POINT VIEW

DATE: **January 1, 2014**

TO: **POINT VIEW CLIENTS**

FROM: **David G. Dietze, JD, CFA, CFP™ and President**

I. 2013 Full Year and Fourth Quarter Performance

- Equity markets worldwide soared in 2013 as record monetary stimulus, coupled with improving economies and decent corporate earnings, caused a global stampede from bonds to stocks. US stocks led the brigade, on the perception that the domestic economy, the first into the subprime crisis-induced recession, would be the first out. Our markets also benefited from a far more proactive monetary policy, as Fed chief Ben Bernanke stayed the course with his novel quantitative easing, confident that an aggressive bond buying program would allow this country to sidestep the risk of a prolonged 1930s style deflation or, more recently, Japan's struggles to jumpstart its economy.

MARKET DATA	**2013**	**Fourth Quarter**
S&P 500 (dividends reinvested)	32.39%	10.52%
NASDAQ (dividends reinvested)	40.12%	11.09%
60/40 S&P 500 / TX-EXEMPT SECURITIES BLEND	17.33%	6.36%
DOW JONES INDUSTRIALS (dividends reinvested)	29.45%	10.13%
TAXABLE BONDS (Barclay's 1-3 Yr Gov't/Credit)	0.64%	0.18%
TAX-EXEMPT SECURITIES (Barclay's Muni Index)	-2.55%	0.32%
YOUR PORTFOLIO (If under management more than 3 months)	*SEE ATTACHED*	

- Investors, too, played a self-fulfilling role in creating their own bull market. Spooked by the fears of an end to Fed bond buying (the "taper") and of holding depreciating fixed income amid a rising rate environment, they began the great rotation, dumping bonds and bond funds in favor of chasing surging equity funds. Stocks smoked bonds by the greatest differential since the 1970s.

- The Dow scored its best year since 1995, while the S&P 500's gallop was its finest since 1997. Losers in 2013 included fixed income investors, with an index of Government bonds easing 3% in 2013, even including the income.

- Overseas equities did well, but failed to keep pace with domestic ones. The Dow Jones World Stock Index (excluding the US) advanced just 12.9% in 2013. Japanese stocks were stellar, with the Japanese stock market up 57%, its best in over 40 years. However, with the Japanese yen easing some 18%, the greatest drop in 34 years, the return on Japanese stocks as measured in US dollars was just 31.2%. Fast growing emerging stock markets did little for investors, with funds targeting those areas flat.

- 2013 was a year when some of the most hated stocks provided the best returns. **Best Buy**, derided as Amazon's showroom a year ago, cut prices to meet the competition, and soared 239% in 2013. Meanwhile, some of Amazon's edge eroded, as it began collecting sales taxes in many locales. **HP** enjoyed a spectacular turn around, smoking the other members of the Dow, up 101%, despite being booted from the venerable index during the year.

- Bond investors who embraced the riskiest debt fared better than those playing it safe. That's consistent with the huge out performance of stocks over bonds last year. So, funds investing in junk debt returned 6.8% last year, while those investing in general US Treasury debt sank 6.7%; with the longer the dated the worse the performance. Some analysts thought TIPS, inflation protected bonds, would hold up in a rising rate environment, as a key factor behind rising rates, inflationary fears, would spur investors to embrace them. But, that didn't happen last year, with those funds down 7.6%.

PREVAILING YIELDS AS OF:

FIXED INCOME ASSET	12/31/12	3/31/13	6/30/13	9/30/13	12/31/13
US Government 10 Yr. Note	1.76%	1.85%	2.52%	2.61%	3.03%
5-Year Certificate of Deposit	0.90%	0.82%	0.78%	0.79%	0.78%
Money Market	0.00%	0.01%	0.01%	0.01%	0.01%

II. Looking Forward

2014 is unlikely to match 2013. 2013's tailwind of full throttle monetary policy giving rise to a sharp increase in valuations is unlikely to repeat. Expect a 2014 return in the high single digits in the equity markets. Volatility is likely to increase relative to 2013 – the most severe drawdown in 2013 was just 6%, so the market is overdue for a correction of 10% or more. The taper will gather momentum in 2014, as the Federal Reserve reduces its bond buying program.

III. Your Investment Performance, Realized Gains and Losses, Expense Report and Investment Advisory Invoice Enclosed

The enclosed shows the recent performance of all of your Fidelity accounts (if under management for more than 3 months) and your investment advisory invoice. Fidelity's 1099 will include all realized gains and losses, along with potentially deductible investment advisory fees, foreign taxes, and ADR fees, along with the information about sales. Therefore, we are no longer providing those reports separately. Please contact Claire Toth if you or your accountant has any questions about this.