David Dietze's

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FIRST QUARTER 2014

"Positive factors for equities: Very low interest rates (where else are you going to go?); improving economy; embrace of equities by the public still in early innings; overseas monetary authorities still very accommodating; valuations while not at bargain levels not as overbought as at '07 or in 2000"

David Dietze, JD, CFA, CFP
CNBC, December 12, 2013

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DOW 16,000: What To Do Now!

By David G. Dietze, JD, CFA, CFP™

With the market up 167% since its nadir of March 2009, 27% this year alone, at a record high, up the last seven weeks in a row, on pace for its best yearly gain since 1998, what would you tell someone about to retire and whose entire nest egg is in cash? Could you say with a straight face that the fundamentals are in good shape, and that it's clear sailing for stocks for the next several years?

Of course not. Earnings are up less than 5% over the last year, and revenues even shy of that, so stocks' last 12 months near 30% gain far outstrips the actual growth of corporate earnings, thus pushing valuations to their highest since 2008.

Unemployment remains stubbornly high, and would be much worse if so many Americans hadn't just given up and stopped looking, leading to the lowest labor participation rates since 1978.

Fiscal policy? Narrowly averting a default on our debt, and enduring a near two week shutdown, our Government kicked, no, nudged, the can down the road. While a resolution has been reached on the budget, the debt cap wrestling is slated for February. Certainly not an inspiring backdrop for stocks.

> *"As Warren Buffett said, stocks are in a 'zone of reasonableness'"*

Monetary policy? The tapering is here, meaning reduction in the Federal Reserve's policy of bond buying to support the economy and the housing market. Higher interest rates are never a positive for the financial markets.

Bottom Line

Most areas of the market are not bubbling – the overall price to earnings ratio, while the highest in nearly five years, is not over 20 as was seen in the dot com craze of the late '90s. As Warren Buffett said the other day, stock prices are in a "zone of reasonableness".

Investors must stay the course. As hard as it is tell the newly minted retiree to invest his cash, it's also hard to tell the nation's endowments and other institutional pools of money to go to cash – not when there's a need to distribute some 4 to 5% annually from those funds, and cash and high quality fixed income are yielding far less.

> *"We all profess a desire to buy low and sell high"*

Strategies to pursue now include rebalancing to reduce risk, diversifying your portfolio to include overseas investments, controlling one of the few things you can – your taxes, and avoiding market cap oriented indexing.

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DOW 16,000: What To Do Now!

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Don't Drift – Rebalance

We all profess a desire to buy low and sell high. However, it's awful hard to sell "what's been working" and redeploy into what's been a disappointment.

This is a year that's ripe for rebalancing. If you began in January with a classic 50/50 stock/fixed income allocation, and your investments tracked the indices, so your stocks are up 27% and bonds down nearly 2%, you'd now have over 56% in equities. Rebalancing dictates you shift 6% into fixed income.

That'll definitely reduce your risk. If stocks tank you'll have less exposure. And if there is a significant pullback, you'll have some dry powder to put to work.

Avoid Home Country Bias

The United States is but thirty percent of the world's stocks, yet most Americans have little overseas equity exposure. It's understandable – we are most comfortable with the familiar. But, it may be quite costly, in terms of potential returns.

"This is a year that's ripe for rebalancing"

Large swaths of overseas securities are far cheaper than our markets. Across the pond, European stocks are trading at just 13.7 times the next 12 months earnings versus 15.1 for our stocks.

If you are afraid of (market) heights you can also take comfort that European stocks have not yet hit all-time highs since the '08 downturn, unlike our own markets. Finally, the European monetary authorities just reduced benchmark interest rates; investors in Euro stocks don't have to worry about any tapering by the Continent's central bank.

"Large swaths of overseas securities are far cheaper than our markets"

Emerging market stocks (EMS) look quite attractive, too. Over the last three years domestic stocks have averaged a 14.4% annual return, but the EMS are actually down 3.3% annually, resulting in domestic stocks being 57% more expensive than the EMS.

Control What You Can – Like Taxes!

