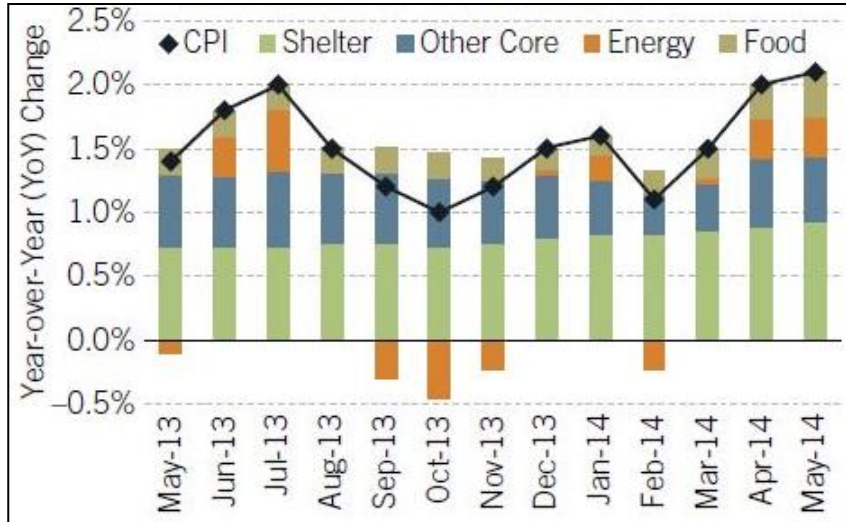


Market Recap

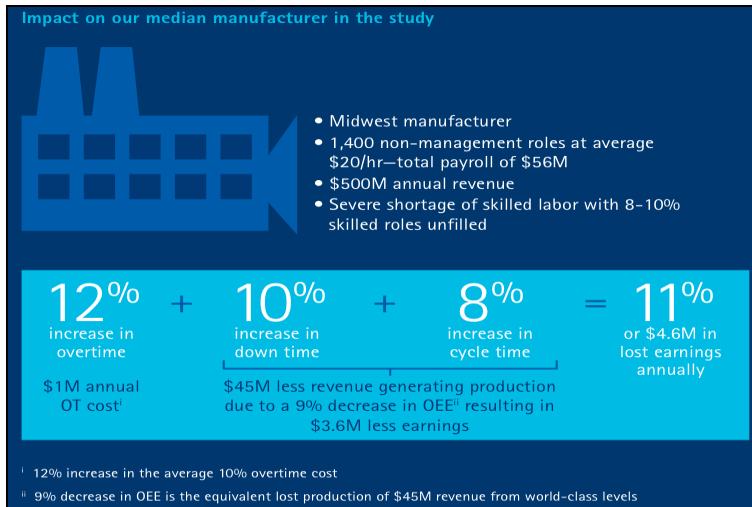
Consumer Price Index



Source: Bureau of Labor Statistics

Amid the backdrop of modest economic growth and lower commodity prices, the outlook early in the year for inflation in the U.S. was relatively benign. However, current data indicates that both headline and core inflation rates have ticked up over the course of 2014. Although industrial metals prices tied to Chinese demand have remained subdued, agricultural and energy commodities have moved higher due to severe weather and geopolitical events. As a result, food and energy prices have risen in recent months, causing overall inflation to rise to 2.1%. Core inflation (excluding volatile food and energy prices) surpassed 2.0% in April mainly due to costs of shelter. A few areas within the economy have also experienced a pickup in wage growth. Though most economists still believe that late-cycle inflation pressures are not imminent, commodity supply disruptions and firmer core inflation are areas worth monitoring.

