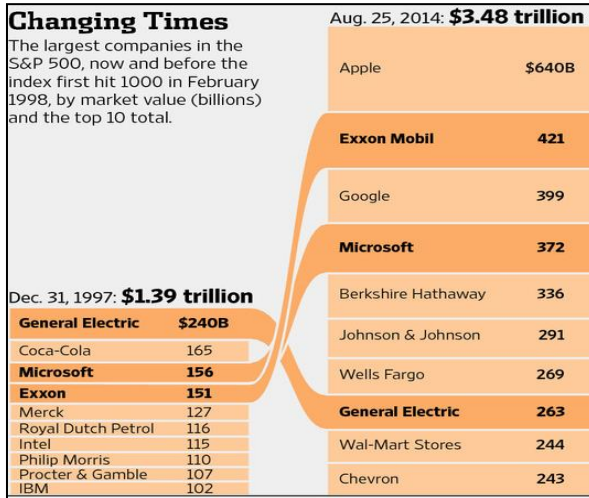


Market Recap

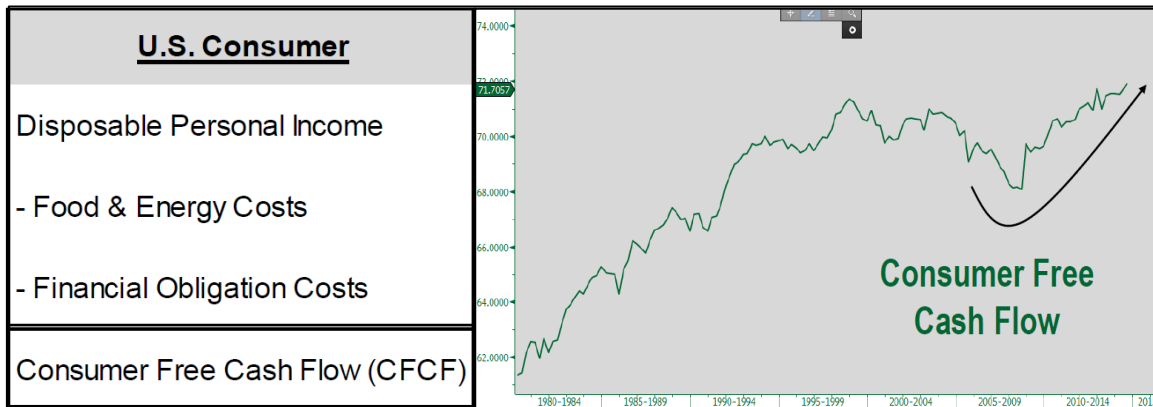
Top 10 S&P 500 Holdings



Source: S&P; WSJ

The S&P 500 index recently crested the 2,000 mark for the first time. It took the benchmark 16 years to gain 1,000 points since breaking through 1,000 in February 1998. In 1998, day trading was at its peak, and excitement with the dot-com bubble was building. The market rose 27% that year and was followed by a 19.5% increase in 1999. However, that optimism was soon dashed as stocks dropped by 10% in 2000, and massive bear markets twice sent the S&P tumbling below 1000, first with the collapse of the technology-stock bubble, and then again with the financial crisis. Today, the stock market is marked by lukewarm investor sentiment with many still reluctant to participate in stocks after being burned by the financial crisis six years ago. Back in 1998, General Electric Co. was the largest company in the index with a market capitalization of \$240 billion. Today, GE is roughly the same size, but is dwarfed by Apple's \$640 billion market cap and has fallen to the 7th position.

