



June 12, 2013

Market Data through May 31st, 2013

Total Returns:	Month of May	2013 YTD
❖ S&P 500	2.3%	15.3%
❖ Dow Jones Ind Avg	2.2%	16.6%
❖ Russell 2000	3.9%	16.3%
❖ MSCI EAFE	-3.0%	5.7%
❖ Emerging Market Index	-4.8%	-7.1%
❖ Barclays Bond Aggregate	-2.0%	-1.0%
❖ S&P GSCI Commodity Index	-3.1%	-7.0%

Recent Investment Activity

- Continuing to manage risk by diversification into “baskets” of stocks utilizing exchange-traded funds (ETFs).

Things to consider

Interest rates jumped during May and bond prices fell. Some of the hardest hit bonds were long-term US Treasuries which fell over 6%. In sympathy, income-oriented equities such as utilities, Real Estate Investment Trust (REITs) and Telecoms also had price declines.

The move up in rates was triggered by speculation the Fed may reduce its bond buying (Quantitative Easing, QE) in the near term. We expect any change in the Fed’s behavior to be modest; the economy is still sluggish, the unemployment rate continues to be stubbornly high and inflation is below the Fed’s target. We expect interest rates to be well below historic averages for at least another year. However, we are evaluating fixed income type investments that should perform well if we are wrong and rates continue their upward trajectory.

Many equities still appear attractively priced relative to most fixed-income securities. In addition, several reliable, long-term indicators still support the thesis that the economy should continue to expand (perhaps slowly) and the uptrend in equity prices will remain intact. While this scenario could change quickly we are remaining invested with a bias toward being defensive.

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