Since 1926, stocks and bonds have returned 9.8% and 5.4%, respectively, but adjusted for inflation those numbers fall to 6.7% and 2.3%. When you further reduce for taxes, you're left with just 4.5% and 0.6%. You can't will future returns, nor can you do much about inflation. But you can minimize the tax bite, and keep at bay that second deduct from your returns.

How? Locate your investments in the most tax efficient accounts. Stocks don't produce much ordinary income, and thus belong in taxable accounts, while your bonds, REITs, and other investments that generate ordinary income are best held in your tax sheltered accounts, like IRAs and 401Ks.

But, that's just the first step. While taxes should never be the primary driver of portfolio management, by carefully offsetting any capital gains with capital losses you can reduce any net taxable capital gains, so as to pay less taxes.

To provide yourself with these tax savings options and keep better control, prefer an unbundled portfolio of stocks in your taxable account versus mutual funds. Direct holdings of stocks allow you to establish your own tax basis, and avoid inheriting a fund's tax basis in its stocks, which is typically much lower since it was established well before you joined the fund. Funds also reduce control over your taxes since the funds, not you, decide when capital gains and losses will be realized.

Avoid Market Cap Indexing

Indexing via a market cap weighted index, like the S&P 500, sounds good, but over the long haul you may leave significant profits on the table. That's because in market cap weighting, the more expensive the stock, the greater the emphasis, while the cheaper the stock, the lesser the weighting. That's counter intuitive to most investing, which seeks to deemphasize in a portfolio the more expensive and the overpriced, while rotating into the less expensive, the bargains.

"Emerging market stocks look quite attractive, too"

An alternative is to weight each stock equally, buying 0.2% of each of the 500 stocks. While you'll still have some exposure to the "mistakes" in the index, you'll reduce your exposure and risk to any one stock because of the smaller weighting.

"Locate your investments in the most tax efficient accounts"

It's been shown that this equal weighted approach outperformed the market approach by about 2% annually over the last 40 years, before trading costs. That's too much to leave on the table.

We urge investors to avoid funds, index or otherwise. Use individual stocks to accentuate the less expensive equities, the bargains, and exit or reduce exposure to the overvalued, the more expensive. Keep trading to a minimum to avoid costs, plus look for opportunities to reduce taxes by offsetting any realized capital gains.

"We urge investors to avoid funds, index or otherwise"

For a fuller version of this article log on to http://www.ptview.com/files/Dow%2016000.pdf

No Excuses – Contribute To Your 401K

By Claire E. Toth, JD, MLT, CFP™

Recently, Cliff Goldstein of NerdWallet made waves with a piece on five reasons not to contribute to your 401k. Sure, it was a flashy article, but if you unbundle his reasoning, it comes down to assuming that the choice between making 401k contributions and meeting the rest of your financial obligations is either/or, not yes/and. Let's not be pessimists: don't let these five excuses prevent you from contributing to your 401k.

Excuse Number One: You don't have an emergency fund. We all know we're supposed to have three to six months' worth of living expenses stashed away as cash. In a zero interest rate environment, that's hard for a lot of investors to stomach. Moreover, many folks have trouble keeping their fingers out of that particular cookie jar—no matter how much they try to set aside, it all gets spent. If that's you, and you don't contribute to your 401k because you're building up your emergency fund, you may end up with neither of them.

"If your employer does match contributions, be sure to contribute at least enough to your 401k to get the entire match."

Instead, contribute some amount to both, every paycheck. Just as 401k contributions are automatic, set up automatic contributions to a savings or money market fund. Then do your best to ignore the latter.

If having a low balance emergency fund makes you truly nervous, look into establishing a home equity line of credit. Then you have access to easy, inexpensive money should you truly need it. Further, consider that a two-earner household is less likely to lose its entire income stream at once, for the simple reason that two jobs offer more income diversification than one. If that's your situation, you are that much less likely to dip deeply into an emergency fund.

Excuse Number Two: Your employer doesn't match contributions. Although many employers do match contributions—typically contributing up to three percent of salary—some do not. Regardless, for wage earners, a 401k allows you to contribute—and exclude from income—more earnings than any other retirement vehicle. Eschewing making a $17,500 deductible 401k contribution in favor a $5,500 likely nondeductible IRA contribution makes little economic and less investment sense.

"If you forego 401k contributions in favor of paying off credit cards or student loan debt, will you really pay it down?"

