



September 4, 2013

Market Data through August 31st, 2013

Total Returns:	Month of August	2013 YTD
❖ S&P 500	-3.0%	16.0%
❖ Dow Jones Ind Avg	-4.2%	15.0%
❖ Russell 2000	-3.0%	20.0%
❖ MSCI EAFE	-2.0%	6.2%
❖ Emerging Market Index	-2.5%	-13.2%
❖ Barclays Bond Aggregate	-0.8%	-3.1%
❖ S&P GSCI Commodity Index	3.2%	-6.8%

Recent Investment Activity

- **Fixed Income:** Continued to lower interest rate sensitivity by adding floating rate bonds (iShares Floating Rate Bond, symbol: FLOT) and special situation bond funds (Angel Oak Multi-Strategy Income Fund, symbol: ANGIX)
- **Equity (stocks):** Continued to sell securities which have reached full value (IBM) or areas which are sensitive to rising interest rates, such as utilities. We are continuing to emphasize the traditionally defensive sectors (staples, healthcare) in order to lower risk and minimize volatility.
- **Alternatives:** Reduced exposure to preferred stocks (iShares S&P US Preferred Stock Index, Symbol PFF) to lessen interest rate risk; began adding exposure to Gabelli ABC Advisor Fund (symbol: GADVX) which seeks absolute total returns over various market conditions attempting to avoid excessive risk of capital loss. Also, maintained exposure to Master Limited Partnerships (MLPs) as an attractive sector with strong dividend growth potential as the natural gas infrastructure build-out gains momentum.

Things to consider

Interest rate volatility persists with the talk of “tapering”. “Tapering” refers to the Fed’s slowing its purchases of government securities as a tool to keep interest rates low thus providing economic stimulus through lower rates. With the recent GDP growth surprising on the upside, this “tapering” concern may become a reality beginning with the September Federal Reserve meeting.

The potential conflict with Syria is putting upward pressure on oil prices with oil trading near \$110 per barrel. This has also contributed to the increased volatility and bears watching due to the impact on global energy prices.

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