

# Market Recap

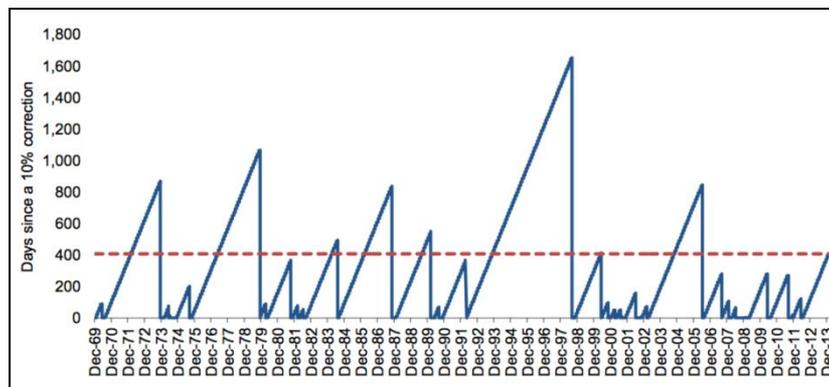
## Asset Quilt (2000-13)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	13-Years 2001-'13 Annualized
REITs 15.5%	Gold 25.8%	MSCI EmMkts 54.9%	REITs 30.4%	MSCI EmMkts 33.6%	REITs 34.0%	MSCI EmMkts 39.2%	Barclays Agg Bond 5.2%	MSCI EmMkts 78.0%	Gold 29.3%	Gold 9.6%	REITs 19.7%	Russell 2000 38.6%	MSCI EmMkts 11.7%
Mkt Neut HFs 9.3%	DJ UBS Commod. 23.9%	Russell 2000 46.9%	MSCI EmMkts 25.5%	Gold 17.8%	MSCI EmMkts 32.1%	Gold 30.5%	Gold 4.9%	S&P 400 36.9%	REITs 27.6%	Barclays Agg Bond 7.8%	MSCI EmMkts 18.3%	S&P 400 33.2%	Gold 11.7%
Barclays Agg Bond 8.4%	Barclays Agg Bond 10.3%	MSCI EAFE 38.5%	MSCI EAFE 20.5%	DJ UBS Commod. 17.5%	MSCI EAFE 26.8%	MSCI EAFE 11.8%	Russell 2000 -33.6%	MSCI EAFE 31.7%	Russell 2000 26.6%	REITs 7.3%	S&P 400 17.7%	S&P 500 32.0%	REITs 10.1%
Russell 2000 2.4%	Mkt Neut HFs 7.4%	REITs 38.5%	Russell 2000 18.1%	MSCI EAFE 14.0%	Gold 22.5%	DJ UBS Commod. 11.1%	S&P 400 -35.9%	REITs 27.8%	S&P 400 26.4%	Mkt Neut HFs 4.5%	MSCI EAFE 17.7%	MSCI EAFE 23.1%	S&P 400 9.0%
Gold 0.7%	REITs 5.2%	S&P 35.3%	S&P 400 16.3%	S&P 400 12.5%	Russell 2000 18.2%	Mkt Neut HFs 9.3%	S&P 500 -36.55%	Russell 2000 26.7%	MSCI EmMkts 18.9%	S&P 500 2.1%	Russell 2000 16.3%	Mkt Neut HFs 9.3%	Russell 2000 8.3%
S&P 400 -0.6%	MSCI EmMkts -5.7%	DJ UBS Commod. 28.3%	S&P 500 10.7%	REITs 8.3%	S&P 500 15.6%	S&P 400 8.0%	DJ UBS Commod. -36.61%	S&P 500 25.9%	DJ UBS Commod. 16.7%	S&P 400 -1.7%	S&P 500 15.9%	REITs 2.3%	Barclays Agg Bond 5.2%
MSCI EmMkts -2.4%	S&P 400 -14.4%	DJ UBS Commod. 22.7%	DJ UBS Commod. 7.8%	Mkt Neut HFs 6.1%	Mkt Neut HFs 11.2%	Barclays Agg Bond 7.0%	REITs -37.8%	Gold 24.0%	S&P 500 14.8%	Russell 2000 -4.2%	Gold 6.6%	Barclays Agg Bond -2.0%	MSCI EAFE 5.2%
S&P 500 -1.9%	MSCI EAFE -15.3%	S&P 500 19.9%	Mkt Neut HFs 6.5%	S&P 500 4.8%	S&P 400 10.3%	S&P 500 5.6%	Mkt Neut HFs -40.3%	DJ UBS Commod. 18.7%	MSCI EAFE 8.1%	MSCI EAFE -11.1%	Barclays Agg Bond 4.2%	MSCI EmMkts -2.5%	S&P 500 4.6%
MSCI EAFE -20.8%	Russell 2000 -20.4%	Mkt Neut HFs 7.1%	Gold 4.6%	Russell 2000 4.4%	Barclays Agg Bond 4.3%	Russell 2000 -1.5%	MSCI EAFE -41.8%	Barclays Agg Bond 5.9%	Barclays Agg Bond 6.5%	DJ UBS Commod. -13.4%	Mkt Neut HFs 0.9%	DJ UBS Commod. -9.8%	Mkt Neut HFs 1.6%
DJ UBS Commod. -23.3%	S&P 500 -22.0%	Barclays Agg Bond 4.1%	Barclays Agg Bond 4.3%	Barclays Agg Bond 2.4%	DJ UBS Commod. -2.7%	REITs -17.8%	MSCI EmMkts -52.2%	Mkt Neut HFs 4.1%	Mkt Neut HFs -0.8%	DJ UBS Commod. -17.6%	DJ UBS Commod. -1.1%	Gold -28.3%	DJ UBS Commod. 9.7%