If your employer does match contributions, be sure to contribute at least enough to your 401k to get the entire match. That employer match is part of your earnings. You wouldn't tell your employer to reduce your salary by three percent, would you? That's essentially what you're doing if you don't contribute enough to your 401k to get the employer match.

Excuse Number Three: You Carry a Lot of Debt. This excuse is really a combination of the first two, as is the response. If you forego 401k contributions in favor of paying off credit cards or student loan debt, will you really pay it down? If not, split the difference and do some of each.

Paying off high-interest credit card debt is equivalent to earning the credit card interest rate on your money—for every dollar of 14% debt you pay down, you're essentially earning 14 percent on your money. The same goes for employer-matched 401k contributions. If your employer matches 50 percent of the first six percent you contribute, you earn an automatic—and guaranteed—50 percent on those contributions.

So yes, you need to pay down the debt. You also need to save for retirement. Do some of each, automatically, every pay period.

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Claire E. Toth, JD, MLT, CFP™

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Previously, Ms. Toth was Of Counsel to the law firm of Herold and Haines, P.A., in Warren, New Jersey, where her practice focused on tax and business planning for closely held businesses and their owners. Before joining Herold and Haines, Ms. Toth was with the IRS Chief Counsel in Washington.

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Eight Reasons Why Index Investing is Not Your Portfolio's Holy Grail

By Elaine F. Phipps, MBA, CFA, and Portfolio Manager at Point View Wealth Management, Inc.

You've heard the story before, at cocktail parties, chatting with your friends at the gym or reading The Wall Street Journal. The general sentiment is that it is impossible to beat the market. Go ahead and throw in the towel and just load your portfolio up with index funds. You'll pay lower management fees, have fewer transaction costs and will enjoy peace of mind. You won't be glued to the daily headlines and feel gut-wrenching pain every time a newsworthy disaster befalls a particular stock you have the poor fortune to own. Instead, your index fund will provide diversification and protect you like a magical umbrella.

However, savvy investors know better:

The index is not as diversified as it advertises –Many investors believe the S&P 500 index rebalances automatically, but that is not the case. The S&P tracks 500 companies that are widely held and followed. It is a market weighted index, with the value of each component derived by multiplying its share price by shares outstanding. The companies with the greatest market capitalizations will thus have the greatest weightings and generate the greatest movements in index price. The top ten holdings – 2% of all the names in the index - currently represent 17.6% of the value and the top twenty-five, 32%. That means 5% of the names in the index capture nearly a third of the market value and exert a greater influence on price movements. Not really representative of the "total" market.

"The general sentiment is that it is impossible to beat the market. However, savvy investors know better."

Elaine F. Phipps

Do you want to be overexposed to the hot industries? – This market weighting concept allows the "hot" sectors to overweight themselves in your portfolio. As a sector increases in value it proportionally takes up a larger share and risk profile of the index. While this is fine on the way up, it clearly causes considerable trauma when the bubble bursts. A perfect example is the dot.com technology boom. In the first quarter of 2000 the information technology sector comprised as much as 30% of the S&P 500 index. Fast forward to the second quarter of 2002 and the percentage fell to under 9% given the implosion of the dot.com phenomena. Smart money would've actively rebalanced their portfolios to reduce technology's overwhelming share and avoided much of the pain on the way down. Managing your own diversified portfolio would allow you to shed the over-weighted players and sectors and bring things back to a more equal weighted situation.

"Many investors believe the S&P 500 index rebalances automatically, but that is not the case."

You don't want to give up the ability to harvest the winners and reinvest in the laggards – In the example above where the technology industry became an over-weighted behemoth, it is reasonable to argue that some classic companies with strong market positions, real earnings, and realistic growth potential should've been retained while those with lofty PE ratios based on non-existent earnings prospects should have been punted. Index investing takes away an investor's control to make those decisions.

Do you even want to own certain names at all? – If you hate a name for whatever the reason, why should you own it just because the index says you have to? Maybe you are adverse to sin stocks, have a sinking feeling about the financial sector, or have had a bad experience with your insurance company. The bottom line is with the index fund you will get some lousy companies along with some great companies. Why wouldn't you want to just own the great, solid companies that have leading market shares, solid earnings growth and reasonable valuations?

