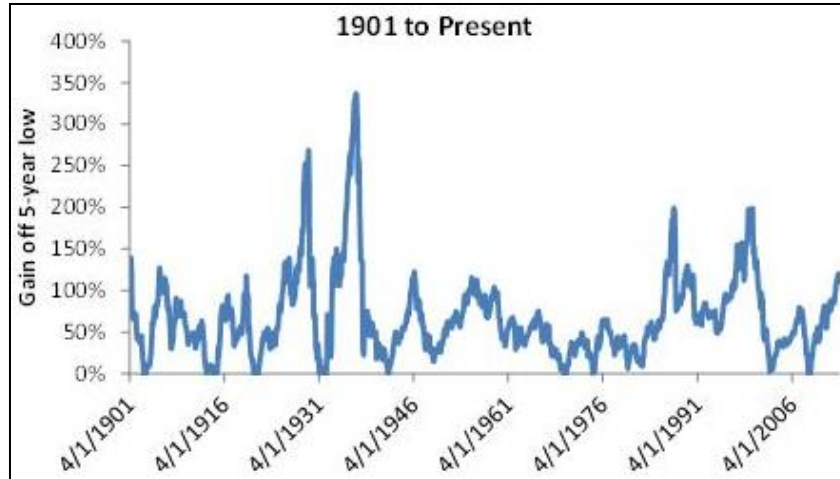


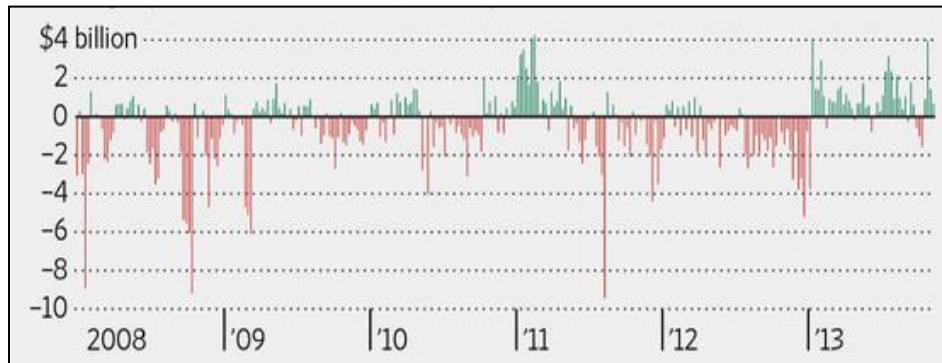
# Market Recap

## Dow Jones Industrial Average Gains off of 5-year Low



Source: Blackrock

## U.S. Equity Mutual Fund Flows



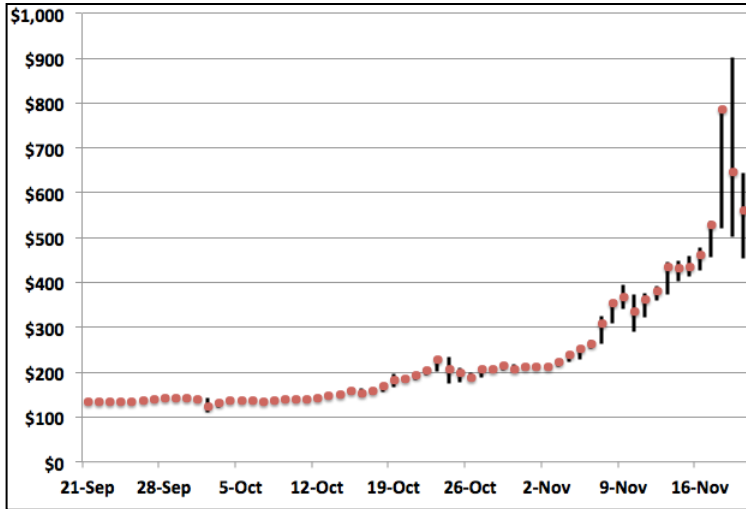
Source: Lipper; WSJ

Given the magnitude of recent stock market gains, investors are increasingly concerned that equities are overvalued, or even nearing a bubble. Based on several traditional valuation measures, stocks are no longer cheap, but may not yet have peaked. Stocks in the S&P 500 are trading at a price-to-earnings ratio of 14.7 times analysts' expectations for the next 12 months' earnings. That is up from 12.6x at the start of this year and just above the 10-year average of 14.1x. However, a comparison of the last three major market peaks (1987, 2000 and 2007) suggests the rally still has additional room (prior P/E ratios were, respectively, 23x, 30x and 17.5x). The current price-to-book ratio is 2.5x book value. The price-to-book ratio peaked at close to 5x in 2000 and 3x in 2007. While valuations may not be at extreme levels, stocks rarely record the types of gains we have seen since the 2009 lows. Over the past 40 years, there have only been two other periods in which stocks have rallied this far this fast: the run-up to the 1987 crash, and the late 1990s in advance of the technology bubble.

