

# Market Recap

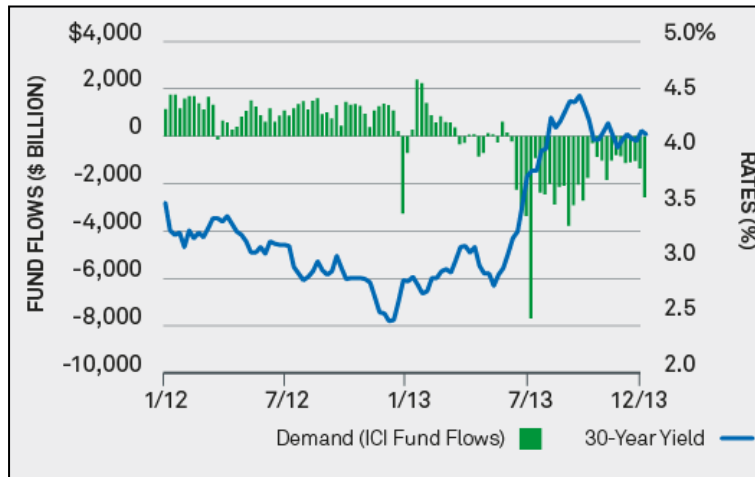
## S&P 500 Five-Year Rally



Source: MSN

On March 6<sup>th</sup>, the stock market rally celebrated its fifth anniversary. On that day, the S&P 500 hit a new intraday all-time high of 1,882 exactly five years after it hit an intraday low of 666.79 on March 6, 2009. That represents a 182% gain. When compared to other bull markets at their five-year points, the current rally is the second-best performing since World War II. The only rally that out-performed today's was the S&P 500's 228% surge between August 1982 and August 1987, ending that year on what is now known as Black Monday. Further examination of the current fund-flow data and valuations suggest stocks could have sizable upside to come, leading some prognosticators to suggest that the current rally may run for several more years.

## Municipal Bond Fund Flows and 30-Year AAA Yields (2012-2013)

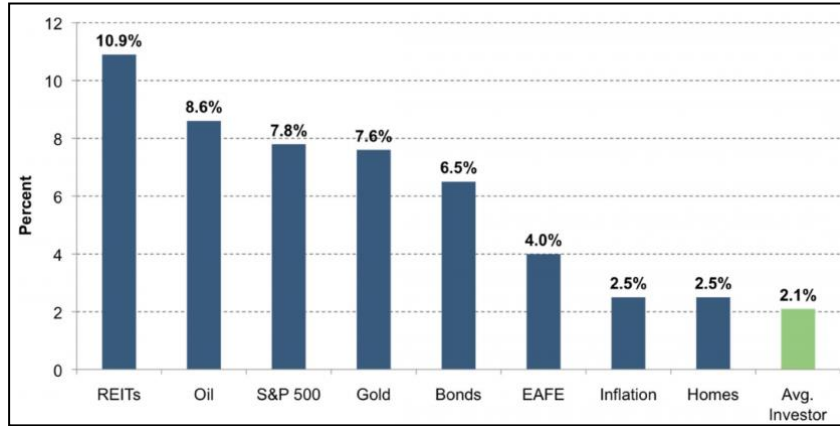


Source: ICI; Thomson Reuters

Amid a selloff of all types of bonds last year and a corresponding climb in yields, municipal bonds were among the worst fixed income performers. Municipals suffered more than other bonds due to concerns with Detroit's bankruptcy filing and financial troubles in Puerto Rico. Investors are now being lured back into municipals by relatively high yields, particularly in light of tax considerations. Fears that trouble in some jurisdictions would bleed into the broader muni market have receded, and many investors are taking the opportunity to pick up some bonds on the cheap. Since Jan. 2, investors have poured \$925 million into municipal bond funds. Inflows have been higher for six of the past seven weeks. This contrasts with the 33 consecutive weekly outflows that resulted in a net outflow of a record \$64 billion during all of 2013.

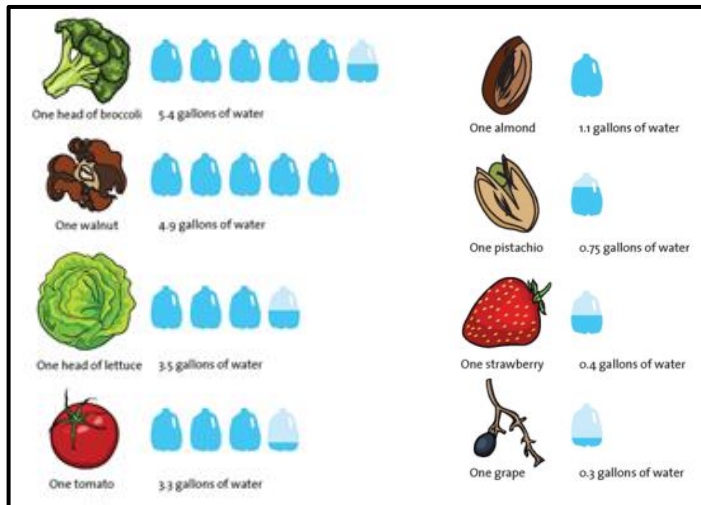
# Market Recap

## 20-Year Asset Class Annualized Returns (1992-2011)



Source: JP Morgan

## Gallons of Water Necessary to Grow Various Crops



Source: Mother Jones

One well-documented subplot to the stock market rally is that individual investors, in large part, have not participated in the advance. Their absence should not come as a total shock as individual investors historically make poor investment decisions. A review of annualized returns of various asset classes over the 20-year period ending 2011 reveals that average investor returns fell short of all major asset categories. Poor decisions being often sparked by volatility, investors have the tendency to move in and out of the market at the wrong time. Amidst difficult financial times, emotional instincts often drive average investors to take actions that make no rational sense but that make perfect emotional sense. These psychological factors, including fear and greed, often translate into poor market timing. Hence, the long-term performance of the average investor came nowhere close to market growth, and even fell behind inflation by 0.4%.

California, the supplier of nearly half of all U.S. fruits, vegetables, and nuts, is experiencing its driest period in 500 years. Farms consume about 80% of California's developed water (water that is moved from its natural source to other areas via pipes and aqueducts). The current shortage of water means that some of the state's agricultural business may move to the South and the Midwest, where water is more plentiful and less expensive. Production rates in California for thirsty crops like alfalfa and cotton have already diminished significantly in the last few years. Between 2006 and 2010, the amount of land irrigated for cotton fell by 46%. Other crops dependent on large quantities of water seem to be most at risk. The most important vegetable crops grown in the state are lettuce and tomatoes, followed by broccoli. The water demands of these three crops alone are placing enormous strain on California's farmers.

**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.