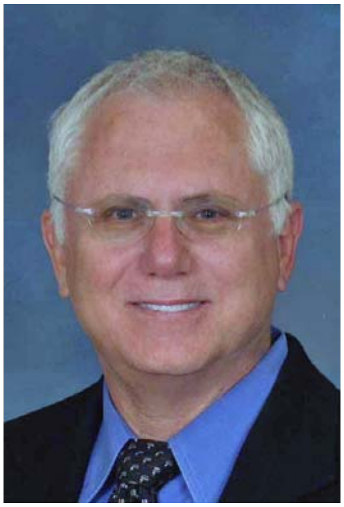
Advisor Economic Update- January 2013



HAPPY NEW YEAR!! In spite of the drama surrounding the “fiscal cliff” 2012 ended the year with positive returns, with the Dow Jones Industrial Average (Dow), Standard & Poor’s 500 (S & P 500), Nasdaq Composite up about 10.2%, 14.7%, and 15.91%, respectively. For the month of December, they were up 6/10ths of 1%, 7/10ths of 1%, and 3/10ths of 1% respectively.

For the month, smaller companies, as measured by the Russell 2000 index, were up about 3.34% and international stocks, as measured by the Dow Jones World Index (ex-US) were up about 3.45% for the month.

US Treasury bond values decreased and yields moved higher with the 10-year Treasury yield at 1.76% at the end of November, compared to 1.6% the previous month.

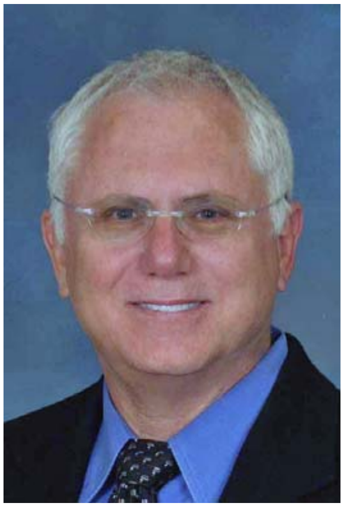
Fundamentally, the economy continues to grow with third quarter Gross Domestic Product (GDP) revised upwards to 3.1%. This, combined with relatively strong corporate balance sheets has helped buoy markets in spite of worries over the fiscal cliff.

Last minute negotiations between the White House and Congress appear to have resolved the fiscal cliff issue, compromising on higher taxes. However, the debt ceiling and budget issues still have to be resolved, so expect continued political conflict over the next few months. The immediate reaction to the compromise was surprisingly positive, with mid-day levels on the Dow Jones up over 200 points.

The bigger question will be how tax and spending changes will effect corporate America and individual spending. So far, while corporate spending has remained modest, individual spending has helped fuel economic growth. Generally, higher taxes should reduce spending, but many corporations have been holding cash as a conservative measure, pending the “fiscal cliff” outcome.

In spite of worries over the fiscal cliff and recession in Europe, growth has remained surprisingly strong. Government spending will most likely reduce, which will have some economic drag, but we believe the consumer and corporate sector will offset this and allow for continued positive growth through 2013.

Advisor Economic Update- February 2013



Fears over the "fiscal cliff" have faded and markets have had strong upward movement in January, with the Dow Jones Industrial Average (Dow), Standard & Poor's 500 (S & P 500), Nasdaq Composite up about 5.77%, 5.04%, and 4.06%, respectively.

Smaller companies, as measured by the Russell 2000 index, were up about 6.21% and international stocks, as measured by the Dow Jones World Index (ex-US) were up about 4.02% for the month.

