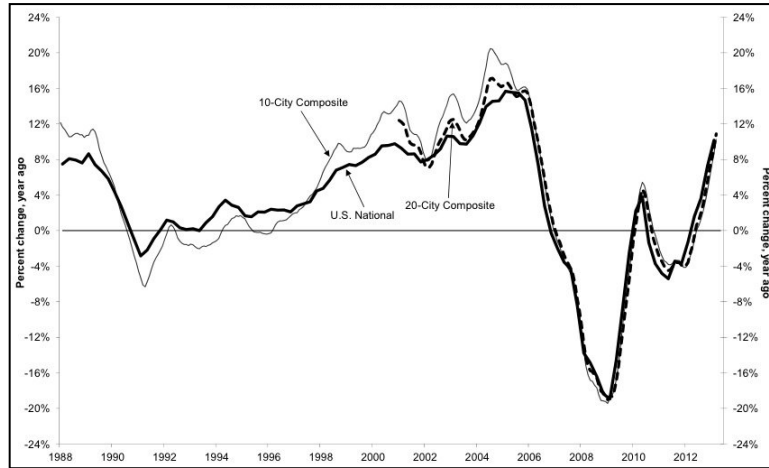


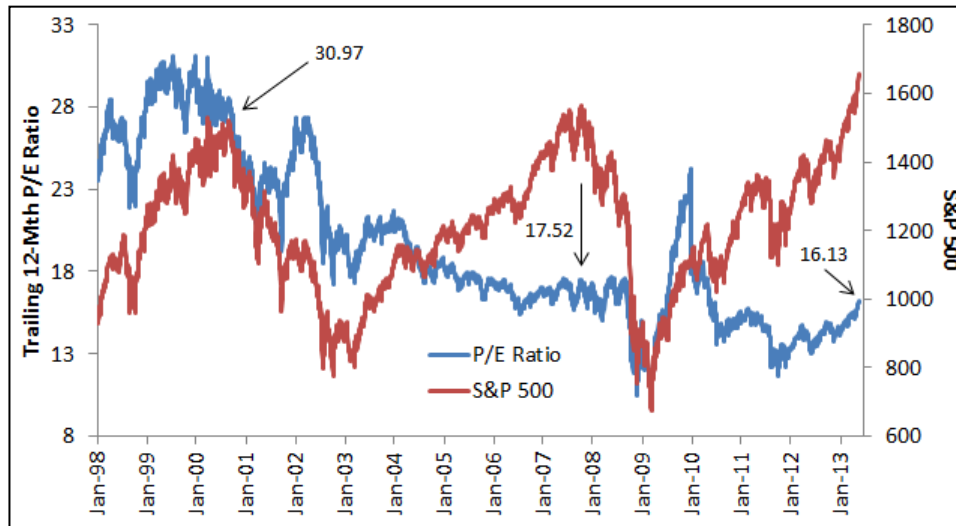
Market Recap

S&P/Case-Shiller Home Price Index



Source: S&P Dow Jones Indices; CoreLogic

S&P 500 Trailing P/E Ratio



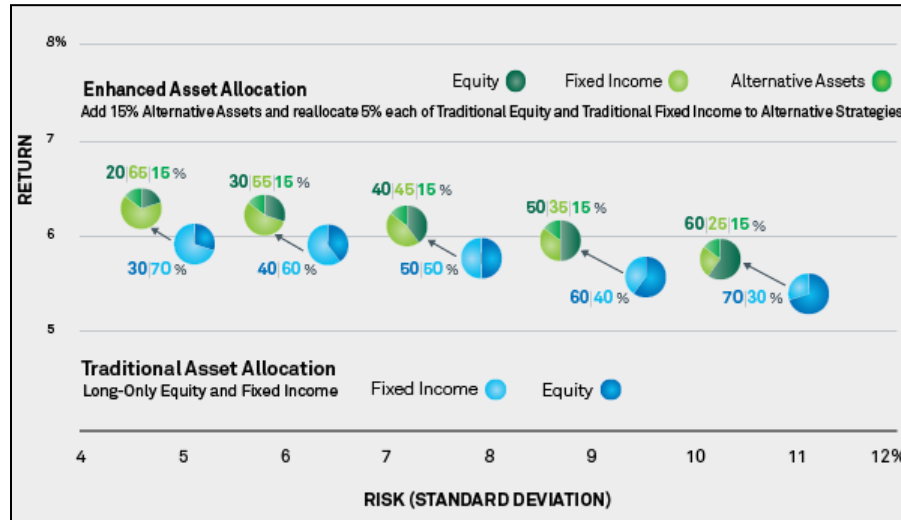
Source: New York Federal Reserve

During the first quarter, home prices increased at their highest rate in nearly seven years. The positive housing data, coupled with surging consumer confidence, is further evidence that we are in the midst of an economic recovery. The data also suggested that housing and consumer spending may serve as buffers as the broader economy faces the pinch of sequestration. The S&P/Case Shiller Home Price composite index of 20 metropolitan areas climbed 10.9% year over year, the biggest increase since April 2006 (just before prices peaked in the summer of that year). The housing market turned a corner in 2012, as inventory tightened, foreclosures eased, and historically-low mortgage rates attracted buyers. Economists are projecting that the housing market likely has momentum through at least the rest of the year. Accordingly, price forecasts are being ratcheted higher.

With stocks at all-time highs, investors are tempted to compare the current situation with the two most recent peaks (2000 and 2007), both of which were followed by market crashes. While the nominal prices may be similar, the fundamentals today seem to be different. At the March 2000 bull market peak, the S&P 500's P/E ratio was 30.97 on a 12-month trailing basis. At the market's peak in 2007, the P/E ratio was at 17.52. Over the last 15 years, the average trailing P/E ratio for the S&P 500 has been 19.58. At the current ratio of 16.13, the index's valuation is currently 17% below its 15-year average. Further, in 2000, the S&P finished at 1469, earned \$53 per share, and paid out \$16 in dividends. The 2013 S&P 500 is earning double that amount - over \$100 per share. The index will also be paying out double the dividend, more than \$30 per share, and returning even more cash with record-setting share buybacks.

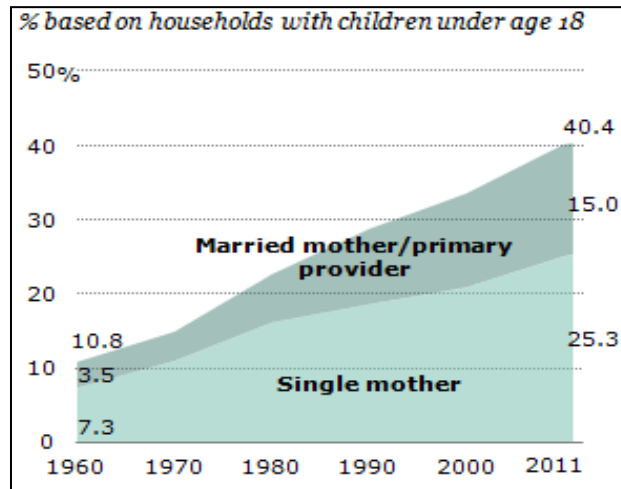