Source: Oppenheimer

The traditional 'Asset Quilt' underscores the challenge of consistently identifying the best asset class for the coming year. For one thing, it is backward-looking. For another, it proves that there is little performance consistency (either positive or negative) over a longer period of time. For the past 13 years, the best-performing investment categories were emerging-market stocks and gold. However, these two categories plummeted to the bottom of the chart last year. Despite their dramatic rise in 2013, U.S. stocks were one of the worst performing categories over the longer period. The asset quilt points to the importance of embracing the age-old adage, "Don't keep all your eggs in one basket." Diversification gives you a better chance of managing your behavioral instincts through the process of rebalancing. While being diversified means you may never be a top performer, you will also never be the biggest loser.

## MSCI World Index Number of Days Since Last 10% Correction

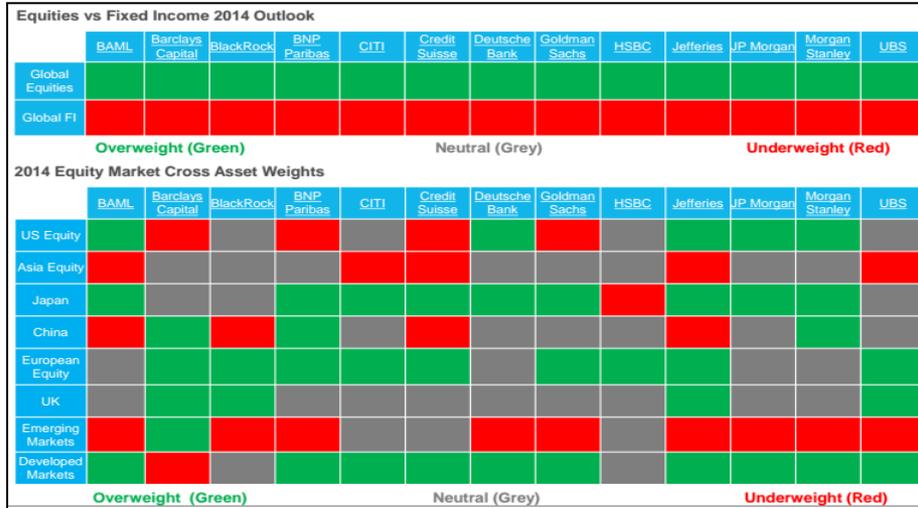


Source: SocGen; MSCI

By historical standards, the current stock market rally has been characterized by extremely low volatility. More than 400 days have passed since the last 10% correction in the MSCI World index (the 8th longest period on record). Historically, 400 days approximates the median length of time between 10% corrections. However, this length of time, in and of itself, does not signal the end of a rally. There are a number of other significant indicators, including valuation levels, which may combine to give greater insight into the continuing duration of a bull market. Further, while the odds of a correction may improve as time goes on, history also reveals that there is a possibility for a much longer rally -- the longest period without a correction lasted 4.5 years.

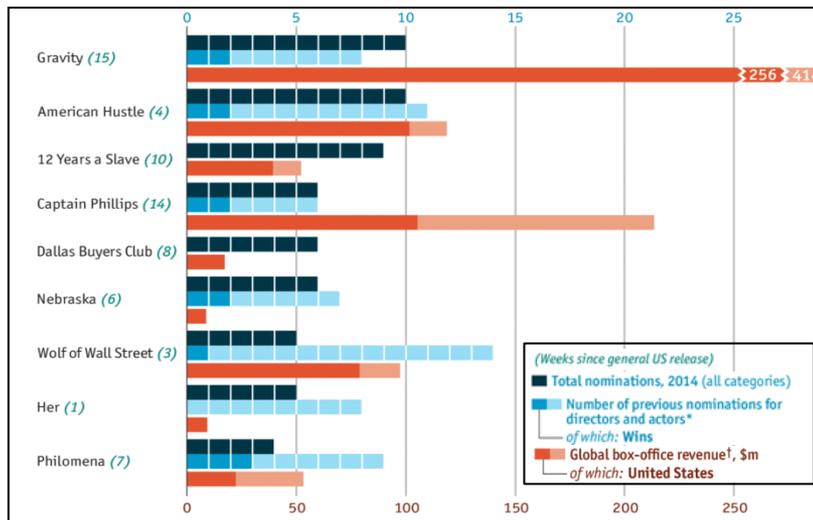
# Market Recap

## 2014 Market Outlook



Source: Blackrock

