index	-2.3%
Financials	+19.4%	High Yield Bond Index	+2.8%
Technology	+6.7%		

As you can see variability of returns has been noteworthy. We continue to believe, however, diversification across and within asset classes is the best way to protect and grow wealth over time.

Please feel free to call if you’d like to discuss your individual portfolio in greater detail or set up a time to hold a review meeting.

Sincerely,
Your ARS Team