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**AND THAT'S THE "YEAR" THAT WAS…**
**For the Quarter (Year) Ended December 31, 2013**

***Market Matters…***

| Market/Index | 2012 Close | 2013 Close | 1st Qtr Return | 2nd Qtr Return | 3rd Qtr Return | 4th Qtr Return | 2013 Return |
|---|---|---|---|---|---|---|---|
| Dow Jones Industrial | 13,104.14 | 16,576.66 | 11.25% | 2.27% | 1.48% | 9.56% | **26.50%** |
| NASDAQ | 3,019.51 | 4,176.59 | 8.21% | 4.15% | 10.82% | 10.74% | **38.32%** |
| S&P 500 | 1,426.19 | 1,848.36 | 10.03% | 2.36% | 4.69% | 9.92% | **29.60%** |
| Russell 2000 | 849.35 | 1,163.64 | 12.03% | 2.73% | 9.85% | 8.37% | **37.00%** |
| Global Dow | 1,995.96 | 2,483.62 | 5.75% | 0.00% | 9.46% | 7.50% | **24.43%** |
| Fed Funds | 0.25% | 0.25% | 0 bps | 0 bps | 0 bps | 0 bps | **0 bps** |
| 10 yr Treasury (Yield) | 1.76% | 3.04% | 9 bps | 63 bps | 13 bps | 43 bps | **128 bps** |

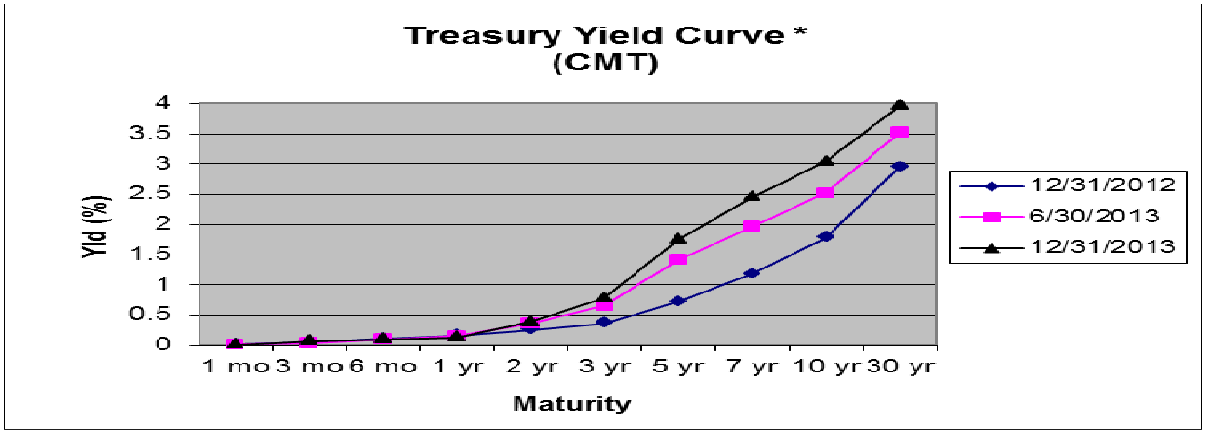
So let the celebration begin!!! After going on a buying spree in January to the best monthly performance since October 2011, equity investors kept the party rolling throughout the year and never (really) looked back. Despite a few politico uncertainties (fiscal cliff, gov shutdown) and ongoing debate at the Fed about ending (tapering) the bond buying program, they focused on the strength in the economy and found value in the perceived riskier end of the equity markets. The tech-heavy Nasdaq and smaller-cap Russell 2000 led the way in equity performance, though the Blue Chip Dow and benchmark S&P 500 fared quite nicely with new records set seemingly daily (52 new highs on the Dow for the year). So let the celebration continue into 2014!!!

Boardrooms remained active as over 200 new IPOs closed in 2013, many of which earned solid double-digit returns from their initial pricings. Corporate transactions are typically viewed as a favorable sign of the times. **Twitter** became this year's **Facebook**, while **Hilton** returned a tidy profit for private equity firm **Blackrock**. Companies like **Apple** and **Exxon-Mobil** invested in themselves through share buybacks and many like **MasterCard** rewarded investors for their confidence with enhanced dividends. **AMR** (American Airlines) and **US Airways** combined to forge the world's largest carrier (and make the friendly skies a tad "less" friendly/competitive), while Apple entered the massive Chinese marketplace through its venture with **China Mobile**.

