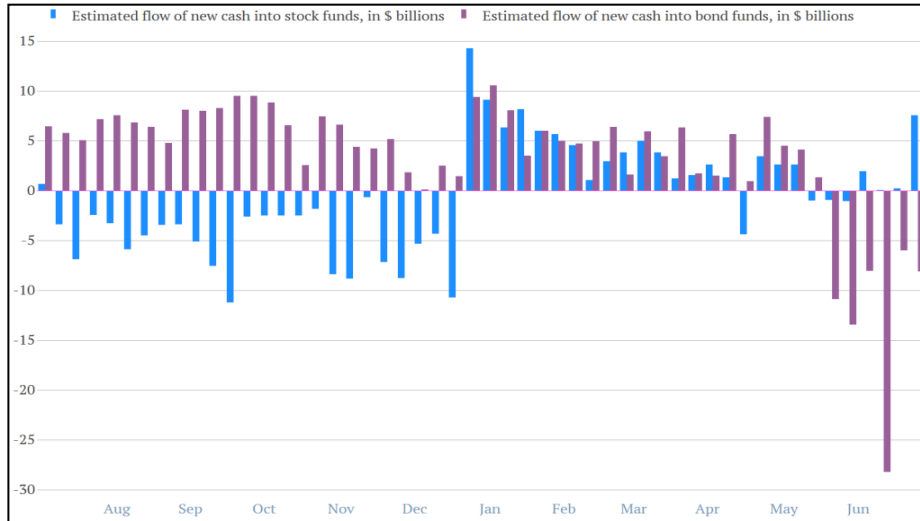


# Market Recap

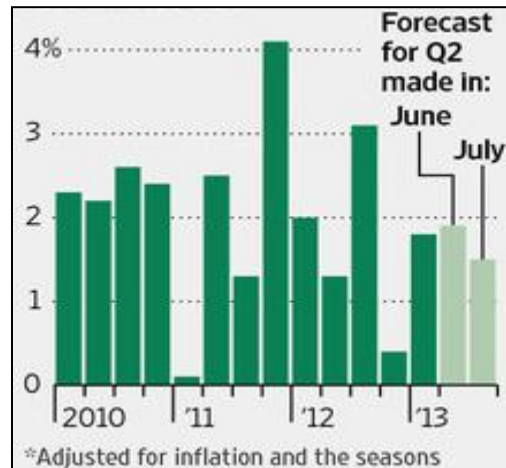
## Fund Flows into U.S. Stock and Bond Funds



Source: Investment Company Institute

Investors have been fleeing bonds, but the long-awaited rotation into stocks has not yet materialized. Despite their low yields, the most common landing spot for bond outflows has been money-market funds. Anxiety over stocks remains elevated even as equity indexes reach all-time highs. In June, investors withdrew an estimated \$43 billion from taxable bond mutual funds, the largest-ever monthly outflow. During that same month, an estimated \$6.3 billion came out of U.S. stock mutual funds. Money market fund values increased \$8.5 billion to \$2.6 trillion. But as markets stabilized during the first two weeks of July, investors moved \$7 billion back into U.S. stock mutual funds. This trend is expected to continue as investors tire of losing purchasing power and seek better returns.

