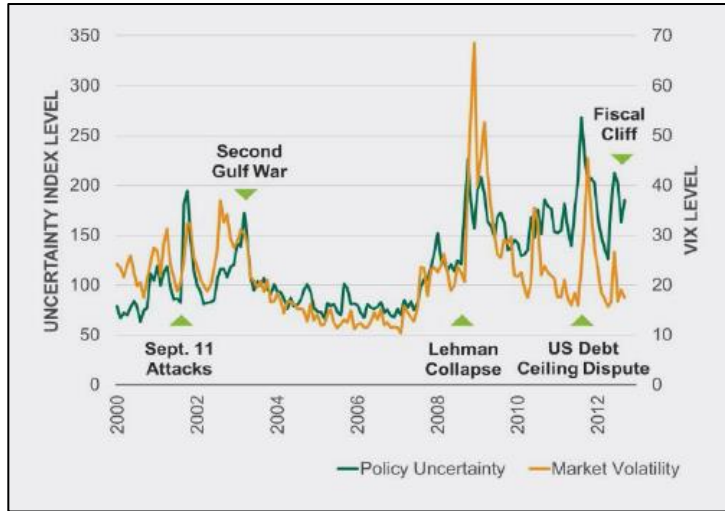


Market Recap

Economic Policy Uncertainty and Market Volatility (2000-2012)



Source: Thomson Reuters

Largest 2012 Special Dividend Payments

Company	Announcement Date	Ex-Dividend Date	Payable Date	Amount Per Share	Distribution (in millions)	Insider Ownership
Costco Wholesale Corp	11/28/2012	12/6/2012	12/18/2012	\$7.00	\$3,026.97	1.05%
Las Vegas Sands Corp	11/26/2012	12/6/2012	12/18/2012	\$2.75	\$2,264.48	52.55%
Franklin Resources Inc	11/16/2012	12/4/2012	12/20/2012	\$3.00	\$636.88	35.91%
Alexanders Inc	11/30/2012	12/21/2012	12/20/2012	\$122.00	\$622.93	59.17%
Loral Space & Communications	11/7/2012	12/5/2012	12/4/2012	\$29.00	\$616.19	8.48%
Brown-Forman Corp Cl-B	11/27/2012	12/10/2012	12/27/2012	\$4.00	\$515.42	29.46%
Whole Foods Market Inc	11/29/2012	12/6/2012	12/21/2012	\$2.00	\$371.05	1.97%
Tellabs Inc	11/29/2012	12/12/2012	12/21/2012	\$1.00	\$367.53	9.39%
Ryman Hospitality Properties	11/2/2012	11/8/2012	12/21/2012	\$6.84	\$309.85	2.65%
Carnival Corp	11/16/2012	12/5/2012	12/28/2012	\$0.50	\$297.24	30.22%
Paccar Inc	12/4/2012	12/12/2012	12/28/2012	\$0.80	\$282.42	50.66%
Westlake Chemical Corp	11/19/2012	11/27/2012	12/12/2012	\$3.75	\$250.12	69.84%
Dillard's Inc	11/26/2012	12/5/2012	12/21/2012	\$5.00	\$216.18	42.47%
The Buckle Inc	11/5/2012	12/5/2012	12/21/2012	\$4.50	\$215.74	42.07%
Dish Network Corporation	12/3/2012	12/12/2012	12/28/2012	\$1.00	\$213.00	54.46%
Dicks Sporting Goods Inc	12/5/2012	12/13/2012	12/28/2012	\$2.00	\$195.38	19.71%
Vornado Realty Trust	11/30/2012	12/6/2012	12/21/2012	\$1.00	\$186.14	17.53%
Fastenal Co	11/20/2012	12/5/2012	12/21/2012	\$0.50	\$148.16	8.59%
Lancaster Colony Corp	11/19/2012	12/6/2012	12/28/2012	\$5.00	\$136.49	32.50%
Regal Entertainment Group	11/29/2012	12/7/2012	12/27/2012	\$1.00	\$131.75	1.70%