Market Recap

Alternative Investments Risk/Return Profiles



Source: Blackrock

Mothers as Sole or Primary Providers



Source: Pew Research Center

During the financial collapse, many investors were surprised to discover that their portfolios were not nearly as protected from downside risk as they thought and that their traditional notion of "diversification" had failed. While their portfolios may have included diversified securities, these investors did not have sufficient diversification among asset classes. The introduction of "alternative" investments, which tend to behave differently and have low correlation to stocks and bonds, improves the risk/return profile (Efficient Frontier) of the portfolio. While equity markets have become far more correlated, alternative investments are more likely to zig when stocks zag. Alternative investments may also generate more favorable risk-adjusted returns. For slightly more risk, alternative investments can provide increased returns.

According to a new Pew Research Center report, a record 40% of all households with children under the age of 18 are led by mothers who are either the sole or primary source of income for the family. The reported share was just 11% in 1960. These "breadwinner moms" are comprised of two very different groups: 5.1 million (37%) are married mothers who are higher earners than their husbands, and 8.6 million (63%) are single mothers. The income gap between the two groups is substantial. The median total household income of married mothers who earn more than their husbands was \$80,000, well above the national median of \$57,100 for all families with children, and nearly four times the \$23,000 median for families led by a single mother. The growth of both groups of mothers is tied to women's increasing presence in the workplace. Women make up almost half (47%) of the U.S. labor force today, and the employment rate of married mothers with children has increased from 37% in 1968 to 65% in 2011.

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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