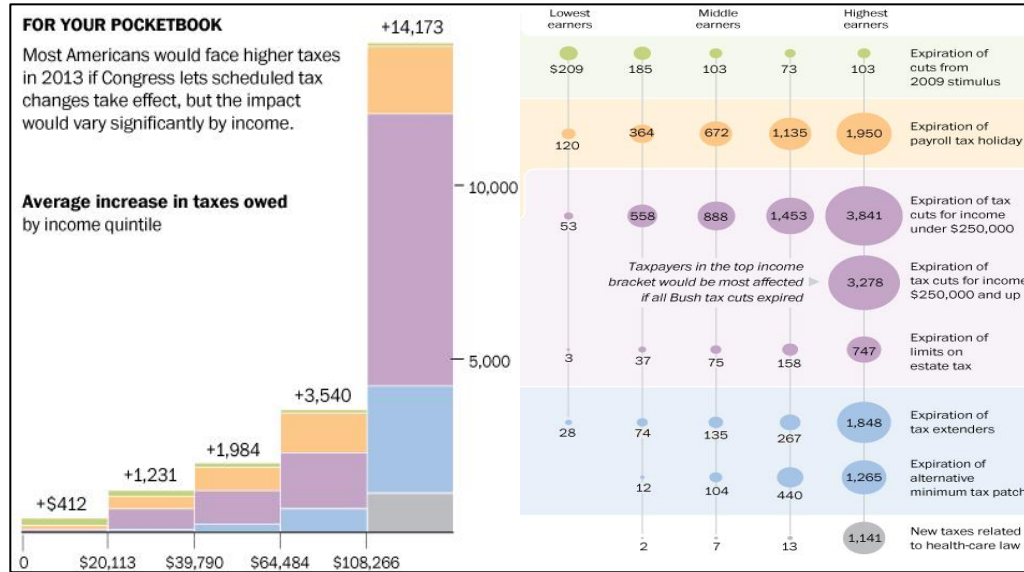


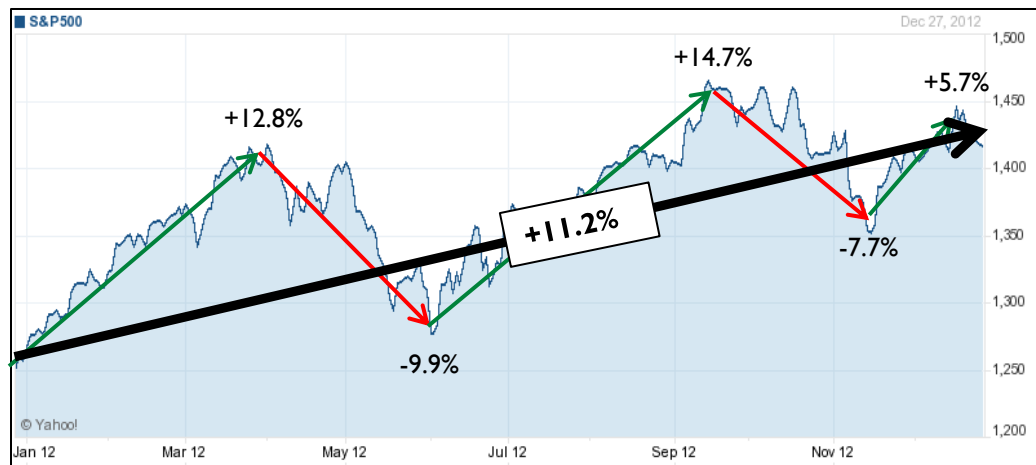
Market Recap

Average Increase in Taxes Owed and Breakdown of Tax Increases



Source: Moody's Analytics; Tax Policy Center

YTD S&P 500



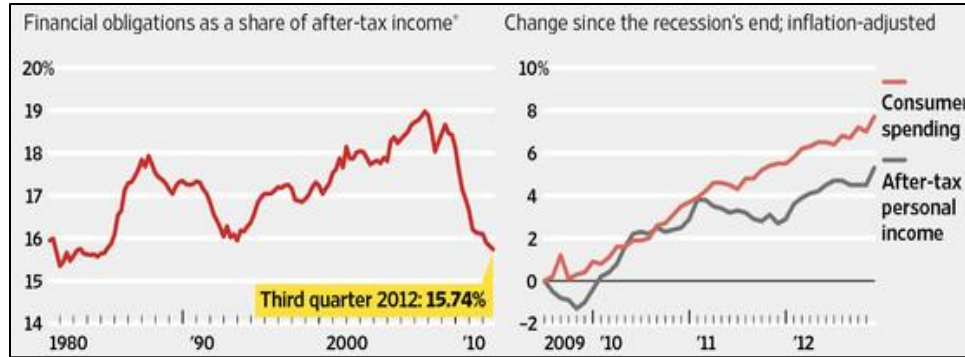
Source: Yahoo! Finance

There are few signs of progress in resolving the fiscal cliff deal before January 1. Taxes on all Americans are set to rise when the low tax rates established during the Bush administration expire. According to the Tax Policy Center, middle income families would have to pay an average of about \$2,000 more in taxes next year. Households in the lowest 20% of earners would pay an average of \$412 more. The top 20% would pay an average of \$14,000 more; the top 1% \$121,000 more. More than half of the tax increases would come from the expiration of tax cuts approved in 2001 and 2003 and additional tax cuts in the 2009 economic stimulus plan. About 20% of the tax increase would come from the expiration of the payroll tax cut enacted in 2010. This change would cost someone making \$50,000 about \$1,000 a year and a household with two high-paid workers up to \$4,500. The rest of the tax increase would be derived mainly from the expiration of the most recent alternative minimum tax patch. It is projected that the AMT would impact 30 million Americans, up from 4 million today, if another patch is not introduced.

As 2012 comes to a close, U.S. stock markets have posted solid gains for the year. Investors can reflect on the resiliency of markets in the face of significant macroeconomic and geopolitical uncertainty. Despite the many risks – fiscal cliff, European debt crisis, hard landing in China, and Middle East political unrest – the S&P 500 has returned 11% YTD, excluding dividends. However, the market had significant short-term, sentiment-driven trends along the way. An investor capable of ignoring her emotions and the market trends did quite well if she remained invested throughout the year. Given the significant moves higher and lower, 2012 will likely go on record as being one of the better years for investors who based buy and sell decisions on valuation and not sentiment.

