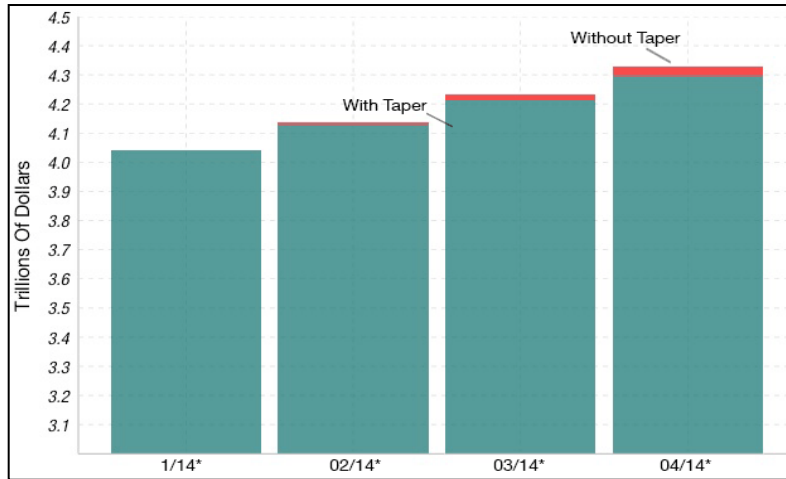


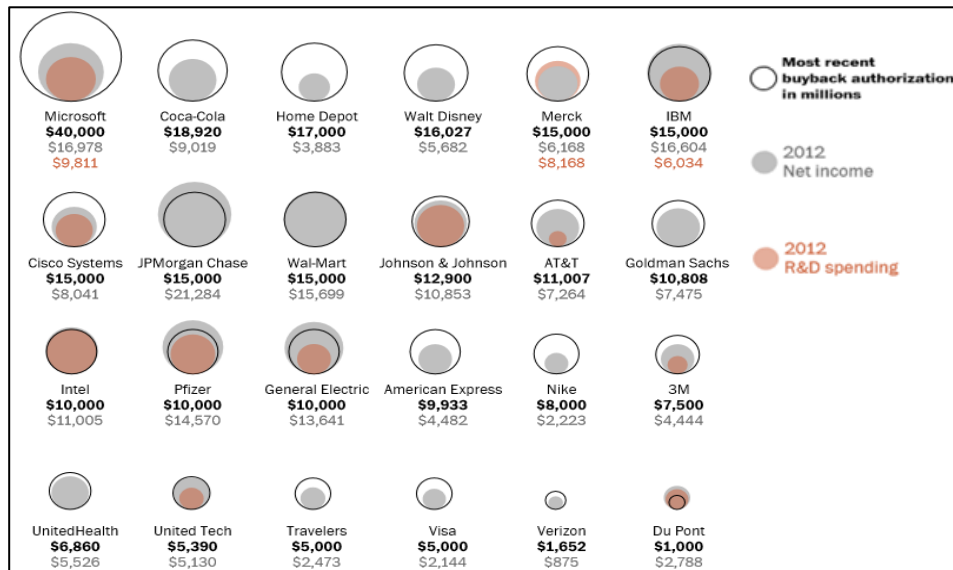
Market Recap

Projected Federal Reserve Total Asset Holdings



Source: Federal Reserve Board

Dow Companies Stock Buybacks



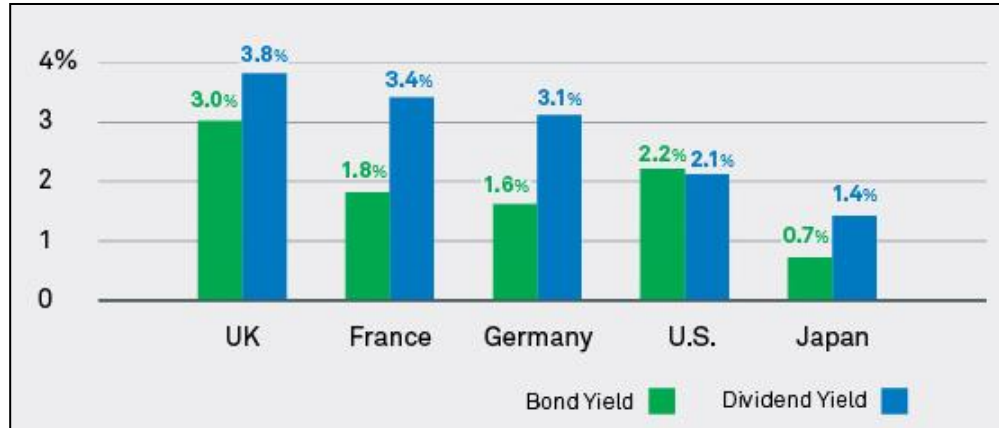
Source: Birinyi Associates; S&P

With the recovery on firmer footing, the Federal Reserve will begin winding down its bond-buying program. Chairman Bernanke said in his final news conference as Fed Chairman that the economy was getting to a point where it needed less support. Beginning in January, the Fed will reduce its purchases of mortgage and Treasury bonds by \$10 billion, to \$75 billion. That will comprise \$35 billion of mortgage securities and \$40 billion of Treasuries (\$5 billion less of each). Although further reductions in the future will be data-dependent, the Fed hopes to cut the monthly amount of its purchases in \$10 billion increments at subsequent meetings. If the Fed proceeds at the pace set out, it would complete the bond-buying program toward the end of 2014 with holdings of nearly \$4.5 trillion in bonds, loans and other assets (nearly six times as large as the Fed's total holdings when the financial crisis started in 2008).

Companies have been buying back shares of their stock at a rate approaching historical levels. Rather than engaging in big, new investments, raising worker wages, or hiring more employees, companies are more likely to use funds to reward shareholders. The 30 companies that comprise the Dow Jones Industrial Average have authorized \$211 billion in buybacks in 2013. That amount is nearly three times what the group spent on research and development. Buybacks have helped to lift the index to all-time highs. When the number of shares outstanding falls, the value of each one goes up, instantly rewarding shareholders. The repurchase also lifts earnings per share, an important number closely watched by investors.

Market Recap