Who decides what stocks are index-worthy? – The index gurus primarily make calls on what belongs based on popularity and share price. Often, lower priced stocks are replaced by higher stock prices, which boost the price of the index. **Yahoo (YHOO)** was added in December of 1999 based on investor demand for this new tech darling. Never mind that the company had no earnings. The company debuted in the index in December of 1999 at over $100 a share and began a rapid descent to under $10 per share. The common theme in index stock selection is that stocks are added at the apex of their popularity and thrown out at the nadir.

"The index is not as diversified as it advertises"

After stocks are kicked out magic can happen - What happens to companies kicked out of the index? They are definitely not all bad companies past their prime and can present an attractive investment opportunity. American Airlines was kicked out of the S&P 500 in March of 2003. The potential of a war in Iraq was looming and the U.S. airline industry was still reeling from 9/11. AMR had declined 90% in the prior year but ultimately rallied from $1.59 a share to above $7 after it was booted from the S&P. Not a bad return for a patient investor who stayed the course.

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Personal Budgeting - Take a Page From Nike -"Just Do It!"

By Donna M. St.Amant, MBA, and Portfolio Manager at Point View Wealth Management, Inc.

Sports clinics, registration fees, music lessons, school tutors, art classes, the list goes on and on and on. As your kids get older, it doesn't get cheaper. The activities change, but the dollars don't. Do you know how much you are spending annually on these types of activities? Many people don't know how much they are spending or what they can truly afford. Therefore, they fret over these climbing costs with every check they write. A budget can help. It leads to wiser spending decisions and less financial stress, because you know you're living within your means and are making sound financial decisions with your family's priorities in mind. A budget is your first step toward building wealth.

Usually the only time people start to develop a budget is in times of panic or financial worry. A budget is viewed as a tool needed when you have to cut back and eliminate expenses. This should not be the case. A budget should be maintained in good times and in bad to manage your finances more efficiently. A budget reduces impulse spending and puts you in control so that you have peace of mind.

"A budget is your first step toward building wealth."

Even if you are not worried about making the next mortgage payment, if you're not establishing some financial boundaries, you're not saving what you could be. It's not just about having discipline; you need to be cognizant of your financial picture. Financially everyone will experience ups and downs, so you want to make sure you are socking it away when you can. Today more people are struggling to cover expenses or have no idea how they burn that paycheck month to month. I know you've heard it a thousand times…that $3, $4, $5 cup of coffee adds up to $1000 over the course of the year. OK, maybe you don't want to give up your morning joe; forget about the coffee and look at some of the larger discretionary expenses in your checkbook. You will be surprised at how they add up. A monthly budget sheds light on your financial picture and will make you spend more wisely. Just by tracking and reviewing your spending, you will see obvious areas where you can re allocate money and make better choices.

Donna St. Amant, MBA

The first step to creating a budget is to track your spending for a month or two. This will show you where your money is going and help you to make informed decisions about how much to budget going forward. The process doesn't have to be complicated. You will find everything from basic templates offered online to websites dedicated to budgeting and financial organization. There are also various apps to help you track your spending. Mint.com is an example of one popular website that remembers how you categorize your transactions so that over time the process will become more automated. Any way that works for you is a good way and will increase your confidence over the long term and keep you out of financial trouble.

To establish your budget, start by determining your total after tax household income. Then list your major non-discretionary expenses such as your mortgage payment, utilities, groceries, etc. Put a savings number right into this fixed expense category. This way it comes off the top before you begin to look at your discretionary income and make decisions about how to spend your money. Once you have accounted for the fixed expenses, you can move on to your discretionary income. Develop your budget monthly but be sure to look at expenditures on a yearly basis and set annual limits. This annual number is really best when determining if this category is a priority for your family. Start by what is most important to you and then it is easier to cut back on the less important items. Don't forget unexpected expenses arise, so set aside a little money each month or from an annual bonus so your budget is not derailed after the first unplanned expense.

"Financially everyone will experience ups and downs, so you want to make sure you are socking it away when you can."