## Quarter Change in Annual U.S. GDP Rate

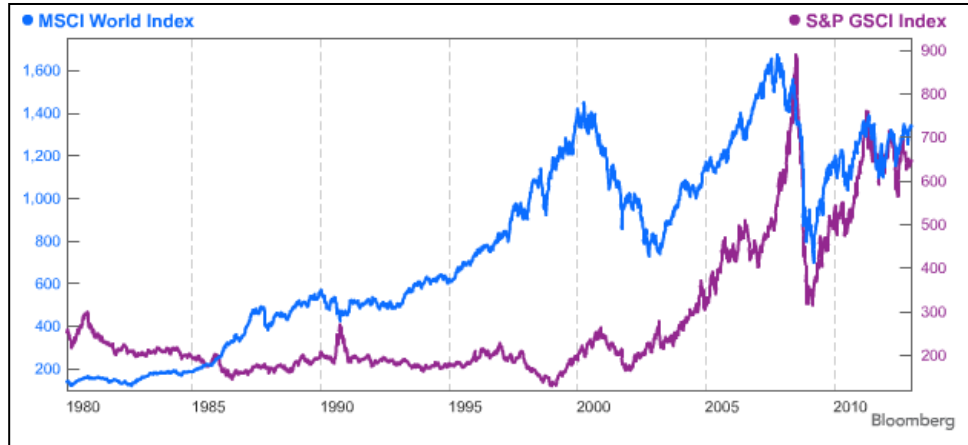


Source: Commerce Department; Wall Street Journal

Due to uneven recent economic and corporate earnings reports, expectations for accelerated U.S. GDP growth have been suspended. While economists expect a modest pickup in growth for the second half of the year, few are predicting the kind of substantial rebound needed to dramatically reduce unemployment and insulate the U.S. from economic threats abroad. There are signs that consumers are beginning to tighten their belts, with retail sales growing a modest 0.4% in June. In addition, second quarter corporate earnings have been mixed, with many companies citing the sluggish economy as cause for suboptimal results. Economists now believe the economy grew at an annualized rate of just 1.5% in the second quarter, down from initial estimates of 1.9%. For the second half of the year, economists predict a 2.4% annual growth rate in the third quarter, and 2.7% in the fourth. However, even if those projections hold up, GDP growth for the full year will be relatively anemic at around 2%.

# Market Recap

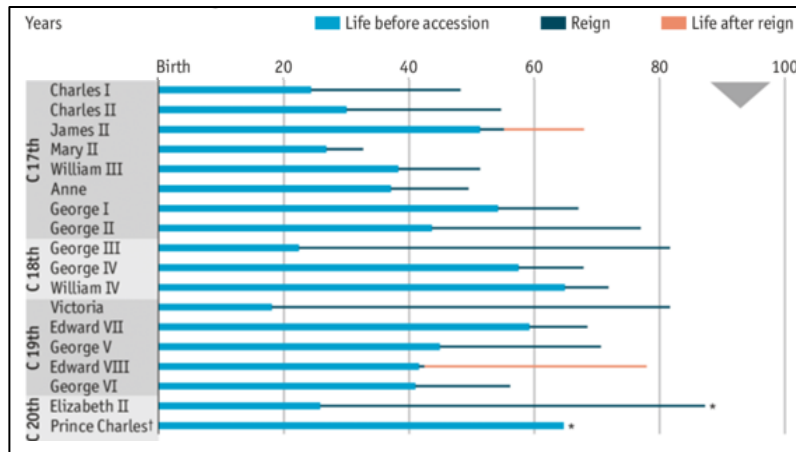
## Price Movement of Commodities and MSCI World Stock Index



Source: Bloomberg

The commonly held investment belief that commodities serve as a hedge against stock market exposure has been invalid during most of the last 30 years. A comparison of the S&P's GSCI index of commodity prices and the MSCI World Index of stocks in developed countries shows that the correlation between the indexes surged from mid-2008 onward after staying near zero for more than a decade. The reading can be as high as 1 if the indexes rise and fall in tandem, and as low as minus 1 if they move in completely opposite directions. From 2008 to 2012, investors would have earned higher returns owning commodities along with stocks, versus equities alone. However, the higher return would have been accompanied by higher volatility from the commodity investment. In 2013, as the stock market has soared, commodity prices have declined, leading, once again, to reduced correlation.

## The British Monarchy



Source: The Royal Household; Encyclopedia Britannica; The Economist

Prince George, the son of Prince William and great-grandson of Queen Elizabeth II, is third in line to the British throne. However, if recent history is any guide, and with two living predecessors, it could be a long time before his reign begins. Since William I (the Conqueror), the average age of accession has been 31 (Prince William's current age). The youngest king was Henry VI, who came to the throne in 1422 at nine months old, when his father Henry V died suddenly. However, Prince Charles, 64, and currently first in line, will soon become the longest king-in-waiting, passing William IV, who became king at 64 years and 10 months after his brother George IV died in 1830. With good health and longer life expectancies, together with few or no challenges to the throne, it could be another 50 years before the new Prince George ascends to rule.

**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.