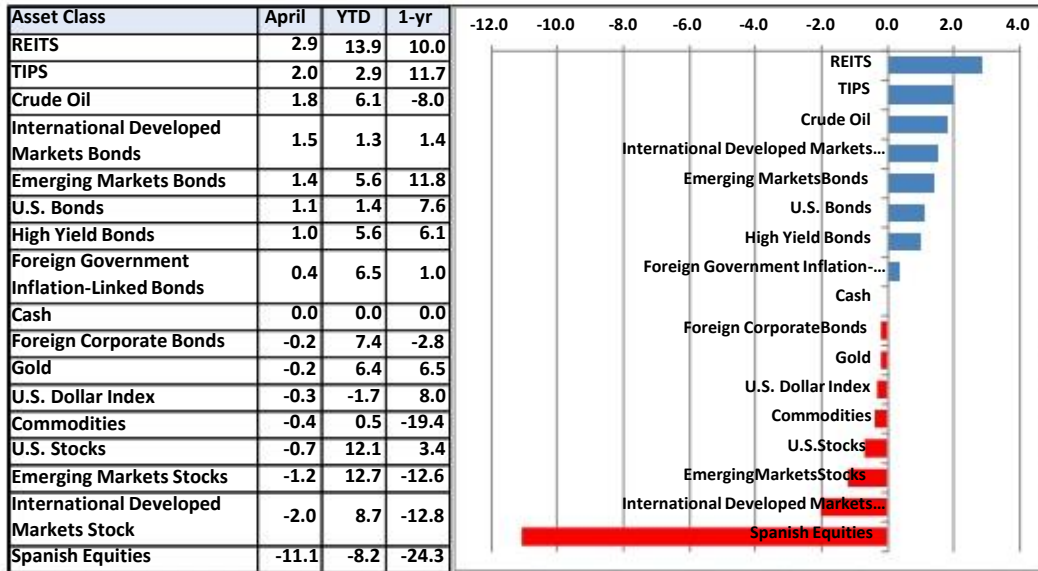


# Market Recap

## April Asset Class Performance

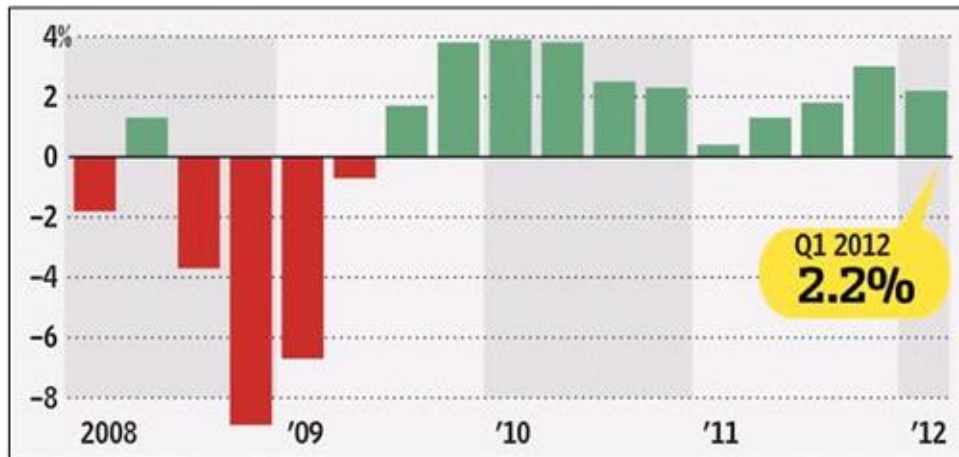


After posting impressive returns for the first quarter of the year, many asset categories took a step back during April, including all primary categories of stock. While not, perhaps, viewed as a major asset category, the Spanish Equities was the worst performing index in April, posting a loss of 11%. Among the categories, REITs and bonds were the best performing assets last

month. As stocks around the world retreated, REITs forged ahead for the second straight month, rising 2.9%, according to MSCI REIT. Meanwhile, investors resumed their love affair with bonds. U.S. fixed income gained 1.1% last month, based on the Barclays Aggregate Bond Index (its best month since last August), while inflation-indexed Treasuries surged 2.0% as per the Barclays Treasuries Tips Index. Year to date, every major category of stocks and bonds remains higher.