Don't get too bogged down in the details. Your accuracy will improve over time. For example use averages for your monthly utilities because these fluctuate with the seasons. In the end, any budget is better than none and will start you on the right track.

It is important to carve out some money for the things you enjoy or to start putting money aside toward a special purchase or vacation, if you can't afford it within your current budget. You don't want to make it just about the bills or set limits so stringent that it is impossible to stick to. In the end you need to make it realistic.

As a part of any budget, you will need to factor in your debt. If you are carrying large credit card debt or other loan balances, establish a plan to lower these balances. Credit cards carry the highest interest rates so paying them off is a priority and should be included in your fixed expenses. Determine the maximum you can afford to pay, knowing that once the debt is eliminated this money will come back into your discretionary income.

"Develop your budget monthly, but be sure to look at expenditures on a yearly basis and set annual limits."

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Will 2014 Be a 2013?

By David G. Dietze, JD, CFA, CFP™

2014 is unlikely to match 2013's robust 24% gain so far midway through December. In a nutshell, 2013's tailwind of full throttle monetary policy giving rise to a sharp increase in valuations is unlikely to repeat itself. Investors may expect a 2014 return in the high single digits from the equity markets. Stocks will shine relative to fixed income.

"The valuation starting line will also handicap 2014's potential"

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 starting line from a valuation perspective will also handicap 2014's potential. Last year at this time stocks traded at 13 times forward earnings but no longer: Following 2014's rally and the lackluster corporate earnings growth, stocks command over 15 times.

The taper will gather momentum in 2014, as the Federal Reserve reduces its bond buying program. While the pundits will proclaim that a taper does not mean an increase in the Federal funds rate, at some point that, too, will be spied in the future, and investors will adjust their expectations.

"The taper is only made possible because the economy's health has improved"

Of course, the taper is only made possible because the economy's health has improved. To fend off the drag of tougher monetary conditions, investors expect improved corporate earnings. Indeed, many strategists expect corporate earnings overall to advance in the high single digits, spurred by 3%+ GDP growth in this country and improvements in economic conditions abroad, particularly in Europe.

Investment Themes

No matter the outlook, investors will want to tilt their portfolios to include economic sectors that have more value, are either returning more cash in the form of stock buybacks and dividends to shareholders or have the potential to, and the sentiment around which is not too ebullient.

Consider these themes and ideas, including several additional picks in the chart:

Rising Energy Prices

Energy stocks look like a good bet if the economy is improving. With increased activity there will be greater energy consumption.

At the same time, valuations on energy companies are some of the lowest in the market, following their underperformance in four out of the last five years. They are great inflation hedges but are cheap because most of Wall Street sees no inflation. We think the time to buy your inflation insurance is when the price is low.

Chevron (CVX), one of the largest diversified energy companies, is a fine way to play this sector. It boasts the sixth best dividend on the Dow and is the third cheapest based on its price to earnings ratio. Led by 33 year company veteran John Watson, this company has the experience and heft to tackle profitably just about any assignment in the world.

Financials Still Cheap

Financials were one of the strongest sectors in 2013, up nearly 29%. The quality of their loan portfolios strengthened as the value of the collateral, largely real estate, rose in value significantly. With loan losses diminishing, rainy day funds previously set aside are now being released to augment their earnings.

Financials have more room to run. Valuations remain low, in many cases below book value. Real estate prices, while clearly off their bottom, are nowhere near their peaks.

An improving economy should spur loan volume, as borrowers develop plans and lenders have more confidence in being repaid. While the taper undoubtedly will push interest rates higher, this will allow financials to increase rates on their loans, boosting their margins.

"Energy stocks look like a good bet if the economy is improving"

Financials have historically returned a significant portion of their earnings to shareholders in the form of dividends and stock buybacks. However, this activity is only slowly being restored, as balance sheets are being repaired, capital levels boosted, and permission for payouts received from regulators.

Both **American International Group (AIG)** and **Citigroup (C)** should benefit from an improving climate for financials. Both were hit hard during the sub-prime crisis; investor confidence is returning slowly. As a result, they both trade at discounts to their book values.

Both are poised to commence returning significant cash to shareholders, which will spur interest and their share prices. Citigroup's dividend may go from virtually nil to over 3% if they pay out just 30% of their earnings.

