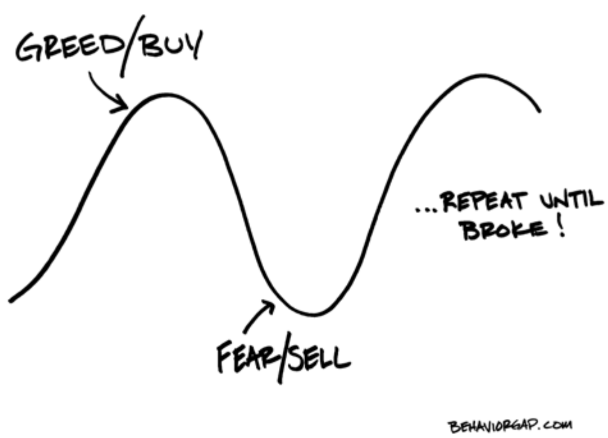
January 2013

Dear Clients and Friends:

Welcome to 2013. All of our problems are solved, right? The election is over and the President is the same, Europe's woes seem like ancient history, the iPhone 5 came out, we passed a fiscal cliff rescue, Alabama won another BCS National Championship…..time to have confidence again. We all know that is not the case and each new year brings a new set of challenges and crises to navigate.

In spite of all of the negative news of the year, the market actually did pretty well. The S&P 500 was up 16%, the DJIA was up 10.24% and MSCI World Index up 16.54%. Most asset classes except commodities were positive. Unfortunately, the average investor did not do nearly as well as the indices. Many investors sit on the sidelines waiting for the next collapse. Even the most well respected money managers underperformed this year by not chasing the hot stocks and cautiously focusing on high quality opportunities. It seems like the tide may have turned a little though. During the first week of 2013, investors finally started really adding money to US stock funds. In fact it was the highest rate of inflows since October 2000. Given last year's strong returns are investors trying to chase last year's performance by looking in the rear view mirror?

"Buying at the bottom and selling at the top are typically done by liars."-Bernard Baruch



"I would rather lose half my clients than half my clients' money."-Jean-Marie Eveillard (legendary investor from First Eagle) in 1999.

Jean-Marie's quote above fits very well in Bussey Capital Management's belief system. We focus on preserving wealth over the long term and prudently investing for a return in line with our clients' objectives and risk tolerance.

So, the Fiscal Cliff Deal Passed. What does it mean to me? Congress passed a deal to avert much of the fiscal cliff late in the evening on January 1st. It concluded many weeks of back and forth and more noticeably it ended the long running media hype leading up to January 1st. I for one am very happy for that. As usual, both sides have claimed victory. We did not really solve the problem of our growing debt, but we did at least get a clear view of income and estate taxes going forward.

Tax Cut Extensions: The Bush tax cuts of 2001 and 2003 are now permanent for individuals earning less than $400,000 and couples earning less than $450,000. Tax rates over those thresholds go back to 39.6% from 35%. Also of importance is that taxes on long term capital gains and dividends are increasing from 15% to 20% for people in that high income threshold and will stay at 15% for those below.

Estate Taxes: Had a deal not been reached estate taxes would have rocketed up to over 50% on estates over $1 million. Thankfully, that is not the case. The deal now is that there will be no tax on estates under $5 million and the rate above that will move from the current 35% to 40%. The $5 million will also be indexed for inflation.

Sequestration: The spending cuts have been delayed for a couple of months to give Congress time to come up with a solution.

Upcoming Crisis Alert: Debt Ceiling: Congress still has to come to a decision on the debt ceiling. We technically reached the "ceiling" on Dec 31st. The extension expires on March 1st.

How does this affect how we invest? There is a saying, "you should not let taxes get in the way of good investing". It means you should invest according to your goals and risk tolerance and not alter your investments because of tax uncertainty or tax issues. Well, that has some merit, but I feel you also have to be mindful of your returns net of taxes. The income taxes are not a substantial change. For high income brackets, the change makes municipal bonds slightly more compelling due to the even higher potential taxable equivalent yield. The dividend rate staying at 15% for the majority of Americans and only going to 20% for high income earners renews the case for investors to consider dividend paying stocks in our current low interest rate environment. Many sectors such as MLPs, utilities and telecommunications suffered in the month or two leading up to year end due to the potential in dividend taxes rates changes. Managers we use with clients such as Reaves Asset Management will continue to provide a strong offering for investors looking for dividends and growth.

As always, we will monitor world events and how they affect your portfolio. We continue to have a high level of confidence in the managers we use with clients and their history of investing through a variety of economic conditions, but will not hesitate to recommend changes when we feel they are necessary.

I wish you all a happy and healthy 2013 and look forward to hearing from you.

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