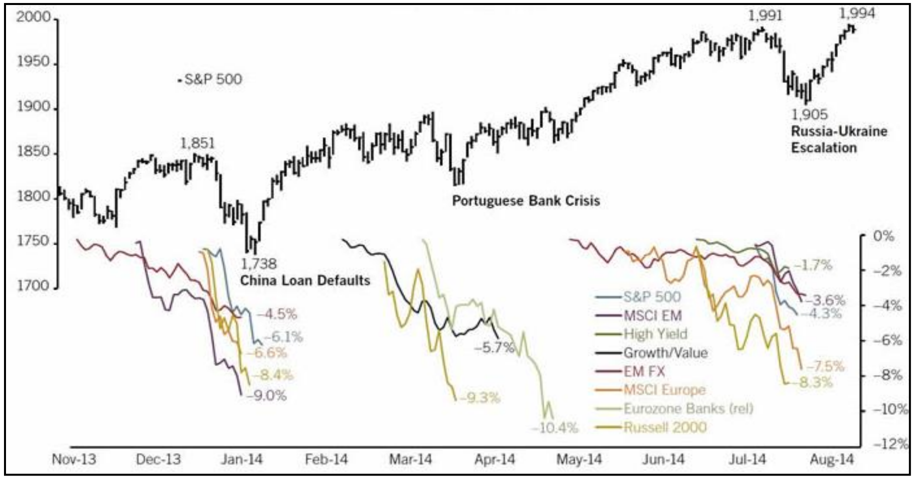
Market Recap

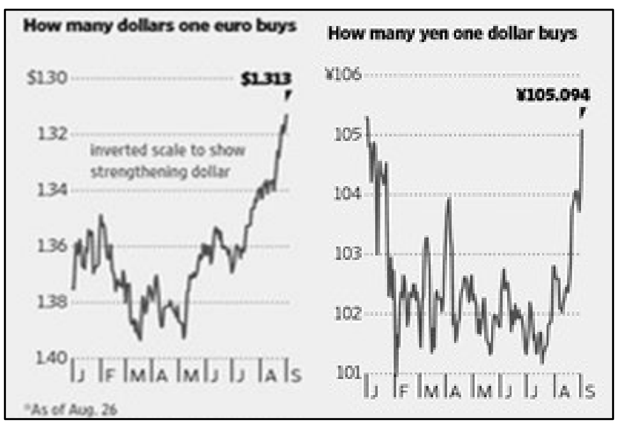
S&P 500 2014 Rolling Disruptions



Source: Haver Analytics, Bloomberg

Year-to-date, the S&P 500 has moved 9% higher, with three distinct pullbacks along the way. Fears of a credit bubble in China sparked a 6% decline in January. In March, Portugal's second-largest bank collapsed, triggering a fall of 5.7%. More recently, the downing of a commercial airliner heightened already-raised fears over the Russia-Ukraine crisis and led to a drop of more than 4%. With each event, volatility spiked, yields fell, the dollar rallied, and equities corrected. After each event, the markets settled down within a few weeks, and investors refocused on economic fundamentals. The current thinking of many investors is that, having tested its lower resistance point and fought back to its highs on the three previous occasions, the market is now in a position to break out to the upside, propelling it to levels yet unseen.

U.S. Dollar versus Euro and Yen



Source: U.S. Commodity Futures; WSJ

Recent data indicates that the U.S. economy is accelerating, while the Eurozone and Japanese economies are still weak. In turn, as the U.S. Federal Reserve edges closer to raising rates, European and Japanese central banks have announced looser monetary policies. These divergent actions are causing flux in the global currency markets. The dollar has gained ground against most major currencies, including the euro and yen. Over the past two months, the dollar is 3.4% higher against the seven most heavily-traded currencies. Many investors expect the Fed to raise rates sometime next year. A rate increase would attract cash from around the world to the U.S., further lifting the value of the dollar. A strong dollar would lower the cost of imports, potentially benefiting U.S. consumers. Conversely, a stronger dollar makes U.S. exports less competitive, resulting in a drag on growth.