"Financials were one of the strongest sectors in 2013, up nearly 29%"

Finally, both have unique franchises, with AIG having a commanding market share in the property and casualty market, while Citi is a truly global bank, operating in close to 200 countries.

Spying Both Growth and Value in Large Cap Tech

During the dot com craze over a decade ago, many tech names traded at wild multiples of earnings, if they had earnings at all. Predictions of an all-digital world trumped any considerations of value.

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No Excuses – Contribute To Your 401K

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Excuse Number Four: You Fear Future Tax Increases. We've all seen the headlines—tax rates are at historic lows, taxes are scheduled to increase in the foreseeable future. Maybe they will; maybe they won't. Either way, that doesn't predict what will happen to your taxes for the next few decades. Retirees typically have lower tax rates than those in the workforce. Many states offer their own tax breaks to senior citizens as well. Bottom line: it's important not to let the tax tail wag the dog—all the more so when that tail is impossible to predict.

Although you can't predict your tax rate 30 years from now, you can anticipate that sometime between now and then, your income level will change. In low-income years, investors can take steps such as making Roth IRA conversions to lower their future income. That's a better strategy than foregoing your 401k contributions now for some unknowable future.

Excuse Number Five: Lack of Flexibility and High Fees. "I might need the money" is no excuse for not contributing to a 401k plan. You WILL need the money—when you retire. Once you put money into a 401k plan, it's very hard to get it back out. That's the whole point—you can't save for retirement while continually raiding the piggy bank. It's why you should also have an emergency fund set aside (even if it's not as much as you'd like) and be paying down those credit cards.

"Although you can't predict your tax rate 30 years from now, you can anticipate that sometime between now and then, your income level will change."

401k plans (and especially 403B and 457 plans) have had a rap for high internal fees. As a result, recent legislation requires the real cost of retirement plans to be disclosed, in ways employers and employees can understand. Ask your plan administrator for a breakdown. Within your 401k, some funds are more expensive than others. Just about every plan out there has some broad-based, very inexpensive index funds. Within the context of your overall investment portfolio, you can use those funds to keep costs down.

At the end of the day, there is no excuse for not saving for your own retirement.

Personal Budgeting - Take a Page From Nike - "Just Do It!"

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Finally, look at your bottom line number and see if you are spending more or less than what you earn. Hopefully, you are living within your means. If this is the case, make adjustments to categories that seem too high and reallocate funds. Increase your savings and realign spending with your priorities. You can eliminate the guilt in doing the things you love because you know you can afford them.

"A final side benefit of maintaining a budget is guilt free spending."

If you are overspending, then you will have a clearer picture of where you can cut back and re-allocate funds. There will be obvious places to pare back. You may find you are spending more than you realized on something that is not that important to you. Some on-line programs can tell you how your spending in a particular category compares to national averages. Maybe it's time to re-price your insurance providers for example.

A final side benefit of maintaining a budget is guilt free spending. That is very different from limitless spending; but if you have the vacation cost worked into your budget, you don't have to be distracted by wondering, "Can I really afford this vacation" or thinking "we really shouldn't be going out to eat again." Enjoy the peace of mind of being in control of your finances and give budgeting a try.

Eight Reasons Why Index Investing is Not Your Portfolio's Holy Grail

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Sometimes you want the ability to control tax exposure – It is true that index investing is very tax efficient, resulting in low turnover and capital gain/loss exposure. However there are scenarios where an investor may want to harvest the winners or prune the losers in order to stimulate a taxable event to offset gains/losses in other parts of an investment portfolio.

"This market weighting concept allows the "hot" sectors to overweight themselves in your portfolio."

Indexing is not a fee-neutral event – There is much talk about index funds providing the lowest cost method of investing, but they are not fee free. An actively managed portfolio that is traded in a prudent manner on a lower commission platform can also keep costs negligible.

"Investors can construct a well-diversified, actively managed portfolio of individual stocks that avoids the index pitfalls discussed and is still sensitive to trading costs, fees, and taxes."

