

Market Recap

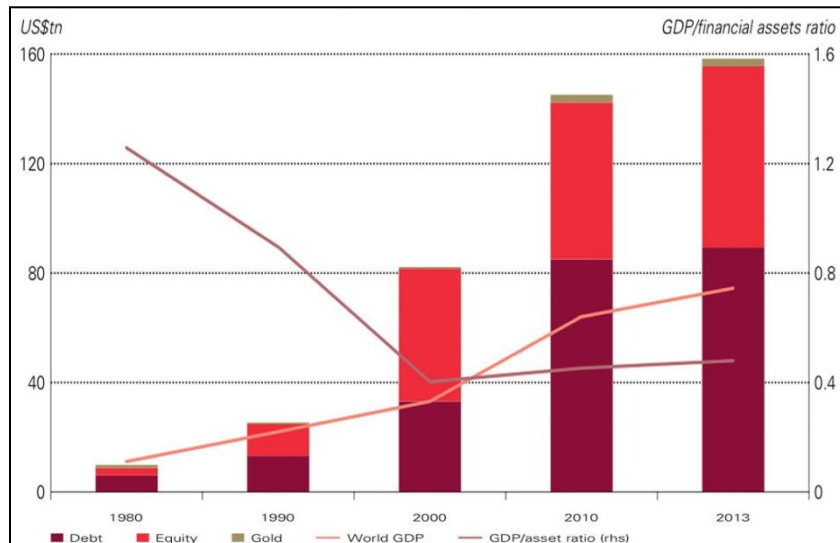
Momentum Stocks' Recent Performance



Source: WSJ

Many of the most popular 'momentum stocks' have fallen sharply in the last few weeks. A momentum stock is one which attracts investors with quick acceleration in its stock price or growth in company earnings or revenues. Shares of Tesla are up sixfold over the past year but off 10% in March. SolarCity, a solar-panel company also chaired by Tesla founder Elon Musk, is down 25% this month after gaining 244% over the past 12 months. Twitter has fallen 11% in March but has nearly doubled since its November IPO. For some, the recent selloff simply reflects the risks that come with highflying stocks. To others, it signals a broader warning sign that investors are feeling less confident about the outlook for the market. Underlying concerns about valuation, coupled with worries over Federal Reserve policy and corporate earnings, have not yet prompted investors to move broadly out of all stocks.

Global Financial Assets

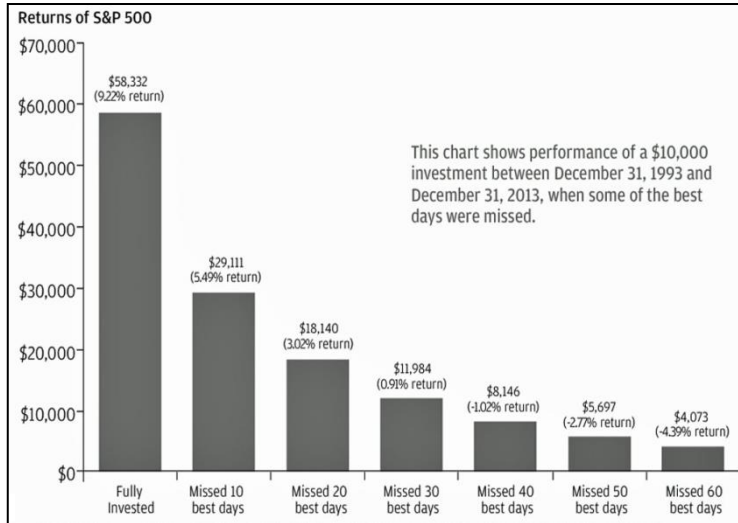


Source: Thomson Reuters; World Bank

Over the past few decades, global financial markets have expanded substantially, bringing both wealth and risk to all areas of the world. Currently at \$156 trillion, financial assets are six-times larger than in 1990 and a multiple of global GDP. The staggering growth was led by fixed income markets. Between 2000 and 2013, debt markets grew three-fold, from \$33 trillion to \$90 trillion, as a result of aging demographics in many developed countries, heightened risk aversion, low interest-rate policies, and record government spending to boost ailing economies. In particular, outstanding U.S. treasury debt more than doubled from \$4.5 trillion in 2007 to \$11.9 trillion in 2013. The rise in global stock market assets, from \$49 trillion in 2000 to \$66 trillion in 2013, was partly driven by economic growth in emerging markets, better prospects for economic recovery in developed markets, and an increase in initial public offerings (IPOs).

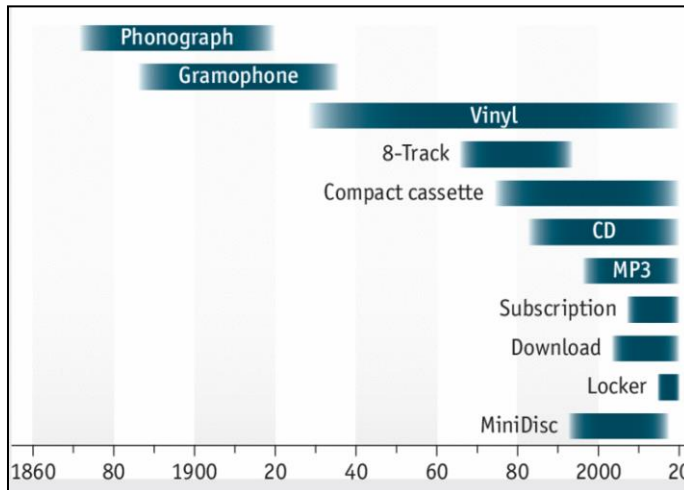
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Cost of Missing the Best Days in the Market



Source: J.P. Morgan

Recorded Music Formats



Source: MIDiA Consulting

Missing the best trading days in the market can dramatically change an investor's results. Investors that remained fully invested in the S&P 500 from 1993 to 2013, received a 9.2% annualized return. However, if a decision to exit the market resulted in them missing just the ten best days during that same period, their annualized returns would have narrowed to 5.4%. Missing the best 40 days would have wiped out their gains entirely. It is important to realize the total effect of being out of the market; not only does one lose the returns of that day, but also the growth of that return over the remainder of the investment holding period. Trying to time the market is extremely difficult to do successfully and consistently. Investing for the long-term, and staying invested while managing volatility, usually results in a better outcome.

In 1877, Thomas Edison introduced the phonograph – the first device that could not only record sounds, but also reproduce recorded sounds. The device consisted of waveforms that were engraved onto a rotating cylinder. For the century thereafter, the technology continued to improve, albeit slowly. The phonograph gave way to superior sounding Gramophone discs made of shellac, and later, vinyl records. The pace of technological change in sound recording dramatically changed in the 1970s. Analog formats were introduced through cassette tapes and the short-lived 8-track, followed by today's digital format in the 1980s, with CDs and MP3 files. Once digital, music could be distributed over the internet, providing options other than the old physical formats. This has disappointed music execs, as the income from online delivery, like streaming, is a fraction of what is generated through historical formats such as LPs and CDs.

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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