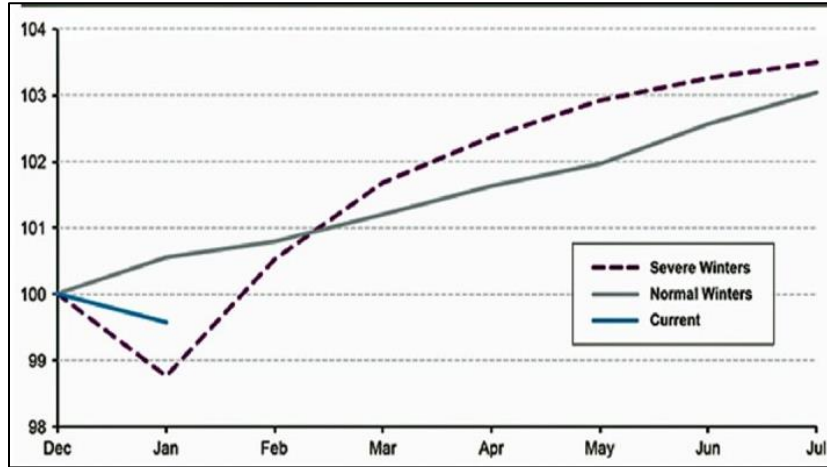


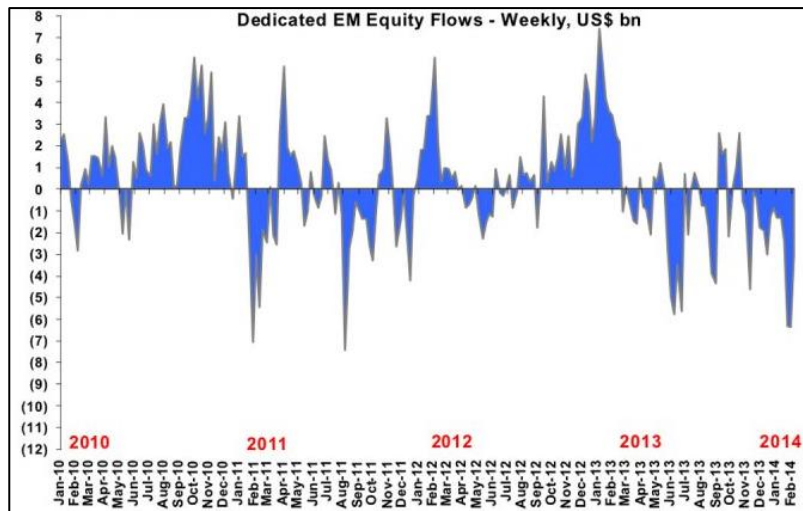
# Market Recap

Severe Winter Weather's Impact on Retail Sales



Source: Haver

Weekly Emerging Markets Fund Flows



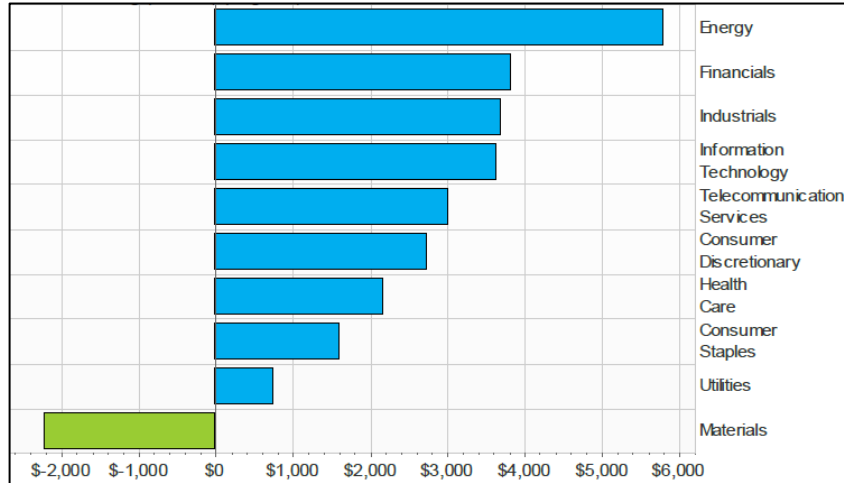
Source: EPFR Global Fund Flows Database

This winter, economists have attributed the harsh weather faced by most of the U.S. with having impacted a wide range of economic data. Inclement weather has been to blame for poor results in everything from Retail Sales to Industrial Production, as well as the housing market in the form of tempered mortgage applications and home sales. The silver lining may be that, while the weather has temporarily muffled consumer activity, a recovery may accompany warmer temperatures. Based on past experiences, when cold weather depresses retail sales in January, there is typically a meaningful rebound in consumer activity in the coming months as pent-up demand is released. Current forecasts suggest that consumer demand is expected to rise in the spring, setting a course for solid U.S. GDP growth in 2014 of 3% or more.

Money continues to flow out of emerging market investments. Recent fund flows data shows that \$3.05 billion exited dedicated emerging market funds during the week ending February 12th. This marks the 16th straight week of outflows, with cumulative totals of \$36.60 billion. The previous record was 14 weeks set in 2002. Outflows may be slowing, however, as this week's \$3.05 billion was lower than the average \$6.30 billion over the previous two weeks. In addition to being impacted by the growth slowdown in China and other developing countries, many emerging market countries rely heavily on financing that comes from abroad. Investors are concerned that the improving economies in the U.S. and Europe, coupled with eventual normalization of U.S. monetary policy, will lead to an increase in interest rates, putting pressure on the borrowing costs of emerging economies.

