

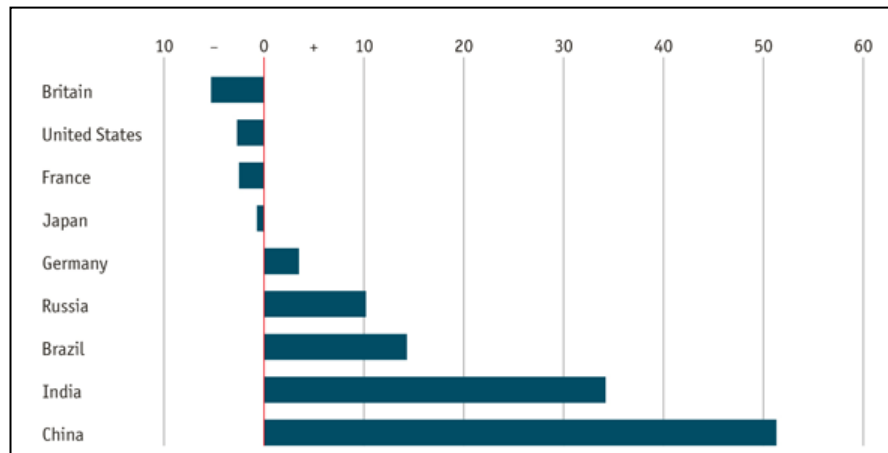
Market Recap

Investment Quilt of Returns

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Commodities 25.9%	Emerging Markets Stock 55.8%	Emerging Markets Stock 25.6%	Emerging Markets Stock 34.0%	Emerging Markets Stock 32.2%	Emerging Markets Stock 39.4%	World Bonds 10.9%	Emerging Markets Stock 78.5%	Emerging Markets Stock 18.9%	U.S. Bonds 7.8%	
World Bonds 19.5%	International Stock 40.0%	International Stock 20.8%	Commodities 21.4%	International Stock 26.2%	Commodities 16.2%	U.S. Bonds 5.2%	International Stock 33.7%	Commodities 16.8%	World Bonds 6.4%	
U.S. Bonds 10.3%	U.S. Stock 26.4%	World Bonds 10.4%	International Stock 15.0%	U.S. Stock 13.6%	International Stock 12.9%	Commodities -35.7%	U.S. Stock 26.5%	U.S. Stock 15.1%	U.S. Stock 2.1%	
Emerging Markets Stock -6.2%	Commodities 23.9%	Commodities 9.1%	U.S. Stock 3.0%	World Bonds 6.1%	World Bonds 11.0%	U.S. Stock -37.0%	Commodities 18.9%	International Stock 9.0%	International Stock -12.2%	
International Stock -15.5%	World Bonds 14.9%	U.S. Stock 9.0%	U.S. Bonds 2.4%	U.S. Bonds 4.3%	U.S. Bonds 7.0%	International Stock -37.0%	U.S. Bonds 5.9%	U.S. Bonds 6.5%	Commodities -13.3%	
U.S. Stock -23.4%	U.S. Bonds 4.1%	U.S. Bonds 4.3%	World Bonds -6.9%	Commodities 2.1%	U.S. Stock 5.5%	Emerging Markets Stock -53.3%	World Bonds 2.6%	World Bonds 5.2%	Emerging Markets Stock -18.4%	

Source: Bloomberg, HFRI, ThompsonOne.com

Real GDP Per Person (% Change from 2007 to forecasted 2012)