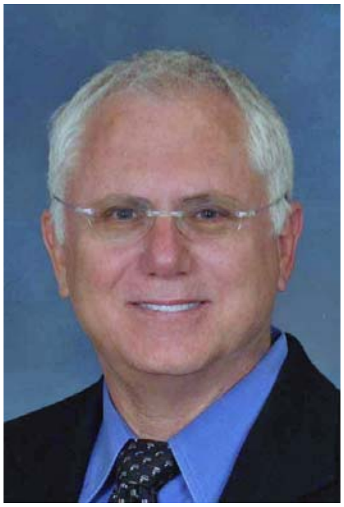
US Treasury bond values decreased and yields moved higher with the 10-year Treasury yield at 1.99% at the end of December, compared to 1.76% the previous month. Economic news has been mixed, with most indicators suggesting continued growth. Housing is improving and recent jobs and manufacturing data show continued slow growth. Meanwhile, fourth quarter Gross Domestic Product (GDP) shows contraction of $1/10^{th}$ of 1% during the fourth quarter, due in part to reduced government spending. Further cuts in government spending are expected as the U.S. government finalizes the budget.

Corporate earnings and job creation have overshadowed concerns over budget issues. Job growth for both November and December was revised higher, indicating that we are on track for continued slow economic improvement, even in the midst of government contraction. This is in contrast to unemployment, which moved up slightly to 7.9%, though still remains under the ominous 8% level.

If fourth quarter GDP is not revised upwards, we may see two consecutive quarters of negative growth, which technically signals a recession. However, in the current environment, earnings are key, and if earnings growth can continue, markets should continue to rise. We expect some conflict in coming months related to fiscal policy, but feel that overall, 2013 will be a good year.

We have started seeing value in international stocks and plan to slowly increase allocations here throughout the year. Otherwise, we have maintained most of our holdings, with small adjustments and periodic replacements of certain funds. We are reaching out to all clients to review their allocations in light of the current economic environment and their specific circumstances and look forward to meeting with you soon.

Advisor Economic Update- March 2013



As the sequester (automatic cuts in government spending) begins, markets have exhibited some volatility though remain strong as we approach an all-time high level from 2008, prior to the financial crisis. Markets were generally up in February, with the Dow Jones Industrial Average (Dow), Standard & Poor's 500 (S & P 500), Nasdaq Composite up about 1.4%, 1.11%, and about 6/10ths of 1%, respectively.

Smaller companies, as measured by the Russell 2000 index, were up about 1% and international stocks, as measured by the Dow Jones World Index (ex-US) were down about 1% for the month.

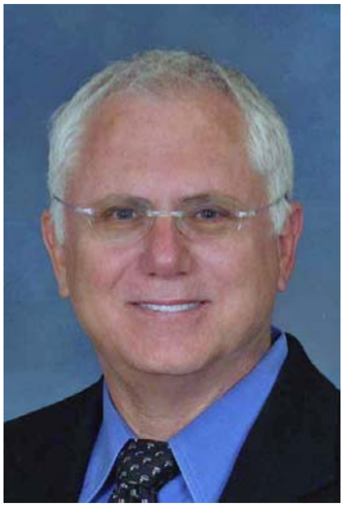
US Treasury bond values increased and yields moved lower with the 10-year Treasury yield at 1.89% at the end of February compared to 1.99% the previous month.

Markets have flirted with all-time highs several times now though it appears that we are in a trading range. On one side, consumer spending is higher in January, domestic manufacturing is increasing, and corporate earnings have been relatively strong. On the other side, we've just come off a quarter of negative Gross Domestic Product (GDP), which could be further exacerbated by the sequester.

Recent economic data is mixed, with December savings higher, and offset by January personal income, which is lower. The sequester is expected to reduce employment and increase furloughs (forced time off, without pay), though the net effect on GDP is estimated at only about ½ of 1%. On the positive side there are several potential contributors to growth that can offset the negative effects of the sequester. Increases in the housing market, manufacturing, and/or energy production can boost wealth and create jobs. The housing market is beginning to show signs of life and investors are showing strong interest in foreclosures. Manufacturing is increasing and some companies have begun to transition jobs back to the United States from overseas operations.