Impact of Skilled Labor Shortage - Manufacturing

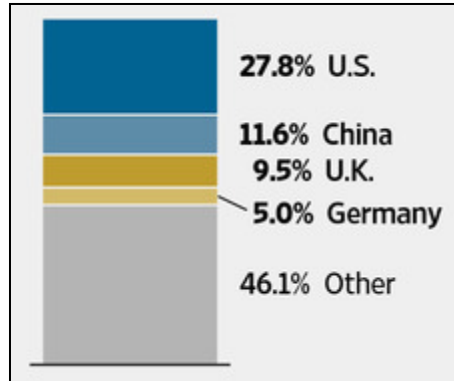


Source: Accenture

One of the biggest complaints among employers today is their inability to find skilled workers. A recent survey of over 300 executives indicates that 39% of manufacturing companies face a severe shortage of qualified applicants and 60% find it difficult to hire the skilled workers they need. As a result, companies report a 12% increase in overtime cost, which, for the median company means additional expense of \$1 million annually. Further, companies see 10% higher downtime and 8% higher cycle time. Based on those assumptions, a hypothetical 2,000-employee manufacturer with \$500 million in annual revenue loses approximately 11% of operating earnings, or \$4.6 million per year. Over half of those surveyed have plans to increase production by at least 5% in the next five years. Despite high unemployment, it is becoming increasingly clear that there are manufacturing jobs available for those with the required skills.

Market Recap

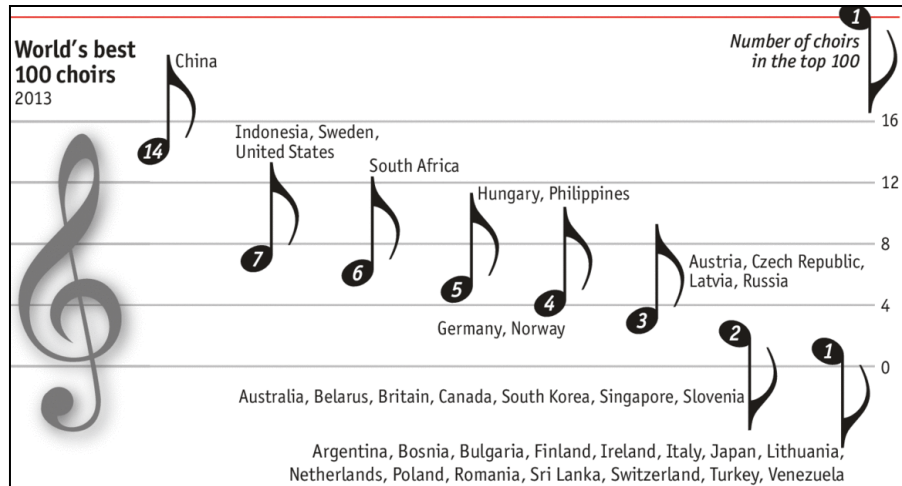
YTD Share of Global Stock and Convertible Bond Sales



Source: Dealogic; WSJ

Capitalizing on investors' appetite for riskier assets, companies have been issuing stocks at a record pace. Offerings of stock and stock-linked securities have raised \$510 billion in 2014, exceeding the previous record for the same time period (\$499 billion in 2007). Leading the pack, U.S. companies have raised 28% of the proceeds from these sales, followed by China at 12%. Europe has also seen a resurgence in activity, with U.K., Germany, and France accounting for a combined 19% of the volume. While many deals still originate when growing companies look to fund expansion plans, much of the volume this year has come from private equity firms looking to cash out on investments made before the financial crisis, as well as from banks seeking to bolster their capital cushion in response to increased regulatory scrutiny.

2013 World Choir Games' Top 100 Choirs



Source: Interkultur

The World Cup was not the only hotly contested global competition during the month of July. Far from Brazil, in Riga, Latvia, the World Choir Games is coming to a close after ten days of musical competition. The 2014 Games boast 460 amateur choirs from 73 nations competing in 29 categories ranging from children's ensembles to gospel. The competition has been held since 2000, and produces a ranking of the world's best amateur choirs appearing at the event. Last year, China dominated the top 100 league table with 14 choirs, followed by Indonesia, Sweden and the U.S. with seven each. While renowned groups such as the American Boychoir and Britain's Monteverdi Choir (named the world's best by *Gramophone* magazine) did not participate in last year's Games, this list underscores the diversity and depth of global talent represented. The 2014 Best Choirs List will be issued at the conclusion of the games tomorrow.

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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