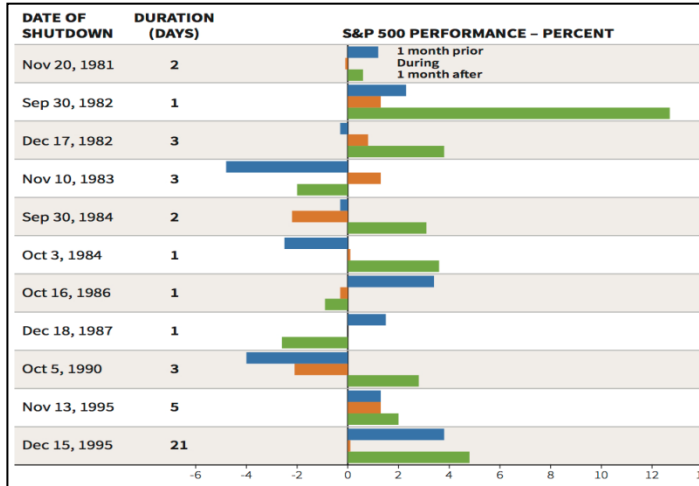


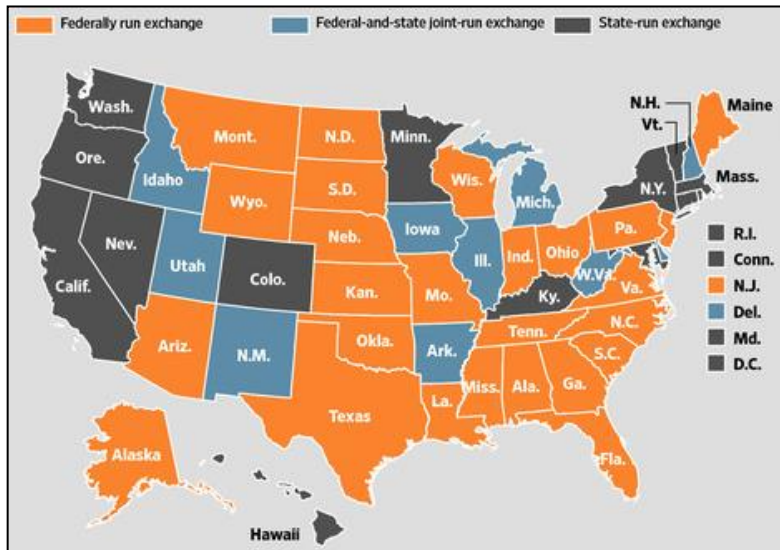
Market Recap

S&P 500 Performance with Government Shutdowns



Source: Merrill Lynch; Reuters

Health Insurance Exchanges



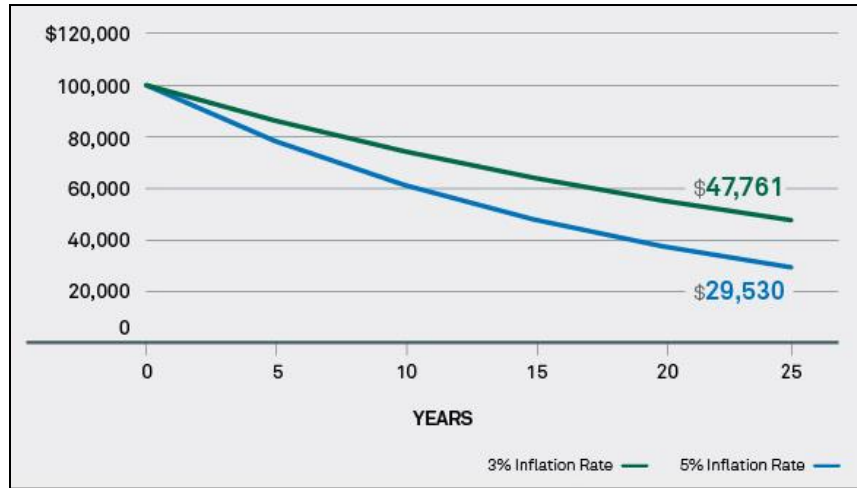
Source: WSJ

After Congress failed to pass a spending bill earlier this week, the U.S. government began a partial shutdown for the first time in 17 years. Depending on the duration of the shutdown, economists suggest it may have a substantial impact on the economy. However, if history is any guide, its impact on the stock market could be relatively minor. During the most recent federal government closings (November 1995 and December 1995), the S&P 500 actually rose slightly during the shutdowns and climbed more than 3% in the month after they ended. In fact, equities rose during eight of the last 17 government shutdowns. And in the days following the end of a closure, stocks have a tendency to quickly recover. On average, the market has risen 0.97% in the first month, 2.38% in the first three months, and 13.42% over the first year following a government shutdown.