Ultimately, the effects of reduced government spending should be positive as the U.S. Government comes to terms on a sustainable budget. Corporate earnings have been supported by consumer and corporate spending, and we expect that both will continue to contribute to higher stock values over the long-term.

Advisor Economic Update- April 2013



Equity markets continued to power higher during the month contributing to strong quarterly returns. For March, the Dow Jones Industrial Average (Dow), Standard & Poor's 500 (S & P 500), Nasdaq Composite were up about 3.73%, 3.60%, and 3.40%. The same indices ended the quarter at 11.25%, 10.03%, and 8.21%, respectively.

Smaller companies, as measured by the Russell 2000 index, were up about 4.44% for the month and international stocks, as measured by the Dow Jones World Index (ex-US) were up less than 1/10th of 1%.

International equity growth was subdued in large part due to concerns over Cyprus. Cyprus Banks have losses that can be traced to Greek bonds and will potentially "pass through" losses of 30-40% to large bank depositors in exchange for funding from the European Central Bank to prevent larger-scale losses.

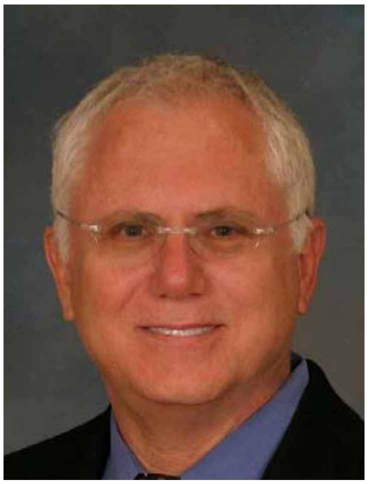
US Treasury bond values increased and yields moved slightly lower with the 10-year Treasury yield at 1.85% at the end of March compared to 1.89% the previous month.

Improvement in housing and a revision upward of fourth quarter economic growth helped push markets higher and set a positive tone for the year. It's also worth noting that some analysts are predicting significantly higher year-end values due to improving economic growth and earnings. So far this year, the basic materials and technology sectors have lagged the market. Typically, in an economic recovery, these sectors lead. These areas could help boost the market by catching up, or moving into a leadership position.

According to Thompson Reuters, corporate earning growth estimates for the first quarter 2013 are expected to grow by about 1.5%. This contrasts with Factset Research, predicting a slight contraction in earnings for the first quarter, perhaps due to reduced government spending and to fallout from recession in Europe. However, the consensus from both is that earnings growth should increase through 2013, ending near double digit growth.

Volatility has been relatively subdued and we do not expect this to continue. Long-term fundamentals are generally healthy in spite of problems overseas and we believe this is a testament to the resilience of our economy. Payroll data will be released the first week of April, and this should provide insight into economic growth.

Advisor Economic Update- June, 2013



Equity markets surged in May with the Dow Jones Industrial Average (Dow), Standard & Poor's 500 (S & P 500), and Nasdaq Composite up about 1.86%, 2.08%, and 3.82%, respectively.

Smaller companies, as measured by the Russell 2000 index, were up 3.87% for the month and international stocks, as measured by the Dow Jones World Index (ex-US) dropped 2.68%.

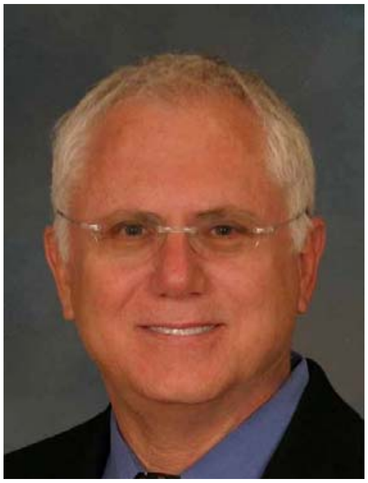
Consumer confidence and home prices helped support markets in April, and continued to look strong in May. There was some volatility towards the end of May, due in part to rising long-term interest rates, which threaten to slow the housing market. The interest rate on 10 year Treasuries increased to 2.16%, up more than 20% from 1.67% at the end of April.