Source: Morningstar

## Quarterly GDP

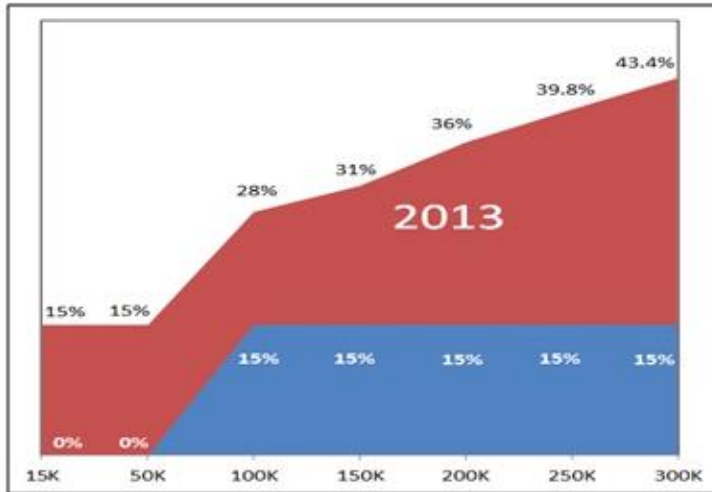


Source: Commerce Department, WSJ

GDP grew at an annualized rate of 2.2% during the first quarter of 2012. The quarter was down from 3% during the last quarter of 2011. While overall economic growth was far stronger than at the start of last year, when the economy teetered on the brink of recession, the deceleration was largely attributed to sharp cutbacks in government spending and weaker business investment. There were some pockets of strength, however. Consumer spending, by far the largest segment of the economy, accelerated in the first quarter. The long-struggling housing sector also showed signs of improvement. Outside factors—from high oil prices to Europe's continued financial turmoil—are expected to continue to be constraints on growth in coming months. The weak start to the year seems to give the economy little momentum to help carry it past these constraints.

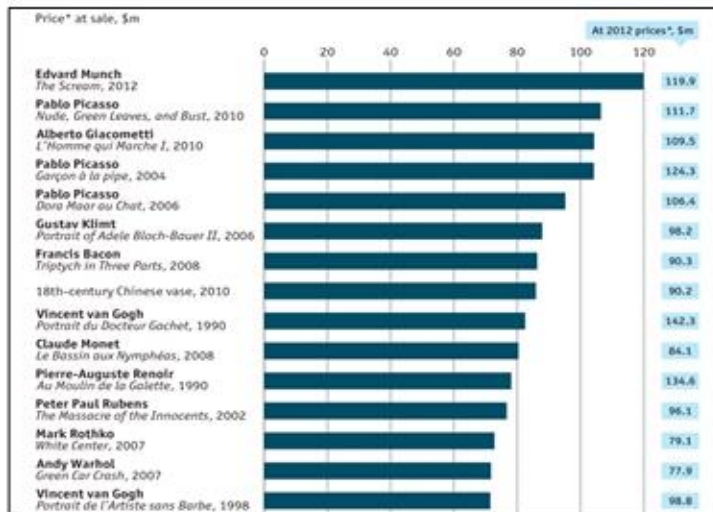
# Market Recap

## Dividend Tax Rates: 2012 v. 2013



Source: Forbes

## Most Expensive Pieces of Art Sold at Auction



Source: Sotheby's; The Economists

The 2010 Patient Protection and Affordable Care Act (PPACA) included some major tax changes that will take effect next year, unless the Supreme Court strikes them down when it rules on the law's legitimacy in June. Starting in 2013, an extra 0.9% Medicare tax will be levied on salary and self-employment income above certain thresholds (e.g., \$250,000 for married joint filers). Also starting in 2013, a 3.8% Medicare tax will be levied on the lesser of "net investment income" (including long-term capital gains and dividends) or the excess of adjusted gross income over the applicable threshold (e.g., \$250,000 for married joint filers). Therefore, the maximum Federal rate on long-term gains for 2013 and beyond will be 23.8% (versus the current 15%) and the maximum rate on dividends will be 43.4% (versus the current 15%). The fate of these scheduled 2013 tax increases may hinge on what the Supreme Court decides next month when it rules on the constitutionality of PPACA.

„The Scream“ by Edvard Munch set a new record for a work of art sold at auction. When Munch painted the pastel, he did not have enough money to buy canvas, so the painting is on cardboard. Munch painted several versions of the painting, which makes its record-breaking price somewhat surprising; the other versions are held in museums. The masterpiece garnered nearly \$120mil (including the premium paid to Sotheby's) from an anonymous buyer. Previously, the most expensive artwork ever sold there was Picasso's painting „Nude, Green Leaves, and Bust,“ which sold for \$107mil two years ago. The current sale is only a record in nominal terms: adjusted for inflation, there have been several more expensive paintings sold. When private sales are taken into consideration, reports suggest that a buyer paid \$250mil for Paul Cézanne's „The Card Players“ in 2011. Clearly, for art enthusiasts, price is often not the primary consideration.

**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).

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