CONCLUSION – Investors like to buy into the notion that passive investing offers superior returns, is cost-effective and provides supreme safety and diversification, but that is not necessarily the case. Investors can construct a well-diversified, actively managed portfolio of individual stocks that avoids the index pitfalls discussed and is still sensitive to trading costs, fees, and taxes. This portfolio can be balanced and rebalanced appropriately to manage risk and exposure levels, preserve the quality names that should deliver superior returns and allow for the control necessary to remove the problem members of the family.

For a fuller version of this article log on to http://www.ptview.com/files/EP%20article.pdf

Will 2014 Be a 2013?… continued from page 6

Today, newer technologies, like "the cloud," mobile, social, smart phones and wireless have left many tech companies appearing like dinosaurs, struggling to stay relevant. Growth investors have little use for the legacy players, as they move on to the next new thing.

However, many of these traditional tech names have solid franchises, with software and services that are quite "sticky," meaning it's difficult for their customers to migrate away. Many trade at very attractive valuations, and have started to return money to shareholders, an unheard of practice a decade ago.

Few value investors have embraced these opportunities, frequently citing a lack of understanding of exactly what they do, or fear that the tech landscape is changing too fast to make the businesses predictable.

"Many traditional tech names have solid franchises, with 'sticky' software and services"

Two names we think have solid potential are **Cisco (CSCO)** and **Hewlett Packard (HPQ)**. Cisco is currently the fourth cheapest stock on the Dow, a far cry from the 100 or so times earnings it commanded at its peak 13 years ago, and offers an attractive 3.3% dividend. It remains the leading player in enterprise-class networking equipment, with significant scale advantages.

2014 Investment Picks

Investment	Symbol	Theme	12.13.13	Yield %
Chevron	CVX	Energy/Inflation Hedge	$119.90	3.34
American Intern'l	AIG	Recovery of Financials	$49.73	0.80
Citibank	C	Recovery of Financials	$50.97	0.08
Petrobras	PBR	Emerging Markets Rebound	$13.69	1.97
Deere	DE	Cyclical Recovery	$87.18	2.34
Cisco	CSCO	LargeCapTech	$20.24	3.36
Hewlett Packard	HPQ	LargeCapTech	$26.77	2.17
ASA	ASA	Precious Metals/Inflation	$11.60	1.55
First Energy	FE	Utilities Rebound	$31.71	6.94
Teva	TEVA	Health Care	$39.82	2.73
			Average Yield	2.53

HP sports one of the lowest valuations in the S&P 500, with a diverse set of businesses including printers, servers, PCs, and consulting. Meg Whitman is the newly installed CEO, and is leading a turnaround at the company. The stock has nearly doubled in 2013.

Are Emerging Markets Poised to Re-Emerge?

Some experts believe that you should commit 20% of your portfolio to the developing world's stocks. The developing world now constitutes over half the world's GDP but comprises only 17% of the world's stock value and just 2% of global mutual funds. Emerging market stocks are poised to catch up to the developed world's.

Valuations are attractive after the emerging markets have essentially flat lined over the last three years, missing out on the party in US markets. A leading ETF of emerging market stocks trade at just 11.5 times earnings versus 15.7 times for a leading global ETF of developed nations' stocks.

To play an emerging market rebound, consider **Petrobras (PBR)**. This diversified energy behemoth is the largest company in Brazil, indeed in South America.

For a fuller version of this article log on to http://www.ptview.com/files/Will%2014%20be%20a%2013.pdf

SUBSCRIPTION INFORMATION:

David Dietze's Point View Investor Newsletter is published quarterly by Point View Wealth Management, Inc., 382 Springfield Ave, Suite 208, Summit, New Jersey 07901. Tel (908) 598-1717 or (800) 252-7854. e-mail address: firm@ptview.com. Subscription rate is $198.00 per year. As an independent publication, David Dietze's Point View Investor Newsletter is not part of Fidelity Investments and is not connected with any other newsletter. All facts and figures are obtained from reliable sources but are subject to revision. Editor: David G. Dietze, JD, CFA, CFP, a Phi Beta Kappa graduate of Dartmouth College, is president and founder of Point View Wealth Management, Inc., an investment advisor registered with the U.S. Securities and Exchange Commission. He is also a graduate of The University of Chicago Law School, an attorney licensed in New York and New Jersey, a Chartered Financial Analyst and a Certified Financial Planner.

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