International stocks dropped during the quarter, due in part to declines in Japan. Japan is up more than 42% since mid-November, due in part to aggressive easing of monetary policy. However, there have been concerns lately about the effectiveness of this policy and the size of their debt. Meanwhile, Europe is still in the midst of recession and some analysts have expectations of a slow recovery beginning later this year.

Domestic equities have seen volatility with significant intra-day swings from negative to positive, or vice versa. Recent news has been mixed with construction spending higher for April, but a May manufacturing index dropping to 49, a sign of economic contraction. There are certain sectors in manufacturing (such as furniture) that are doing well, but other areas seem to be lagging, possibly due to the global slowdown and reduced demand overseas for U.S. products.

U.S. Equities have seen strong increases this year but are still facing some adversity. Government debt is still a concern and the budget has yet to be finalized. Ultimately, the budget may have little impact on Gross Domestic Product (GDP) and consumer spending (and housing) may continue to be of primary importance. We could also see some reduction in GDP if overseas demand is reduced. We remain optimistic about the long-term but are wary of the summer months, when we often see a lull in corporate activity.

Advisor Economic Update- July, 2013



Equity markets retreated in June with the Dow Jones Industrial Average (Dow), Standard & Poor's 500 (S & P 500), and Nasdaq Composite down about 1.36%, 1.5%, and 1.52%, respectively.

Smaller companies, as measured by the Russell 2000 index, were down about 7/10ths of 1% for the month and international stocks, as measured by the Dow Jones World Index (ex-US) dropped 4.55%.

The news has been a double-edged sword. Data such as manufacturing and homebuilding have shown improvement recently, and suggest that growth will continue to improve during the second half of 2013. However, this anticipated growth creates expectations of reduced quantitative easing (reduced bond purchases from the Federal Reserve Board) which contributed to lower bond values, rising interest rates, and lower equity values.

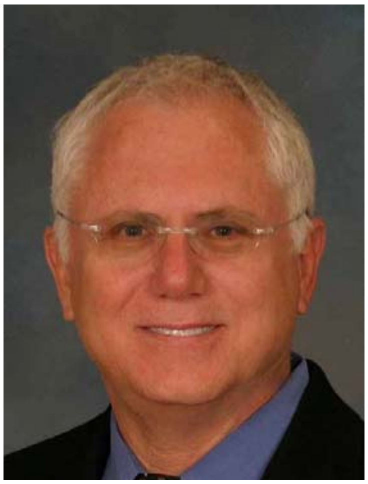
Yields on the 10-year Treasury rose in June from 2.16% to 2.47%, resulting in lower bond valuations. Since the end of April, 2013, 10-year Treasury yields have risen from 1.67%. The increase has contributed to higher mortgage rates and also threatens to increase the cost of capital/borrowing for corporations. Over the long-term, interest rates are generally expected to increase, but the recent, sharp, spike in long-term rates may represent an overreaction.

Europe remains in recession with unemployment at just over 12%. There is some evidence that shows improvement in the business cycle and consumer confidence. If improvement in these areas translates into positive growth, international equities could see a significant increase. This would help domestic "multi-national' companies that depend on sales overseas.

We have just started summer and the third quarter, a time when corporate activity often slows and markets can be statistically volatile. In spite of the decline in June, markets had a very strong first half and some analysts expect this growth trend to continue as corporations and consumers ramp up spending and become more comfortable that earnings growth is sustainable.

We remain cautious and expect volatility to continue until we see improvement in economic growth and lower unemployment. Analysts, and the market in general, will be focusing on unemployment and other labor data (some to be released this week).

Advisor Economic Update- August, 2013



Equity markets advanced in July with the Dow Jones Industrial Average (Dow), Standard & Poor's 500 (S & P 500), and Nasdaq Composite up about 4.5%, 5.6%, and 7.1%, respectively.