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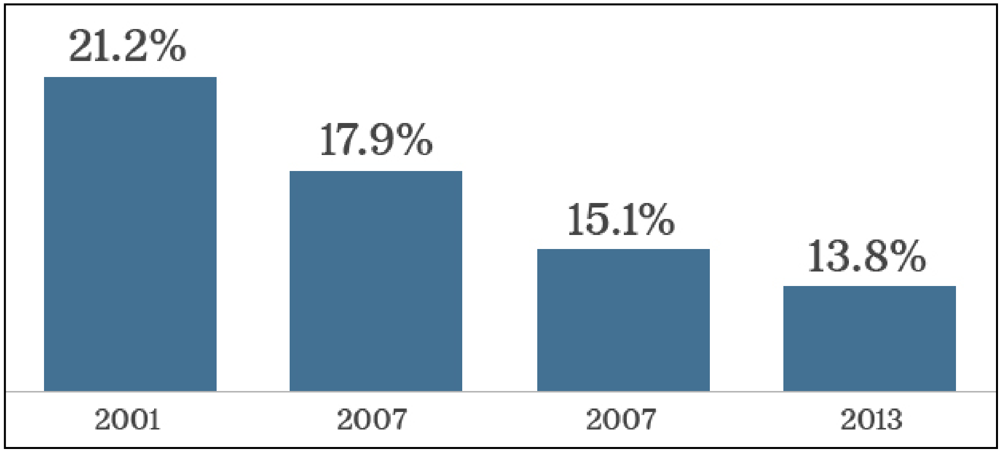
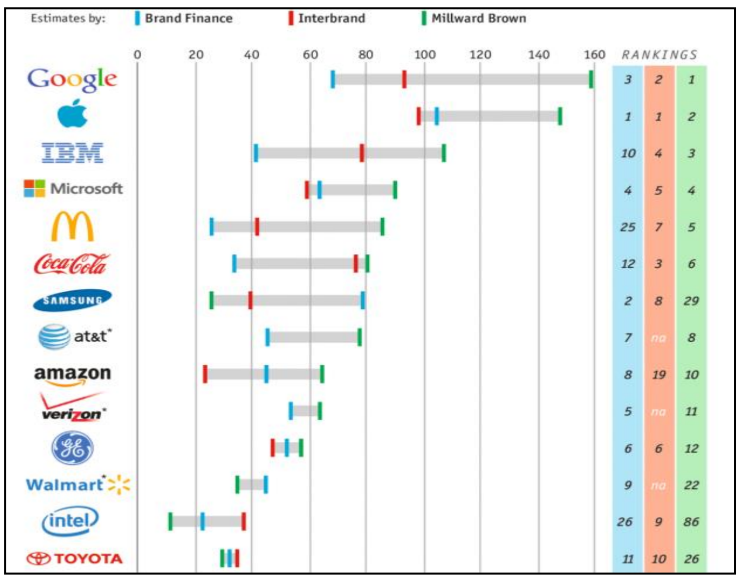
American Individual Stock Ownership



Source: Federal Reserve

Corporate Brand Rankings



Source: Brand Finance, Interbrand, Milward Brown

Despite the dramatic advance of the stock market over the last five years, many Americans – still stinging after severe losses in 2007 and 2008 - have not participated in the bull market. In fact, the participation rate for direct exposure to equity securities has never been lower. According to the Federal Reserve, only 13.8% of U.S. families held individual stocks as of 2013, down from 18% in 2007. Indirect stock ownership, which includes investing via mutual and pension funds, as well as 401(k) plans, boasts higher participation, but is also in decline. Less than half (48.8%) of all Americans owned equities – either directly or indirectly - in 2013, down from 53.2% in 2007.

For most global corporations, their brand is one of their most highly-valued assets. While three independent brand valuation companies agree that Google, Apple and Microsoft belong among the top five brands in the world, their rankings of other prominent brands diverge. For instance, Millward Brown and Interbrand place Coca-Cola and McDonald's in the top ten, while Brand Finance does not. At the core of these variances is each firm's valuation methodology. They may consider size (in terms of either sales or profits), or a brand's contribution to financial performance. The latter is, decidedly, challenging to measure. Millward Brown polls two million consumers to gauge the desire and loyalty a brand inspires. Interbrand considers internal factors, such as how committed a company is to its brand. Brand Finance uses royalty rates for the licensing of similar brands. Preservation of the brand is critical to these global firms, as they are perceived to carry a value of between $10 and $160 billion.

Contact: If you have any questions or comments, please do not hesitate to contact us at 703.992.6164. For more information about Harbour Capital Advisors, please visit our website at www.harbourcapitaladvisors.com.

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