# Market Recap

## Companies of the Dow 30

| | | |
|---|---|---|
| 3M Co. | Johnson & Johnson | ADDED: |
| AT&T Inc. | J.P. Morgan Chase & Co. | **Nike Inc.** |
| American Express Co. | McDonald's Corp. | **Visa Inc.** |
| Boeing Co. | Merck & Co. | **Goldman Sachs Group Inc.** |
| Caterpillar Inc. | Microsoft Corp. | DROPPED: |
| Chevron Corp. | **Nike Inc.** | **Alcoa Inc.** |
| Cisco Systems Inc. | Pfizer Inc. | **Bank of America Corp.** |
| Coca-Cola Co. | Procter & Gamble Co. | **Hewlett-Packard Co.** |
| Du Pont | Travelers Co. | |
| Exxon Mobil Co. | UnitedHealth Group Inc. | |
| General Electric Co. | United Technologies Corp. | |
| **Goldman Sachs Group Inc.** | Verizon Communications Inc. | |
| Home Depot Inc. | **Visa Inc.** | |
| Intel Corp. | Wal-Mart Stores Inc. | |
| International Business Machines | Walt Disney Co. | |

Source: Dow Jones

The Dow Jones Industrial Average announced the biggest shake-up of the 30-stock index in the last decade. Alcoa, Hewlett-Packard and Bank of America will be dropped from the index and will be replaced by Nike, Visa, and Goldman Sachs. The changes were prompted by the Index Committee's desire to diversify the sector and industry group representation of the index, and took into consideration the low stock price of the three companies slated for removal. The Dow is a price-weighted measure, meaning the higher the stock price, the larger the influence of a particular sector. That differs from the S&P 500, which is weighted by market capitalization. Although the Dow is the longest-standing index and is popular in the press, relatively few index-tracking investments (representing c. $30 billion in assets) follow the Dow. By comparison, $1.6 trillion in assets are tied to the S&P 500.

## Average Hedge Fund Performance Fee or Share of Investment Profits


Source: HFR; WSJ

Recent pressure from disappointed investors has driven many larger hedge funds to reduce fees. In addition, midsize and smaller funds have seen fit to trim fees in order to attract capital. A charge of 2% of assets under management and 20% of investment profits had long been the industry standard. Since the technology bubble burst in 2000, investors had been willing to assume higher fees charged by hedge funds due to their higher relative performance. According to industry-tracker HFR, the current average annual hedge fund fee has fallen to 1.6% of assets under management, plus 18% for investment gains. With current assets in hedge funds estimated to be $2.41 trillion, these reductions are significant. Last year, hedge funds pocketed $50.5 billion in management and performance fees.

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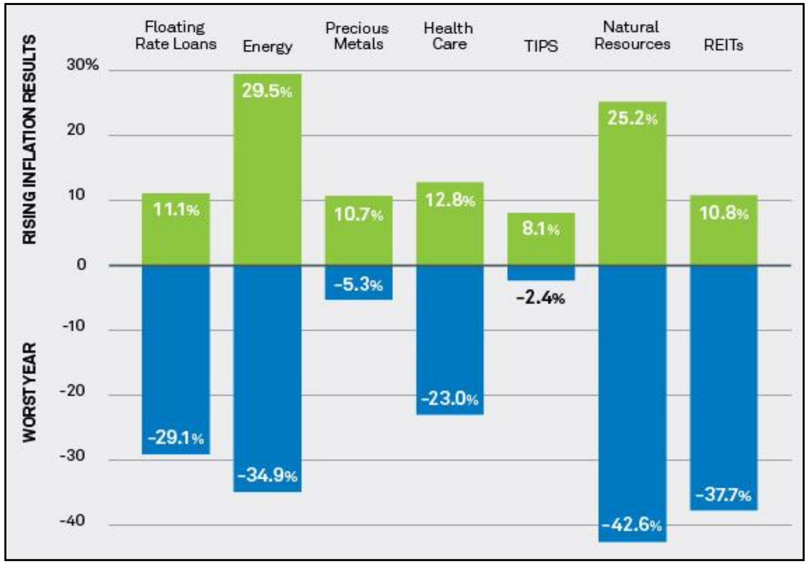
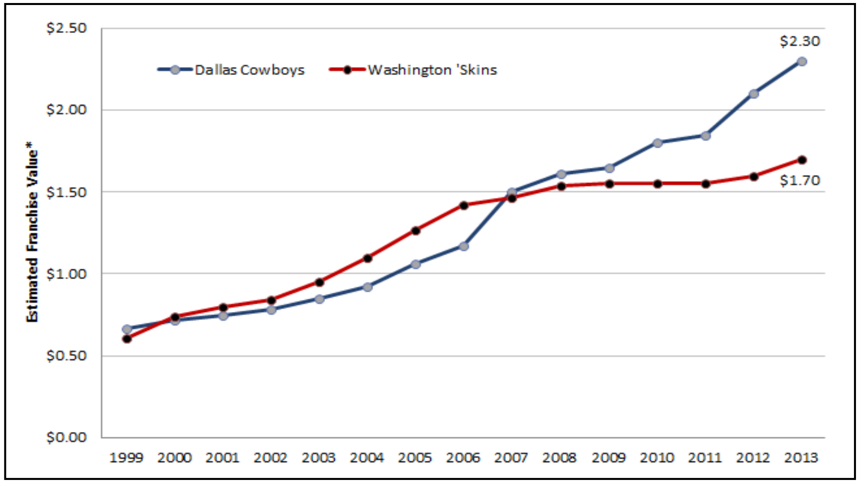
## Annualized and Worst Annual Returns (1998-2012) when CPI Was > 1%




Source: Morningstar: Blackrock

When investors are concerned about inflation, they turn to assets viewed as 'inflation hedges.' The effectiveness of single asset classes against the effects of inflation can vary greatly based on market conditions (e.g., rising growth/falling inflation; rising growth/rising inflation; falling growth/falling inflation; falling growth/rising inflation). Commonly utilized asset classes include: TIPS, commodities, and REITs. Rising interest rates will typically be a drag on TIPS portfolios over the long term. Meanwhile, commodity-related strategies have at times shown high levels of volatility and are often influenced by other factors beyond inflation. The same could be said of REITs. A diversified, tactically managed, multi-asset portfolio would seem to produce better risk/return results. Protecting assets against inflation requires a flexible, multi-asset solution that can quickly adapt to different market environments.

## Franchise Values Washington Redskins and Dallas Cowboys




Source: Forbes

As the football season kicks off, one of the most celebrated rivalries is that between the Washington Redskins and Dallas Cowboys. The rivalry between the two franchises extends beyond the field of play. The two annually rank among the most valuable sports franchises. Jerry Jones purchased the Dallas Cowboys for $140 million in 1989. Since then, the Cowboys have risen 1,543% in value to $2.3 billion based on the most recent valuations by Forbes. Shortly after Daniel Snyder purchased the Washington Redskins in 1999 for $800 million, it became the most valuable NFL franchise. However, since 2006, the growth of the Redskins' value has slowed relative to that of the Cowboys which are up more than 50%, by $800 million. With this growth in value, the Cowboys surpassed the Redskins in 2007 and now exceed the DC franchise value by $600 million.

**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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