Smaller companies, as measured by the Russell 2000 index, were up 6.9% for the month and international stocks, as measured by the Dow Jones World Index (ex-US) increased by 4.3%.

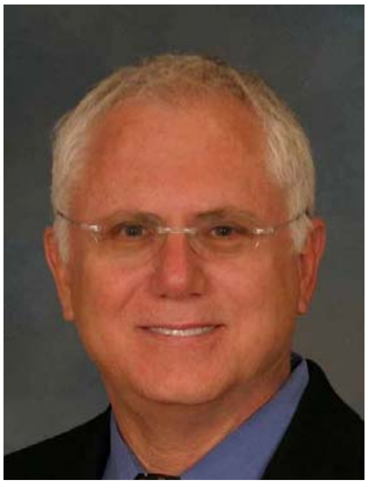
The news has been generally favorable, with recent manufacturing data increasing by a greater margin than expected. This, combined with lower materials pricing and some improvement in the labor market has pushed markets to new highs. On Friday, August 2, analysts will be focused on the July nonfarm payroll report, which is expected to indicate whether or not job creation is sufficient to reduce future unemployment.

Yields on the 10-year Treasury rose in July from 2.47% to 2.59%, resulting in lower bond valuations. The long bond yield has risen, in part, due to concerns over the ultimate termination of the Federal Reserve Bond purchasing program, which has helped support bond values and keep interest rates low. When the bond purchases terminate, it means that the Federal Reserve feels that there has been sufficient economic improvement. However, it also translates into lower money supply and potentially higher interest rates, which is generally bearish for stocks and bonds.

Second quarter Gross Domestic Product (GDP) has been released, at 1.7%, an indication of modest, continued growth. Business spending was higher in the second quarter (after falling in the first), and consumer spending was lower. Stronger consumer spending in the second half of the year could contribute to higher growth, though there is the potential that budget fights in Washington could disrupt this. Some of the government sequester was scheduled to take place in July, and this could also have a minor impact.

We may see some short-term disruptions in the second half of 2013 but expect continued growth in the long-term. Overseas, many economies are contracting, but some are showing indications of improvement, which we expect to continue.

Advisor Economic Update- September, 2013



Equity markets dropped in August with the Dow Jones Industrial Average (Dow), Standard & Poor's 500 (S & P 500), and Nasdaq Composite down about 4.9%, 3.7%, and 1.53%, respectively.

Smaller companies, as measured by the Russell 2000 index, were down 3.3% for the month and international stocks, as measured by the Dow Jones World Index (ex-US) were down 1.6%.

Yields on the 10-year Treasury rose in August from 2.59% to 2.75%, resulting in lower bond valuations. Yields increased mainly from concerns that the Federal Reserve (Fed) will soon stop pumping money into bond purchases. When this happens (September or later), there are concerns that bond prices will fall. It's unclear exactly when the "quantitative easing" will stop, but in general, it will taper once the Fed feels the economy is stable and unemployment is decreasing.

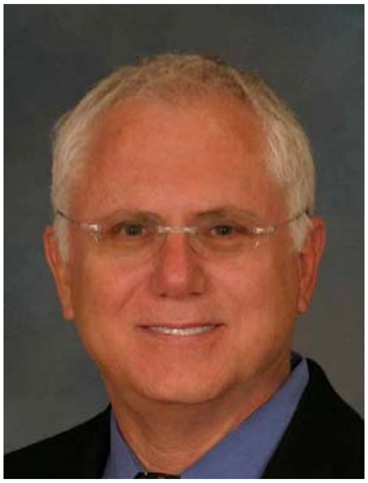
Conflict in Syria has been, and is the primary cause of volatility, as the U.S. threatens to take military action. Besides the moral dilemma of this action, oil prices are likely to rise due to potential disruption in supplies and political posturing. There are also concerns over the ripple effect of this and the potential widening of the conflict.