Implementation of the Affordable Care Act (ACA) proceeded this week, with the debut of enrollment through the new Health Insurance Marketplace. Following the Supreme Court ruling in 2012, the ACA saw several modifications both in terms of its scope and the timing of its implementation. Approximately half the states are not participating in a Medicaid expansion that was a core part of the original legislation. The federal government is running the bulk (all or part of the exchanges in 36 states) of the new Marketplace, not the states as was originally envisioned. In addition, some of the key provisions are delayed, including the one that fines larger businesses if they do not offer coverage. It is projected that nine million people will gain Medicaid coverage and some seven million will gain private health insurance through the newly created exchanges in 2014, growing to 13 million and 24 million, respectively, by 2023.

Market Recap

Inflation Impact (Hypothetical Value of \$100,000 in 25 Years)



Source: U.S. Census; Blackrock

AgeWatch Index

1. Sweden	21. Israel	41. Croatia	61. Venezuela	81. Morocco
2. Norway	22. Spain	42. Thailand	62. Poland	82. Honduras
3. Germany	23. Uruguay	43. Peru	63. Kyrgyzstan	83. Montenegro
4. Netherlands	24. Belgium	44. Philippines	64. Serbia	84. West Bank and Gaza
5. Canada	25. Czech Republic	45. Latvia	65. South Africa	85. Nigeria
6. Switzerland	26. Argentina	46. Bolivia	66. Ukraine	86. Malawi
7. New Zealand	27. Italy	47. Bulgaria	67. South Korea	87. Rwanda
8. USA	28. Costa Rica	48. Romania	68. Dominican Republic	88. Jordan
9. Iceland	29. Estonia	49. Slovakia	69. Ghana	89. Pakistan
10. Japan	30. Panama	50. Lithuania	70. Turkey	90. Tanzania
11. Austria	31. Brazil	51. Armenia	71. Indonesia	91. Afghanistan
12. Ireland	32. Ecuador	52. Tajikistan	72. Paraguay	
13. United Kingdom	33. Mauritius	53. Vietnam	73. India	
14. Australia	34. Portugal	54. Colombia	74. Mongolia	
15. Finland	35. China	55. Nicaragua	75. Guatemala	
16. Luxembourg	36. Sri Lanka	56. Mexico	76. Moldova	
17. Denmark	37. Georgia	57. Cyprus	77. Nepal	
18. France	38. Malta	58. Greece	78. Russia	
19. Chile	39. Albania	59. El Salvador	79. Lao PDR	
20. Slovenia	40. Hungary	60. Belarus	80. Cambodia	

Source: HelpAge

While inflation may not typically be the most pressing and immediate threat on investors' minds, it is a real one. Unlike other types of investment risk that may come and go, inflation quietly erodes the value of investments and their future purchasing power. Consider that even relatively moderate inflation of 3% can result in the loss of more than half of an investment's value over 25 years. Accordingly, it is important to have some element of inflation protection built into a portfolio, and ideally one with the flexibility to adapt to changing market conditions and expectations. A number of different assets are commonly used to hedge against inflation, but all will not provide the same level of protection in every economic and inflation scenario. Therefore, a flexible, multi-asset strategy that incorporates various inflation fighters and adapts to different market environments typically is the most optimal way to combat the effects of inflation.

By 2030, some 1.4 billion people will be aged 60 or over. A new index has been created by HelpAge International to measure the best countries in which seniors might spend their golden years. The AgeWatch index considers four areas: income security, health, employment and education, and the social environment. Sweden tops the list, with the U.S. finishing 8th. Affluent countries tend to score better which is important as they also boast larger older populations. By 2030, a quarter of Europeans will be 60 or over, compared to only 6% of Africans. However, comparing this index against GDP reveals that similar economic profiles may not result in similar social standards. For instance, South Korea scores significantly lower than Spain and Italy despite having a similar GDP. In some cases, poorer countries can offer lessons to richer ones: the elderly in Sri Lanka, Bolivia and Mauritius fare better than those in Greece, Turkey and Russia.

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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