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SUMMER, 2013

The upward trend of the equity markets, which began in June of 2012, continued with the Dow hitting a new all time high of 15,409.39 on May 28th*. Volatility was on the increase, however, in advance of the highly anticipated June 19th Federal Reserve meeting. Understand that it has been Fed Chairman Ben Bernanke's policy of printing $85 billion dollars/month since June of 2012 which has fueled the stock market for the past 12 months, **not** an improving economy. In response to Bernanke's comments that the Fed would continue to monitor an "improving" economy for when to slow the printing presses**, the Dow lost 4.87% as it tumbled down to14,659.56 on June 24th*.

The real estate market has been the other principal beneficiary of the Fed's policy of keeping interest rates at artificially low levels. In early May, the benchmark 10 year Treasury was at 2.10%. By mid June, the 10 year rate had jumped 19% to just above 2.5%***. Remember that interest rates and fixed income prices have an absolute inverse relationship; when interest rates rise, fixed income (bond) prices fall. In anticipation of falling bond prices, we have been reducing your fixed income holdings since April. We will buy back into fixed income securities when we can see a top in interest rates.

Since the spring newsletter, Gold and Silver have continued to do poorly. We reduced your holdings in both Gold and Silver so that the drag on your overall performance will be reduced. Irrespective of their year to date performance, we remain long term bullish for both Gold and Silver

The losses incurred by gold and silver this year have been offset by nice gains (in many cases, double digit*) in the following asset class segments (you own one or more of the positions in each category):

> **Dividend Dominators:** Coca Cola, McDonald's, Altria, Sysco, Beckton Dickinson, SPDR Dividend Dominators, Fidelity Consumer Staples, SPDR Consumer Staples. **Real Estate:** Government Properties, Blackstone Group, Nuveen Real Estate Securities, Fidelity Real Estate Income. **Speculative** : Japan Hedged Nikkei Index, Proshares Ultra Health Care, Proshares Ultra Technology. **"Safe" money plays**: Bershire Hathaway, Loews. **Natural Gas boom**: Westport Energy, WPX Energy, Energy Transfer Partners, DCP Mainstream Partners. **Stealth Dividends:** Powershares Buyback Achievers, Cambria Shareholder Yield).

We never get too excited about big movements, up or down, in the market; volatility seems to be the new norm. My objective in managing your portfolio is to mitigate the downside volatility and average an annual return of 4-5% over an extended period of time.

Please don't hesitate to give me a call if you have any questions.

John Buetow

* Historical quotes.

** Mr. Bernanke forecast unemployment falling to 7.25% and inflation rising slightly by the end of 2013, with the Fed stimulus ending by the first quarter of 2014. The Growth Stock Wire. June 22, 2013.

*** S & A Digest. July 1, 2013.