September is statistically a volatile month and between Syria, Federal Budget issues, and quantitative easing, should live up to expectations. In spite of the recent volatility, equity markets are up double digits this year and earnings remain positive. Interestingly, long-term bonds, which are traditionally viewed as "safe" investments, were one of the worst-performing sectors for the second quarter of 2013.

It's possible that military action in Syria or the reduction in Quantitative Easing have already been "baked in" to current valuations, though it's likely that announcements related to Syria will have at least a short-term effect on markets.

Some analysts see the markets as "sideways moving" with no material news to push us up, or down. This week, jobless claims and other job-related data will be released for August and this may be pertinent. Mainly we expect earnings and economic growth to drive the market, and believe these are on track for incremental increases through the first quarter of 2014.

Advisor Economic Update- October, 2013



Equity markets rebounded in September with the Dow Jones Industrial Average (Dow), Standard & Poor's 500 (S & P 500), and Nasdaq Composite up about 2.1%, 2.9%, and 5%, respectively.

Smaller companies, as measured by the Russell 2000 index, were up 6.2% for the month and international stocks, as measured by the Dow Jones World Index (ex-US) were up 6.8%.

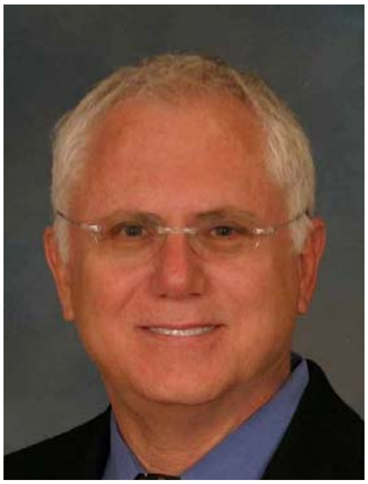
Yields on the 10-year Treasury declined in September from 2.75% to 2.62%, resulting in slightly higher bond valuations. Yields are still higher from January, 2013 up from below 2%, which translates to losses for long-term U.S. treasury bonds this year.

Worry over conflict with Syria has lessened due to a potential resolution, but this has been replaced by worry over the budget and the potential for a government shutdown. This has happened on multiple occasions since 1976, with the most recent in 1995 and 1996 under the Clinton administration. The initial effects would be the reduction/elimination of "non-essential" services and mandatory furloughs for certain employees. Practically, this would have minimal impact on most of us, though you may be unable to get a passport, gun permit, or you may be unable to visit a national park or certain national museums. We view a shutdown primarily as political posturing and would not expect anything prolonged. According to USA Today, shutdowns typically last only a few days.

In other economic news, jobless claims were lower last week suggesting that the labor market is improving. September unemployment data (released in early October) will be critical to help measure this. Housing data has also indicated that the economy is generally improving.

Corporate earnings are estimated to increase 4.8% for the third quarter of 2013 compared to the same period in the previous year. Earnings growth has remained positive and ultimately should be the main driver of stock prices. A shutdown is likely to have at least a short-term, psychological impact, but if resolved in a few days, should not have a meaningful effect on economic growth. We remain cautiously optimistic, as markets have historically rebounded after a government shutdown.

Advisor Economic Update- November, 2013



Equity markets were up in October with the Dow Jones Industrial Average (Dow), Standard & Poor's 500 (S & P 500), and Nasdaq Composite up about 2.75%, 4.46%, and 3.93%, respectively.

Smaller companies, as measured by the Russell 2000 index, were up 2.45% for the month and international stocks, as measured by the Dow Jones World Index (ex-US) were up 3.56%.

