

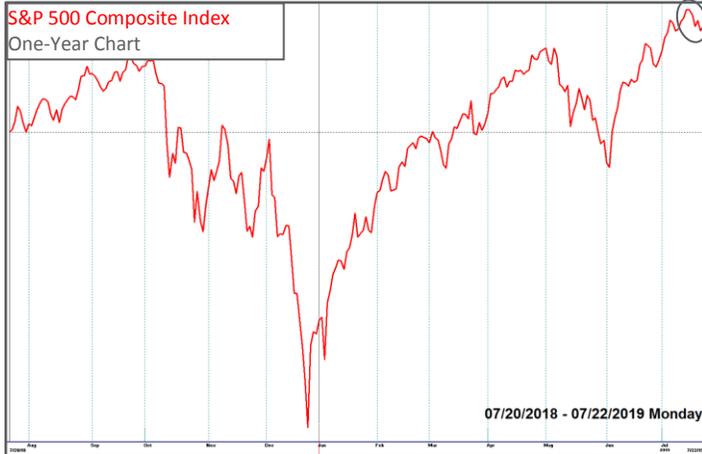


RGB Perspectives

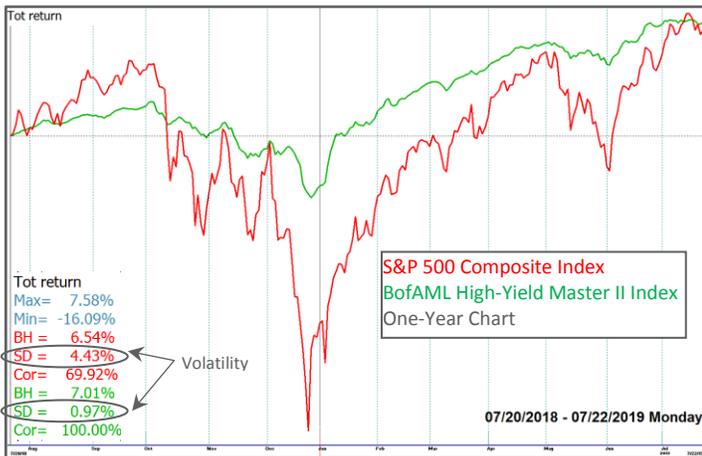
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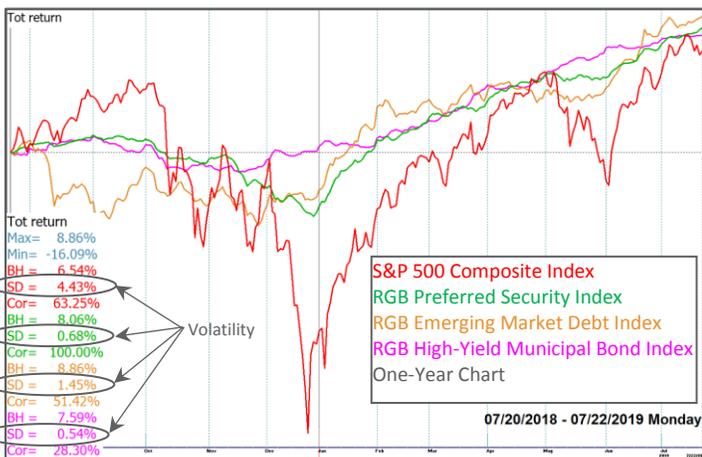
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The **S&P 500 Composite Index** has pulled back from its all-time high reached a week ago (see circled area). This widely followed large-cap stock index remains approximately 1% away from that point. A small pull back after such a strong advance off the May low is to be expected.



Junk bonds, as represented by the **BofAML High-Yield Master II Index**, are trending up along with the **S&P 500 Composite Index**, but with a fraction of the overall volatility. The volatility, as measured by standard deviation, of the junk bond index is less than ¼ of the volatility of the S&P 500 Composite Index (0.97% vs 4.43%). It is the low volatility characteristics of junk bonds that make them attractive investments for investors seeking better risk-adjusted returns.



In the current environment, there are plenty of good risk adjusted return opportunities. Preferred securities, emerging market debt and high-yield municipal bonds are a few of the groups that are currently providing strong returns on extremely low volatility.

Large-cap stocks and many types of bonds are in uptrends. The conservative portion of our investment strategies are fully invested (and margined in our levered strategies) in low volatility investments similar to the ones shown in the bottom chart. The equity portion of the RGB investment strategies are fully invested in large-cap stocks. All the investment strategies are positive month-to-date. At some point in the future these trends will change and I will strive to take appropriate action at that time.

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