## 2014 Academy Award Best Picture Nominations



Source: IMBD; Academy of Motion Picture Arts and Sciences

If ever there were a consensus view of the markets, it is the 2014 outlook of the top market strategists for asset class weightings. As reflected in the 2014 Market Outlook comparison published by Blackrock, every major Wall Street firm is bullish on global equities (top row in green). Similarly, all firms indicate a uniform underweight of fixed income (second row in red). Within the sub-categories of equity investment, there is a greater divergence of opinion. Strategists are, not surprisingly, mostly bullish on developed markets and European equities, and mostly bearish on emerging markets and Asia. Despite the consensus across major firms' outlooks, there will always be contrarians who will argue for an opposing view, insisting on investing against the herd.

Last year, director David Russell's film "Silver Linings Playbook" secured Oscar nominations in all four acting categories (leading and supporting roles). The last time a movie saw such broad-based Academy support for acting roles was in 1981, with nominations for Warren Beatty's "Reds". This year, Mr. Russell was able to repeat the feat again, with his con-artist film "American Hustle" securing nominations for Christian Bale and Amy Adams, in leading roles, and Jennifer Lawrence and Bradley Cooper, in supporting roles. All told, "American Hustle" received 10 nominations, tied for the greatest number with "Gravity", Alfonso Cuarón's story of a disaster in space. "12 Years a Slave" followed with nine nominations. It is traditionally a safe bet that one of the three films with the highest number of nominations will win the Academy Award for Best Picture.

**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](http://www.harbourcapitaladvisors.com).

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