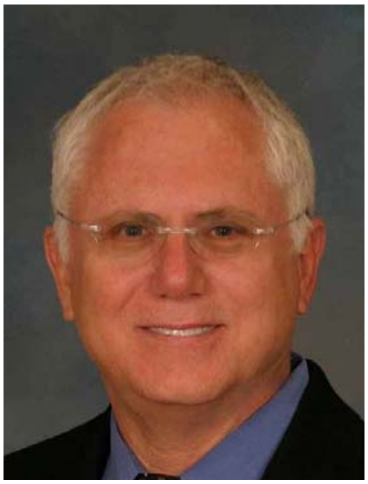
Yields on the 10-year Treasury declined in October from 2.62% to 2.45%, which translates into higher bond prices. Fed announcements indicating that they plan to remain committed to QE3, the purchase of $85 billion per month of long-term financial instruments (mostly U.S. Treasury Bonds), helped console markets and lift Treasury pricing.

The government "shut down" was the cause of some volatility though this was short lived, as the dead line for a budget was pushed out to January. The shut down likely contributed to some economic weakness through an erosion of consumer confidence, higher unemployment, and reduced mortgage applications. However, most analysts agree that the long-term economic impact is minimal.

We expect continued economic growth, both in the U.S. and abroad. Domestic growth is slow, but supported by strong corporate fundamentals. Corporate balance sheets are maintaining significant cash balances with some using cash for stock repurchase programs. Higher stock values combined with lower gas prices may provide incremental increases in consumer spending, which bode well for future economic growth.

January will be significant as additional automatic spending cuts start on the 15th if no budget agreement is reached. The end of January is also the next Federal Reserve meeting, and some analysts anticipate an announcement on tapering of QE3. Holiday spending in the fourth quarter will be an important indicator and we expect this data to be positive, but potentially offset by political noise surrounding the budget deadline. Once uncertainty surrounding the budget and debt ceiling are resolved, markets should stabilize and the focus should return to economic growth and earnings. We may see a Santa Claus rally in December, though some feel the entire year has been a Santa Claus rally!

Advisor Economic Update- December, 2013



Christmas may have come early with equity markets rising in November and reaching new highs. The Dow Jones Industrial Average (Dow), Standard & Poor's 500 (S & P 500), and Nasdaq Composite were up about 3.48%, 2.80%, and 3.58%, respectively, for the month.
Smaller companies, as measured by the Russell 2000 index, were up 3.88% for the month and international stocks, as measured by the Dow Jones World Index (ex-US) were flat.

Yields on the 10-year Treasury increased to 2.74% from 2.54%, which translates into lower bond prices. There was some concern over when Fed "tapering," the reduction of bond purchases by the Federal Reserve, would begin and this caused some volatility in the bond market. While tapering is inevitable, most analysts believe that interest rates will remain low until economic conditions show a significant improvement or we see a strong increase in inflation.

The holiday season shopping data has been mixed so far. Some retailers tout increases from last year while some organizations indicate that the average shopper spent about 4% less in retail stores compared to 2012. If more people are shopping on-line it stands to reason that retail sales could suffer. Cyber-Monday, the moniker for the Monday after Thanksgiving when on-line sales are expected to spike, will be an important data point, as will on-line sales in the coming weeks.

The Federal budget is a lingering issue with a December 13 deadline for the budget conference. This deadline is academic, as the budget agreement is currently delayed under a continuing resolution that expires January 15. If no agreement is reached by January 15 additional "automatic" spending cuts will take place. Republicans are reportedly seeking a three month extension of the resolution, pushing any real consequence out until March. The budget delay makes business decisions more difficult due to uncertainty. Delays regarding spending or expansion could create pent-up demand when the budget is finalized. However, a final budget could also solidify reduced spending levels, creating a drag on economic growth. We believe that a finalized budget will create a sigh of relief, allowing markets to remain focused on market fundamentals.

Some analysts are concerned about a technology bubble. The Nasdaq Composite is a technology-heavy index. Currently, the p/e ratio, a measure of value that generally rises as the stock prices, is at about 24 times prior year earnings. At the height of the internet bubble in 1999, this ratio was at 102 times trailing earnings.