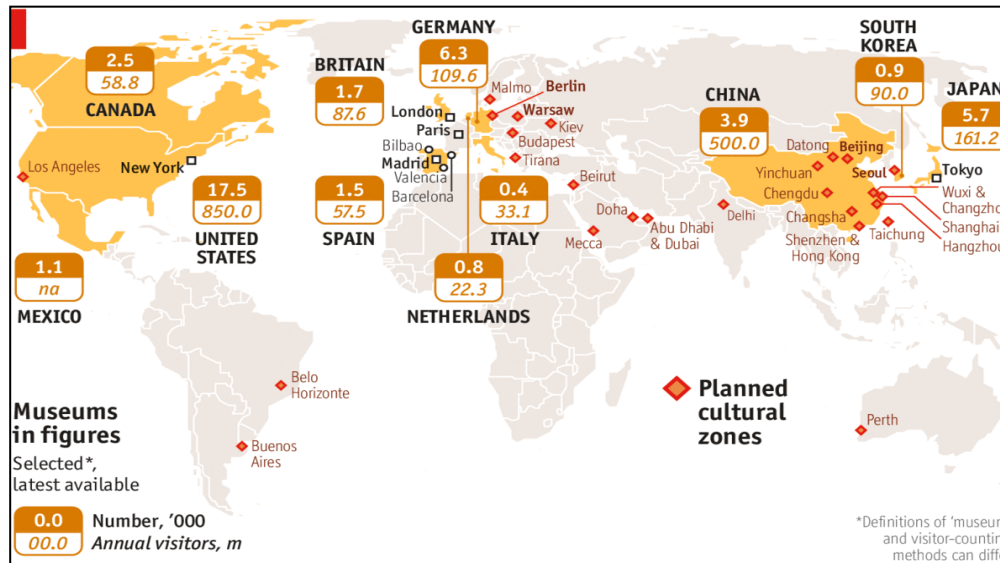
Global 10-Year Government Bond Yield Versus Stock Dividend Yield



Source: Bloomberg; Blackrock

With many of the traditional sources of yield, such as government bonds and money markets, delivering negative returns after inflation, investors are casting a wider net to find income. One often-overlooked source of yield in investment portfolios is international stocks. The yields on international stocks are higher than those available from their corresponding government bonds, and offer greater protection in the face of rising rates. Many international stock markets also offer yields higher than the U.S. stock market. One compelling argument for considering international dividend investments is that high-quality companies, with the proven ability to pay and grow their dividends over time, tend to be less volatile than global equities in general. In fact, they can be anywhere from 20% to 40% less volatile than the overall market.

Global Museum Growth



Source: The Economist

Museums are enjoying a new golden era. There are an estimated 55,000 museums across the world (more than double the number 20 years ago) with new museums being built every day. In China alone, more than 450 new museums opened last year. People are visiting museums in record numbers. In the developed world, demand is driven by a larger, educated middle class. Not only do city planners hope to attract tourists, but they also regard museums as an antidote to urban blight. In the newly-rich developing nations, museums are hailed as symbols of cultural sophistication, sources of public education, and places where a national narrative can be presented. In cities such as Buenos Aires, Mecca, and Shanghai, museums will be at the center of nearly two-dozen new cultural zones due to be built in the next ten years, at a cost of over \$250 billion.

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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