Five years after the financial crisis, there are signs that individual investors are finally re-entering the stock market. Main Street investors largely sat out the early years of the stock-market rebound, many of them still shaken by the 37% decline in 2008. In 2013, U.S. stock mutual funds have attracted more cash (\$76 billion) than they have in any year since 2004. From 2006 through 2012, they withdrew \$451 billion. According to the latest poll from the AAI, investors are more bullish about the stock market than at any time since the financial crisis (45% of individuals are bullish, above the long-term average of 39%). The renewed optimism among retail investors is considered by many seasoned professionals to be a warning sign as retail investors have historically had a poor track record of market timing.

# Market Recap

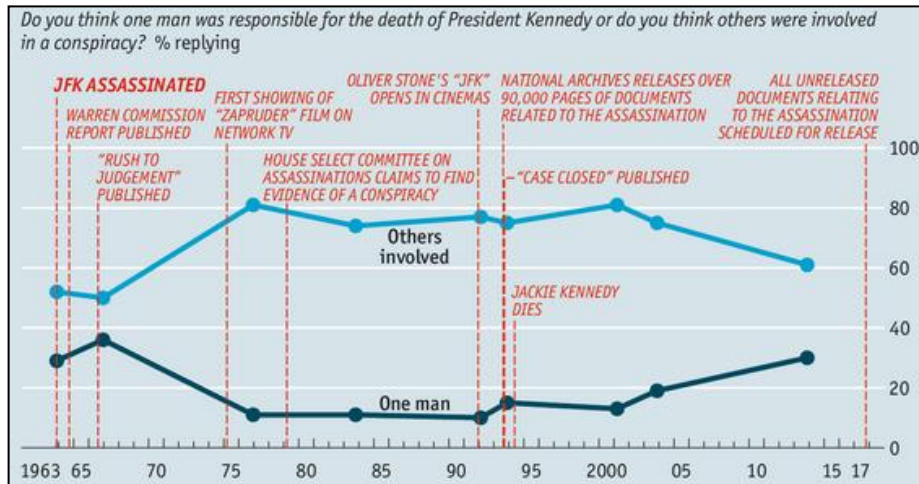
## 2-Month Bitcoin Price



Source: Bitcoincharts

'Bitcoin,' the peer-to-peer digital currency that allows users to conduct transactions online without the intermediation of a central authority, has garnered a great deal of attention of late. This week, Congress received a crash course on Bitcoin, as it considers whether the virtual currency should be regulated. The national exposure resulted in a spike in Bitcoin's value to over \$618. While testimony revealed that the virtual currency can be (and is) currently exploited by criminals, the possibility of regulatory oversight seemed to lend credence that Bitcoin might succeed as a fast, secure and efficient payment system. While Bitcoin is not yet adopted on a widespread basis, merchants have an incentive to accept the currency because transaction fees are lower than those imposed by credit card processors. Recent adopters span various industries (e.g. online travel, secondary education, dating, website development), and are global in their reach. In just five years, the virtual currency has gone from being worth pennies to over \$600 apiece.

## Kennedy Assassination Conspiracy Believers



Source: Gallup; The Economist

As we mark the fiftieth anniversary of the assassination of President Kennedy, there is renewed deliberation around the theory that Lee Harvey Oswald was not the lone assailant. Since 1963, plots involving the CIA, the Mafia and other groups have been debated and dismissed, only to be reopened years later. Today, the percentage of Americans who support a conspiracy theory involving more than one assailant is at a historic low (61%) outside the years immediately following Kennedy's death. The publication of books such as Mark Lane's "Rush to Judgment" and creation of movies such as Oliver Stone's film "JFK" have sparked periods during which more than 80% of Americans believe in the theory that multiple gunmen killed the President.

**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.