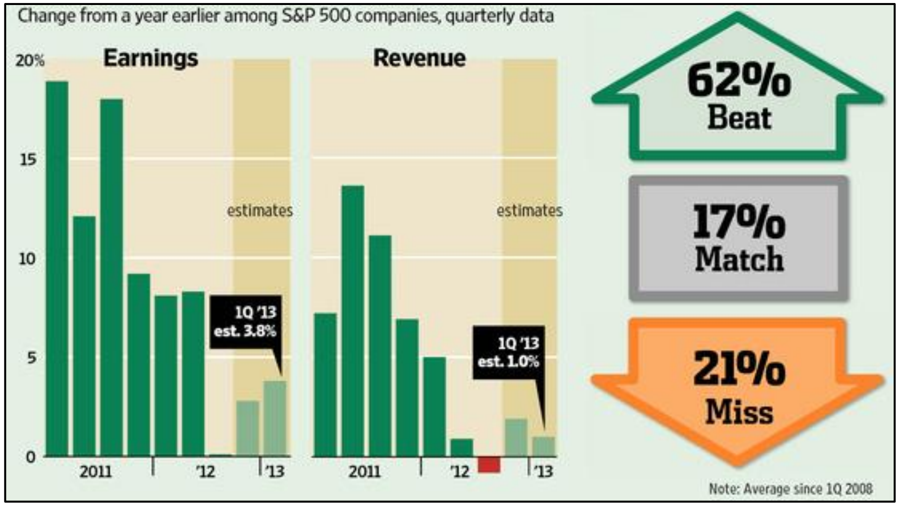
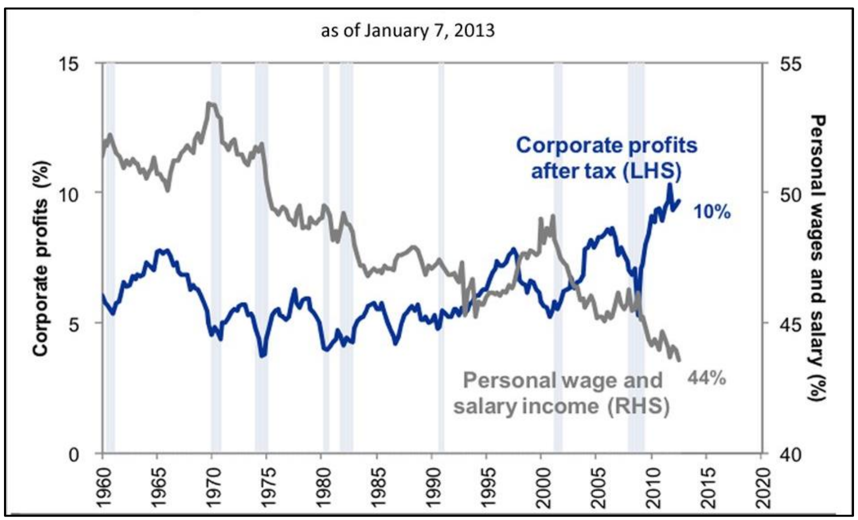
Market Recap

Analyst Quarterly Earnings and Revenue Estimates



Source: Thomson Reuters; WSJ

Corporate Profits and Wages as a Share of GDP



Source: Bureau of Economic Analysis: Goldman Sachs

Analyst expectations for fourth-quarter earnings project a rebound in company profits. Forecasts show the S&P 500 index generating a total of $25.55 in earnings per share in the fourth quarter, up 2.8% from the fourth quarter of 2011. Analysts cite improving economic growth, both domestic and abroad. The predicted pickup in earnings has led some investors to believe that the sharp decline in profit growth seen in the second half of 2012 has bottomed out. Further, stock bulls argue that higher earnings growth is not fully reflected in share prices, which still are relatively cheap. Inclusive of early 2013 gains, the S&P 500 is trading at 12.9 forward earnings estimates, below the historical average of 14.8. Despite optimism over rising profits, stock bears remain concerned about top-line revenue growth. Fourth-quarter revenue is projected to increase merely 1.9% after falling 0.8% in the third quarter in what was the first quarterly decline since 2009.