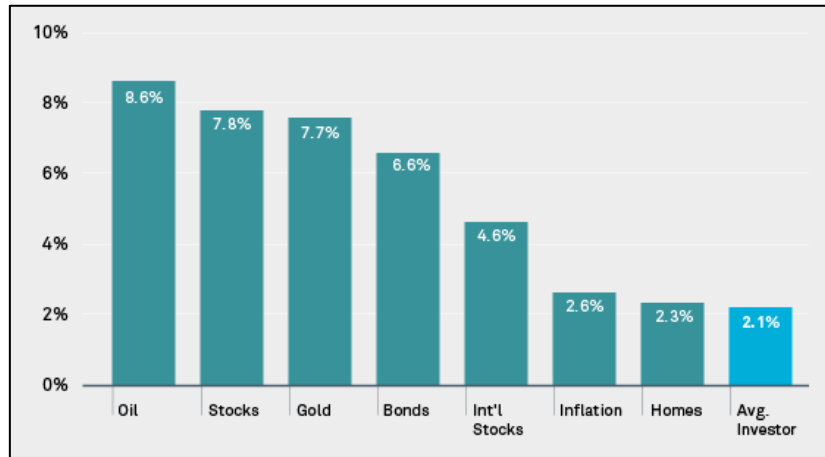
Source: Markit

Given uncertainty over the economy and government policy, it is easy to understand the reluctance of businesses to invest and hire, further impacting an already-weak economy. With sustained anxiety over the fiscal cliff, there are signs of slower business investment and gloomy forecasts for fourth-quarter growth. In order to measure levels of uncertainty and to explore correlation with other measures (market volatility), economists from Stanford and the University of Chicago have developed an index. The Economic Policy Uncertainty Index relies on a tally of expiring tax-code provisions and statistical measures of disagreement among forecasters about inflation and government spending coupled with broad media references to sources of anxiety about the economy. Uncertainty about economic policy has been rising since the onset of the financial crisis and spiked during the August 2011 showdown over the federal debt ceiling. With the fiscal cliff less than a month away, the uncertainty index is once again approaching its historical high.

Investors are set to face an increase in the top dividend tax rate in 2013. The current top Federal tax rate on dividends of 15%, which was set in the Bush-era, will expire in January. If lawmakers fail to take action, dividends will be taxed at the same level as wage income (as high as 39.6% plus surtaxes). Major companies such as Costco, Las Vegas Sands, and Wal-Mart have declared special dividends or have moved up quarterly dividend payments in attempts to avoid the looming tax increase. In November alone, 228 companies announced special dividends, compared to only 72 in the same time-frame a year ago. Announcements continue in December. S&P 500 companies that announced special dividends last month have since averaged a 4.5% gain, whereas the broad index is down a bit throughout that same period, making companies announcing special dividends at least one bright spot in the otherwise gloomy overhang of the fiscal cliff.

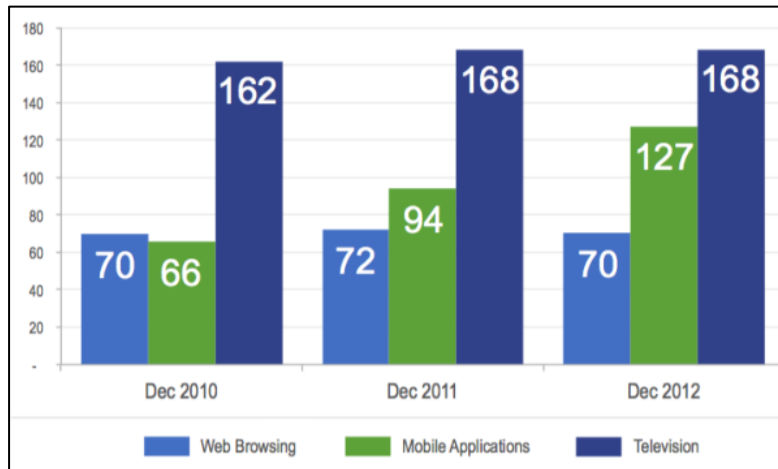
Market Recap

Returns of Individual Investors vs. Other Asset Classes and Market Indicators



Source: Bloomberg; Blackrock

U.S. Web, Mobile Applications and Television Consumption (minutes per day)



Source: comScore, U.S. Bureau of Labor Statistics

The average individual investor has struggled to keep up with the performance of the broader markets for stocks, bonds, and commodities over the past 20 years. During the period, the average individual investor underperformed the S&P 500 by 5.7% per year. That same investor didn't even manage to keep up with inflation, falling below that indicator by 0.5% annually. One factor believed to be a key driver behind the underperformance of the average investor is emotion-led investment decision-making. Emotional instincts often drive investors to take actions that make little "rational" sense but that may make perfect "emotional" sense. Emotions driven by market volatility are often the catalyst for poor investment decisions, such as buying high and selling low. Whereas professional portfolio managers often expend enormous amounts of time and effort attempting to evaluate investment moves within a rational decision-making framework, average investors often lose out due to emotions such as fear, greed, anger, euphoria, and happiness.

Growing rapidly, time that users spend using mobile applications is almost double the time users spend on the web; mobile applications may also soon challenge broadcast television as the dominant source for media consumption. U.S. consumers are currently spending an average of 127 minutes per day using their smartphones and tablets, up from 66 minutes per day in 2010 and 94 minutes per day in 2011 (annual increases of 42% and 35%, respectively). By comparison, the average daily time spent on the web declined 2.4% this year, from 72 minutes to 70 minutes. With new content released via thousands of new apps each day, this trend is expected to continue. Even more surprising, use of applications on tablets and smartphones is expected to outpace television as a source for media in the next few years. Compared to the 60-year-old television industry, mobile apps are just over 4 years old.

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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