Consumer Free Cash Flow

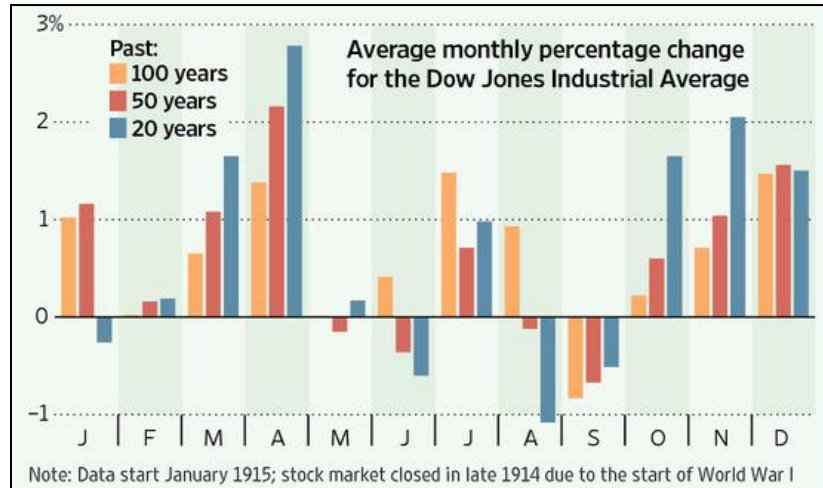


Source: Cornerstone Macro

Consumer Free Cash Flow is an economic measure of the behavior of consumer spending. It identifies cash flow available for discretionary spending after the subtraction of ongoing monthly costs such as a mortgage payment, a car lease, and food and energy spending. The U.S. is more consumer-centric than any other major economy, with consumer spending representing 70% of the overall economy. Accordingly, any trend that influences consumers' financial well-being has a significant impact on the U.S. growth outlook. Consumer Free Cash Flow is currently at record levels because income is up (courtesy of stronger U.S. growth) and fixed expenses are lower. Americans focused on deleveraging during the financial crisis, and slower growth in Europe has contributed to keep interest rates low. In addition, slower growth in China has led to lower food & energy costs.

Market Recap

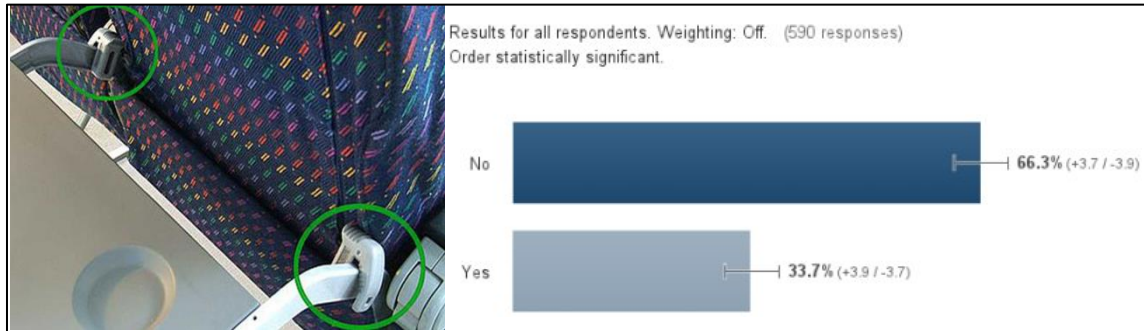
Dow Jones Monthly Performance



Source: Bespoke

On average, September tends to be the weakest month for the stock market. Although the big crashes of 1929 and 1987 occurred in October, that month reports gains over the past 20, 50 and 100 years. September is the only month which posts an average decline in all three periods. While money managers routinely debate why this occurs, sizable market gains leading up to the arrival of September has many investors nervous this year. Analysts indicate that many investors are seeking safety amid worries about global economic weakness and the risk that overvalued stocks might slump. This fact, alone, may stave off an even greater market decline as major market collapses usually occur when investors are overly optimistic, not when so many are bracing for a pullback. Additionally, some contrarians say that with so many people hunkering down, the stock market might continue its rise, confounding market forecasters once again.

Results of Knee Defender Survey



Source: Google Consumer Surveys

Recently, a reclining chair incident between two passengers on a United Airlines flight led to a nasty exchange of words and liquids and the eventual grounding of the flight. A national debate has ensued. The center of the storm is the Knee Defender, which prevents the passenger in the forward chair from reclining. Since the incident, sales of the world's most passive-aggressive travel accessory have skyrocketed. A recent poll was taken posing the question: "Should airline passengers be allowed to use Knee Defender, a device that blocks the passenger in front of them from reclining their seat?" The majority of respondents, over 66% of them, would prohibit the use of such devices, while almost 34% of those polled think it is fine. Airlines are now forced to develop policies to address the use of such devices.

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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