Retailers worried about how an early Chanukah (rather Thanksgivukkah) and the Fed's never-ending game of kick-the-can would affect the season. And yet, over the last few shopping days, procrastinators hit the malls (and websites) en masse and holiday sales jumped nicely over last year's levels. While investors were pleased with the overall results, they remained concerned that promotions and discounting had impacted margins and the surge in online activity even forced a few major players (**Amazon**, **Walmart**) to miss on certain delivery promises. Automakers continued to be met with strong demand and **GM** was able to move passed its gov "bailout."

Looking inside the indexes, all major sectors fared well in 2013 with retail, entertainment, and other consumer discretionary companies among the top performers. Pharma and biotechs also led the charge with new drug approvals, while last year's darling, the home builders, lagged a tad on higher rates and Fed uncertainties, the two primary reasons that bonds suffered in 2013. Europe's indexes remained well in positive territory with Germany returning 25%, though Japan's Nikkei stole the show with a 57% gain as investors showed their enthusiasm for its economic/corporate growth plans. Interestingly, emerging markets underperformed their developed counterparts in 2013 with China's Shanghai Composite dropping close to 7% in value, and Brazil and India struggling with weaker demand and signs of inflation. Oil was volatile throughout the year and ended 2013 as one of the best performing commodities at just below the critical $100/barrel level. Continued signs of a healthier global economy have prompted predictions for stronger energy demand. So don't spend those 2013 profits all in one place. What will 2014 bring for an encore?

***Economically Speaking…***




The domestic economy seemed to be on shaky ground as the new year began. East Coasters were still picking up the pieces from Superstorm Sandy and partisan politics brought that bitter taste as Dems and Republicans couldn't make any headway on a "fiscal cliff" compromise. However, once a temp budget measure was in place, the rest of the pieces seemed to just fall into place and, by year-end, the economy looked pretty solid across most sectors. Third quarter GDP grew at its fastest pace since early 2012. Housing remained "alive and well" as new home sales and housing starts showed steady improvement, helping overcome higher prices and the low inventory of existing homes. Likewise, manufacturing as measured by the ISM depicted its best showing since April 2011 and industrial production ended 2013 on a very strong note. Despite a few labor "stops and starts," the unemployment rate fell to its lowest level since 2008 and the economy added jobs at a nice clips in the latest nonfarm releases. Once the uncertainty and concern about the gov shutdown had passed, consumer jumped back in the saddle and November retail sales were the best in five months amid higher confidence levels. As for inflation…what's that?

The Fed surveyed the landscape and, after a rather lengthy debate, decided to decrease (taper) the bond buying by $10 billion a month starting in January 2014. Dr. B. was clear to point out that the he and his cohorts will be monitoring the numbers closely and could even take "a month or two off" should the situation warrant. He also emphasized that rates will remain low (near zero) for the foreseeable future. Janet Yellen emerged as Bernanke successor and investors found solace in her Fed experience and positions (she is a big supporter of the current chair's). Similar action and rhetoric from central banks in Europe and Japan brought continued promise to the global economy. Even China remains ready to act if its recent economic slowdown persists.

Despite some variability between "the good, the bad, and the ugly," Europe looks primed for a resurgence in 2014. For now, Germany remains the clear winner, but favorable signs have emerged as of late in Italy, Ireland, and even Greece. Despite some early concerns, China remained on target to meet its growth target, though a late-year pullback in manufacturing and lackluster demand has put its central bank back on call for 2014. China also lifted the moratorium on IPOs so hopefully its financial sector will benefit and new moneys will flow into its markets. For now, Japan remains the global darling as investors showed continued enthusiasm for Prime Minister Abe's growth policies and fight against deflation.

***On the Horizon…*** Markets hate uncertainty and fortunately a few major pieces of news have been cleared up as the year came to a close. Politicos put on their compromising caps (for a change) and forged a budget deal that should eliminate the fear of a gov shutdown for the foreseeable future. Bernanke ended his game of monetary policy "kick the can" in advance of his retirement and kicked off the new tapering policy. And remember, as January goes, so goes the entire year.