The stock market recently reached its five-year high and is approaching its historical peak due in large part to improving corporate profits. Company earnings have steadily climbed since bottoming out in 2009. Meanwhile, the broader U.S. economy has reported only modest levels of recovery. Perhaps the most evident symptoms of the sluggish economy have been the weak labor market and low wages. In some respects these two indicators go hand-in-hand because a significant portion of the corporate profit rebound has been attributed to lower labor costs. Personal wage and salary income as a percentage of GDP has fallen to a historical low of 44% of GDP. At the same time, corporate profits as a percentage of GDP are near a historical high at 10% of GDP.

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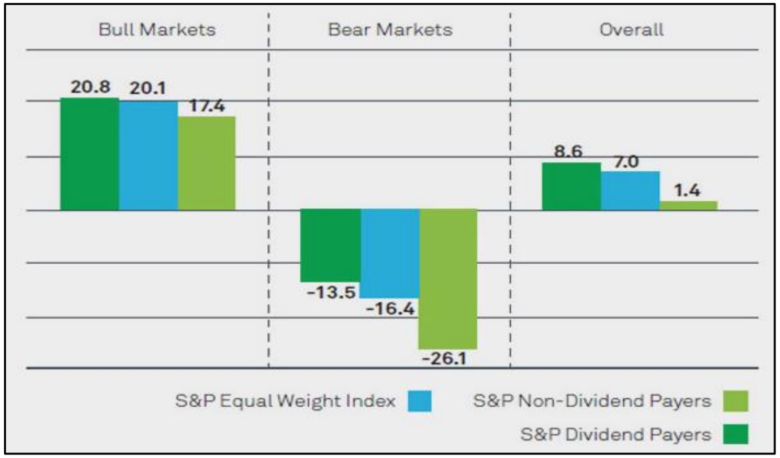
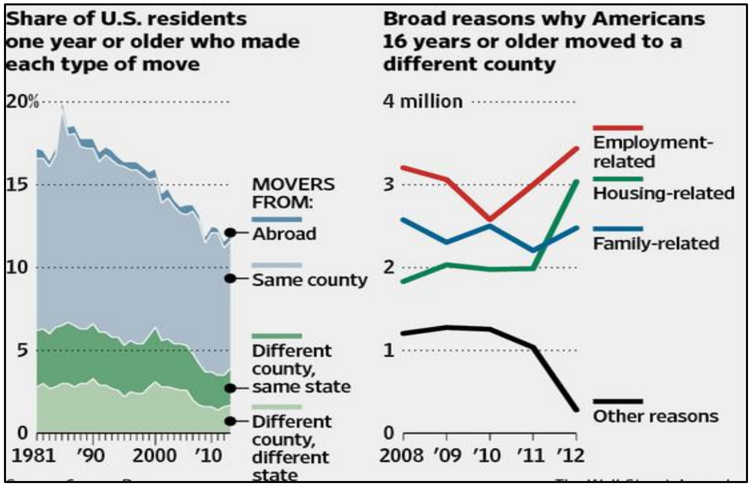
Dividend-paying Stocks



Source: Ned Davis Research

Dividend-paying stocks were long thought to provide protection during declining markets with dividend payments supplying some positive gains as share prices declined. While dividend payers may lag the broader markets for short periods of time, they tend to outperform the broad market over the long term. The fact is, over time, the majority of investment return comes from dividend growth. A Société Générale study found dividend growth was the single-largest contributor to nominal returns across developed markets over the past 40 years, providing more return than valuation moves. In addition, the outperformance of dividend stocks holds true through all market cycles. In bear markets, stocks that pay dividends have gone down, on average, about half as much as non-dividend payers. During the last 10 U.S. bull markets, dividend payers have provided an additional 3% of annualized return to investors.

U.S. Residents Moving



Source: Census Bureau; WSJ

Americans have been moving households at a pace not seen since before the recession forced many to stay in place due to the poor job and housing markets. New census data indicates that 3.9% of the population (11.8 million people) moved to a different county in 2011. Movement between counties largely reflects people relocating due to job opportunities. In 2009 and 2010, 3.5% of the population moved to a different county (the lowest levels since the government began the analysis in 1948). Although the pace of household movement is still low by historical standards, the improving data signals both a healthier economy and future growth; it indicates that more workers are finding jobs and suitable housing and are relocating their families to pursue this work.

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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