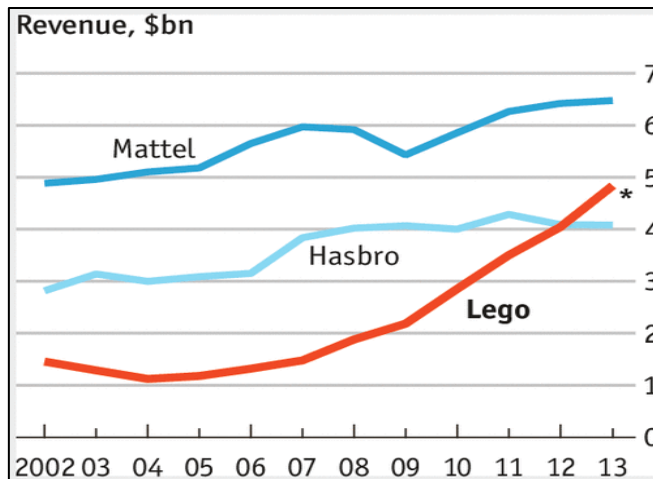
# Market Recap

## Fourth Quarter 2013 Hedge Fund Sector Investments



Source: Factset

## Largest Worldwide Toy Manufacturers



Source: Company accounts; The Economists

An evaluation of the 50 largest hedge funds shows that they increased their equity exposure by 3.6% during the fourth quarter of 2013. Among stocks, Apple experienced the highest increase in exposure (+\$1.8 billion), primarily due to significant purchases by Coatue Management, Citadel Advisors, and Icahn Associates. Several IPOs, including Twitter, also added sizable equity positions to hedge fund portfolios. Within sectors, the largest hedge funds added the most exposure to the Energy sector, while Apollo Capital's sale of LyondellBasell led to a significant decrease in exposure in the Materials sector. Energy sector investments included over \$500 million in exposure to four companies related to oil and gas, refining, or energy equipment and services: Whiting Petroleum, Valero Energy, Talisman Energy, and Cameron International.

Few toy manufacturers have enjoyed the sustainability of the Danish brick-maker Lego. Current estimates are that, on average, every person on earth owns 86 Lego bricks. By 2017, Lego people are expected to outnumber humans. The little bricks are big business. Despite having only one product line, Lego has gone from being a relatively small, unprofitable firm a decade ago to the world's second-biggest toymaker. In the 1990s, growth slowed as children became increasingly glued to computers. Lego fought back by embracing the new media, diversifying into television, video games and, now, film with the release of "The Lego Movie." Lego also built success on the coattails of other blockbuster franchises. In 1999, sales of their Lego Star Wars toys were six times greater than the company forecast. There is something for everyone, from the Simpsons series to Marvel Superheroes sets.

**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).

**Disclosure:** Harbour Capital Advisors, LLC (“HCA”) is an SEC-registered investment adviser located in McLean, Virginia. HCA and its representatives are in compliance with the current filing requirements imposed upon SEC-registered investment advisers by those states in which HCA maintains clients. HCA may only transact business in those states in which it is registered or qualifies for an exemption or exclusion from registration requirements. A direct communication by HCA with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For information pertaining to the registration status of HCA, please contact the SEC or the state securities regulators for those states in which HCA maintains a notice filing. A copy of HCA’s current written disclosure statement discussing HCA’s business operations, services, and fees is available from HCA upon written request. HCA does not make any representations or warranties as to the accuracy, timeliness, suitability, completeness, or relevance of any information prepared by any unaffiliated third party and takes no responsibility therefor. All such information is provided solely for convenience purposes only and all users thereof should be guided accordingly. Past performance may not be indicative of future results. Therefore, there can be no assurance (and no current or prospective client should assume) that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by HCA) made reference to directly or indirectly by HCA will (i) be suitable or profitable for a client or prospective client’s investment portfolio or (ii) equal the corresponding indicated historical performance level(s). Different types of investments involve varying degrees of risk. Historical performance results for investment indices and/or categories generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, or the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. The material contained herein is provided for informational purposes only and does not constitute an offer to buy or sell or a solicitation of an offer to buy or sell any option or any other security or other financial instruments. Certain content provided herein may contain a discussion of, and/or provide access to, HCA’s (and those of other investment and non-investment professionals) positions and/or recommendations as of a specific prior date. Due to various factors, including changing market conditions, such discussion may no longer be reflective of current position(s) and/or recommendation(s). Moreover, no client or prospective client should assume that any such discussion serves as the receipt of, or a substitute for, personalized advice from HCA, or from any other investment professional. HCA is neither an attorney nor an accountant, and no portion of the content provided herein should be interpreted as legal, accounting, or tax advice. The tax information contained herein is general in nature and is provided for informational purposes only. HCA does not provide legal, tax, or accounting advice. HCA cannot guarantee that such information is accurate, complete, or timely. Laws of a particular state or laws which may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Federal and state laws and regulations are complex and are subject to change. Changes in such laws and regulations may have a material impact on pre- and/or after-tax investment results. **CIRCULAR 230 DISCLOSURE: To comply with Treasury Department regulations, we inform you that, unless otherwise expressly indicated, any tax information contained herein is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties that may be imposed under the Internal Revenue Code or any other applicable tax law, or (ii) promoting, marketing, or recommending to another party any transaction, arrangement, or other matter.** Rankings and/or recognition by unaffiliated rating services and/or publications should not be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if HCA is engaged, or continues to be engaged, to provide investment advisory services, nor should it be construed as a current or past endorsement of HCA by any of its clients. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized adviser.