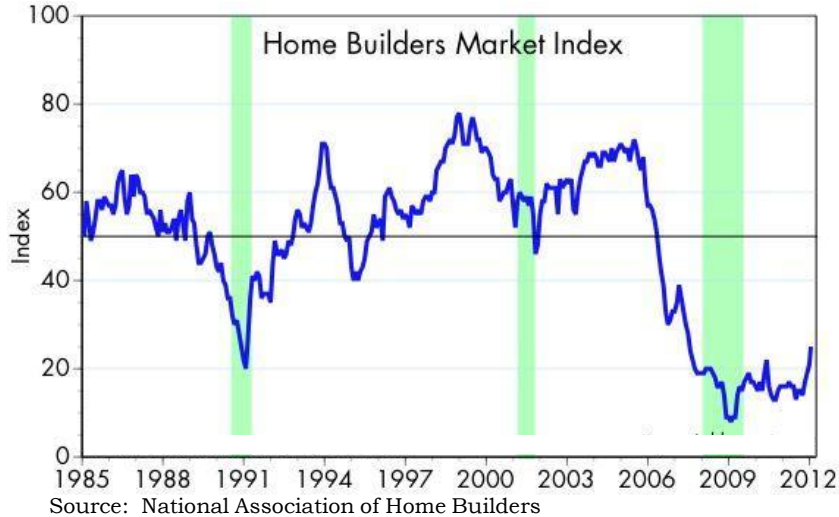
Source: Economist Intelligence Unit

The Investment Quilt of Returns ranks key market indices, representing different asset classes, in order of calendar year performance. Asset classes can rotate in and out of relative favor depending on factors such as market sentiment and economic dynamics. While U.S. bonds were the best performing asset class this past year, they were an under-performing asset for 7 years during the past decade. Likewise, emerging market equity was the top-performing category for the majority of the past decade but was the least favorable category in 2011. Because it is difficult to 'time the market' and predict which asset class will outperform in a given year, investors should consider investing in a balanced and well-diversified portfolio instead of investing too heavily in any single asset class.

As several developed economies face the possibility of GDP slowdown or recession this year, it is interesting to compare how output per person has changed in the world's largest economies since 2007 (just before the financial crisis hit). According to the Economist Intelligence Unit's forecasts, people in Britain, U.S., France, and Japan will be less well-off in 2012 than they were in 2007. In Britain, real GDP is forecast to be more than 5% lower per person compared with its pre-crisis level. Germany and the BRIC countries are expected to do better. India's real output per person is forecast to be 34% higher this year than it was in 2007, while the increase in China is expected to be over 50%. These projections are a strong argument for the increasing importance of emerging markets on the global stage.

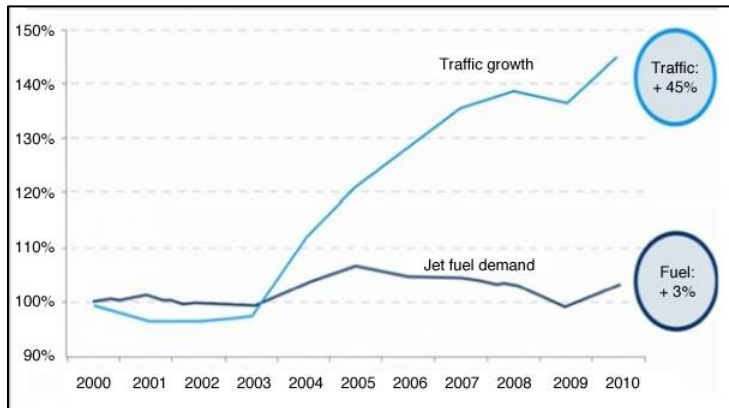
Market Recap

NAHB Sentiment Index



According to the National Association of Home Builders, U.S. home builders' sentiment rose in January to the highest level in 4 1/2 years. The data is the latest in a series of signs that the housing market may finally be on a road to recovery after its prolonged slump. The housing market index rose to 25 from 21 in December (the fourth-straight monthly increase). Despite the recent positive trend, confidence is still low from a historical perspective. A reading above 50 in the NAHB index would mean more builders view conditions as good rather than poor. Such optimism has not existed since April 2006. In other good news this week, the National Association of Realtors said the number of Americans signing contracts to buy existing homes increased in December to the highest level in 20 months. In addition, new home sales rose a third straight month during November. Many analysts see these recent results as signs that the U.S. housing market is gradually emerging from a 5 1/2-year decline that precipitated the worst economic recession in decades.

Airline Traffic Growth vs. Jet Fuel Demand



Source: CERA, Airbus

A bit of good news headlined the beleaguered airline industry this week. Despite elevated oil prices for much of the past decade, airlines have done an admirable job of battling the need for more fuel. Since 2003, there has been a massive divergence between traffic growth (as measured by passenger miles) and jet fuel demand. Although cumulative traffic has grown 45% since 2000, fuel consumed by the global fleet of aircrafts has increased less than 5% over the same time period. The trend is attributed to the acceleration of aircraft parking, retirement of older airplane models, and adoption of newer, more efficient aircraft. Greater efficiency (i.e. load factors) and fleet renewal are at the heart of an airline's competitiveness in an industry where fuel is now an airline's largest single operating cost.

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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