

# Quarterly Update

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OFFICIAL WORD - The latest recession in the USA ended on 6/30/09 or 52 months ago (source: National Bureau of Economic Research).

TARP - "The Emergency Economic Stabilization Act of 2008," the bill that established the "Troubled Asset Relief Program" (TARP), was signed into law by President George Bush on 10/03/08 or 5 years ago. The total cost of TARP was originally estimated at \$700 billion. As of 10/22/13, 91% of the funds actually disbursed through TARP have been paid back (source: Treasury Department).

NOT FOR ME - 52% of 1,000 "middle class" Americans (defined as having household income less than \$100,000) surveyed in August 2013 have no money invested in the stock market, citing the volatility of equities as the main reason they avoid this asset class (source: Wells Fargo)

This is one of my favorite times of year. The leaves on the trees are changing and crisp autumn nights are upon us. The college football and NFL seasons are underway, and the World Series matchup has been set between the St. Louis Cardinals and the Boston Red Sox. After a long, grueling season these two teams are battling it out for the rights to be crowned the World Series champion. While we can simply sit back and enjoy the "Fall Classic", hard work and preparation are underway, behind the scenes, for the managers of both sides.

It is the manager's role to prepare his respective team for the challenge, and then ultimately place in the lineup those players who give his team the greatest likelihood of success. These players are selected on performance throughout the season and the playoffs, and those who perform the best will earn themselves a position on the lineup card at the start of the game. Baseball players are measured on their performance on the field, not on potential or name recognition alone.

This idea seems very logical, but often times investors do not translate this thought process to the investment world. Emotions, especially when it comes to investing, are hard to overcome, and it is for this reason that it is so important to have an investment discipline that does not rely solely on corporate profits, the latest magazine cover, or even the prevailing economic news. After all, the past couple of years have been good for the US equity market in the face of many potential economic "crises".

The financial crisis of 2008 still looms large in the memories of most investors, having impacted financial statements, corporate balance sheets, and general livelihoods in a manner that no financial event has in at least a generation. Even in the aftermath of that historic and truly global event, equity markets have faced an ongoing series of "crises" that continue to take an emotional toll on investors around the globe. The latest focused upon the US government shutdown and debt ceiling debate. However, despite many a crisis, the market has seemingly shrugged off the news in each instance.

Managing each market crisis with as little emotion as possible, and as much discipline as can be mustered, is important for any investor. Respecting existing market trends is a critical component within that endeavor, as it provides something based in supply & demand to use as a compass. Emotions are far less stable than magnetic poles or Economics 101. Notice the following chart of the Dow Jones Industrial Average ETF (DIA), which seeks to track the movement of the Dow Jones Industrial Average. Over the course of the past few years there have been many an economic crisis that "should have" been a catalyst for the next bear market; however, the trend of the market has remained positive. These economic events ultimately had little effect on the underlying imbalances of supply and demand in the market. For now the trend of the US market benchmarks remain positive. When these trends change we will be forced to respect such changes and alter course accordingly.

*These are the views of James Steen & Jason Pearson. No independent analysis has been performed and the material should not be construed as investment advice.*

*Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy.*

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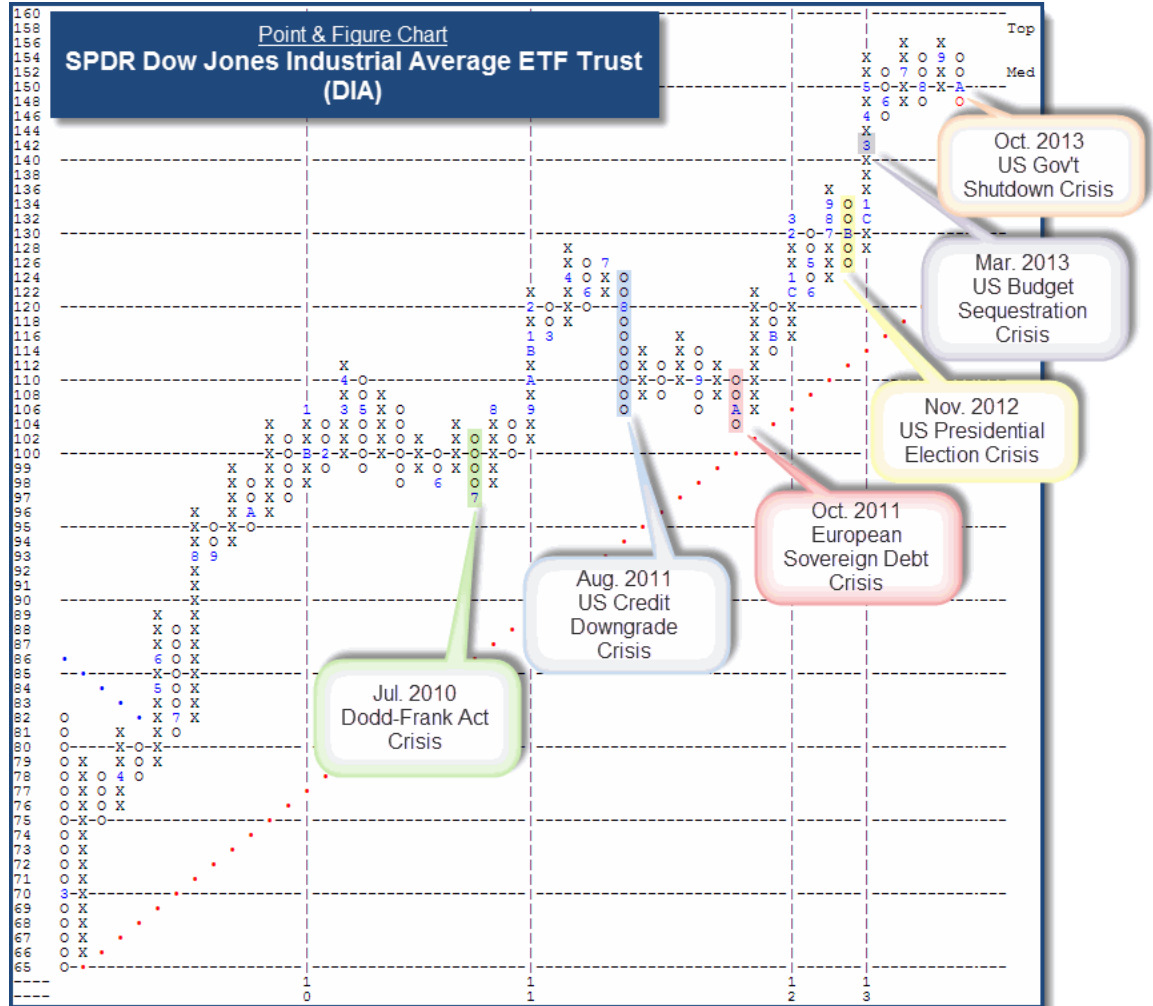
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**COST OF HEALTH CARE** - From 8/31/03 to 8/31/13, the cost of medical care in the USA increased by +43.1%, half again as large as the +26.7% increase in the CPI over the same period (source: Department of Labor).

**LOW CASH RATE** - The last time that the average taxable money market fund in the USA was yielding at least +1% was 12/03/08 or just short of 59 months ago (source: iMoneyNet).

**DID HE DO IT?** - A month after President Barack Obama took office (2/23/09), he pledged to reduce the fiscal year 2013 deficit to \$533 billion, saying "we cannot simply spend as we please and defer the consequences to the next budget, the next administration, or the next generation" (source: White House).



If you have any questions about the particulars of your portfolio, or would like to discuss the potential opportunities that I have seen arise within the equity market, please give me a call. In the meantime, enjoy the rest of your summer.

Thank you for your business and support.

P.S. If you think this type of information would be of benefit to anyone you know, please share this communication with them.

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