DATE: **October 1, 2014**

TO: **POINT VIEW CLIENTS**

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

I. 2014 Third Quarter Performance

- The S&P 500's seventh straight quarterly gain masked significant weakness in markets worldwide. Deflationary forces, weak economies, and threats of less Federal Reserve accommodation all conspired to throw smaller companies, overseas names, commodities and currencies into sharp decline. The Russell 2000, an important barometer for smaller companies in this country, slid 7.4%, while the S&P midcap index fell 4.3%. Many investors prize mid-size companies because they are not so big they can't grow but they are more viable and less volatile than small caps.

MARKET DATA	Third Quarter	YTD 2014
S&P 500 (dividends reinvested)	1.13%	8.34%
NASDAQ (dividends reinvested)	2.23%	8.56%
60/40 S&P 500 / TX-EXEMPT SECURITIES BLEND	1.29%	8.12%
DOW JONES INDUSTRIALS (dividends reinvested)	1.84%	4.51%
TAXABLE BONDS (Barclay's 1-3 Yr Gov't/Credit)	0.03%	0.60%
TAX-EXEMPT SECURITIES (Barclay's Muni Index)	1.49%	7.58%
YOUR PORTFOLIO (If under management more than 3 months)	*SEE ATTACHED*	

- Overseas stocks and currencies fell hard in Q3. Of course, their results were negatively impacted by a surging US dollar, showing the most strength since 2008 and ending the Third Quarter with nearly an 8% gain against 6 major currencies. An important index of non US stocks (MSCI World ex US) dropped 6.7%, with the declines led by Europe's loss of 7.2% and Latin America's 9.1% lambasting. The strong US dollar climbed not only against foreign currencies but also against commodities; a major commodity index dropped 13% in Q3, putting particular pressure on energy and mining stocks.

- Among sectors technology led the brigade, up 10% in Q3. Legacies **Microsoft** (+10.6%) and **Intel** (13.6%) chalked up some of the biggest gains, as greater corporate confidence spurred buying of desktop computers. **Facebook** did even better, +16.7%, as its mobile computing device strategies gained favor and it continued to enlist new users at a phenomenal clip.

- Fixed income markets continued to perform well. Interest rates generally finished lower than where they started the quarter and much lower than at the year's start. Why interest rates keep falling is of much debate. Is it due to some looming weakness in the economy? Or is it just a product of extremely low interest rates overseas driving money to the US to take advantage of the higher yields here?

- However, riskier areas of the bond market deteriorated during the quarter, with the average fund targeting the high yield and emerging market bond sectors down between 2 and 3%. Even government issued TIPS, or Treasury Inflation-Protected Securities, were poor performers; as commodities wilted and deflationary trends took hold, investors naturally were less interested in paying up for inflation protection.

PREVAILING YIELDS AS OF:

FIXED INCOME ASSET	09/30/13	12/31/13	03/31/14	06/30/14	09/30/14
US Government 10 Yr. Note	2.61%	3.03%	2.73%	2.53%	2.51%
5-Year Certificate of Deposit	0.79%	0.78%	0.79%	0.78%	0.82%
Money Market	0.01%	0.01%	0.00%	0.01%	0.01%

II. Looking Forward

- Continued gains will require more work. As a general proposition, stock markets are fully valued, dividend yields historically low, markets dependent, perhaps overly so, on cheap financing, and earnings reliant on shorter term strategies, like cost cutting and share buybacks, sometimes financed by debt. These techniques can't succeed forever. Overseas economies are mostly weaker than ours.

- On the other hand, we've got an improving economy, consumer spending is up and confidence improved, while energy prices and interest rates are low. Overseas central banks have pledged ever more quantities of money infusions. Corporate earnings should rise by 8% this year, and many see 11% gains in the following two years, ahead of the longer term average of 6% growth annually.

- The economy we have may not be the one we want, but it is grudgingly growing, while hiring is picking up.

- Bottom line, we think investors should stay the course, reasonably confident that earnings growth over the next 10 years will push stock prices significantly higher. While bumps, corrections, even bear markets will occur along the way, forecasting those is a mug's game. Investors are best advised to look for superior business models and attractive valuations, leaving risky big calls on the market and the economy to others.

III. Enclosures

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.