Market Recap

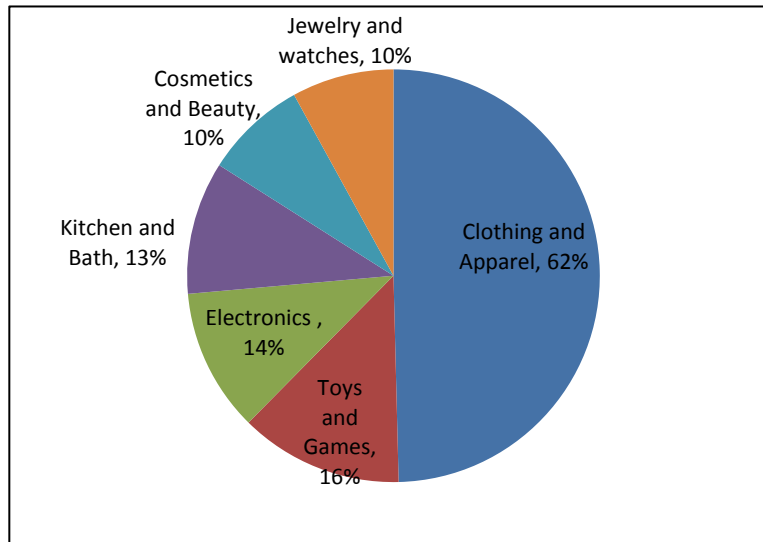
Household Debt and Consumer Spending



Source: Federal Reserve; Commerce Department; WSJ

Household debt payments are at their lowest level in decades. According to the Federal Reserve, households spent 10.6% of their after-tax income on debt payments, the lowest level since 1983. Debt payments are lower due to several factors. After borrowing heavily during the housing boom, many families have devoted much of the past five years to reducing debts and rebuilding savings. Not all such deleveraging has been voluntary. Foreclosures and bankruptcies have played a major role in reducing household debt, while tighter lending standards have made new borrowing difficult for many people. For those who do qualify for loans, record-low interest rates have made it far cheaper to borrow and have allowed millions of families to refinance their mortgages, often significantly reducing monthly payments. Falling debt payments are helping to support consumer spending at a time when unemployment remains high and wage growth is barely keeping pace with inflation. Consumer spending has risen 7.7% since the end of the recession, compared with a 5.3% increase in wages.

Christmas 2011 Most Frequently Returned Presents



Source: MarketTools

With the holiday gift-giving period behind us, much attention for retailers turns to gift card spending and gift returns/exchanges. According to a MarketTools study, apparel accounted for 62% of returned gifts last Christmas. Other presents that customers brought back included toys and games (16%), electronics (14%), and kitchen and bath products (13%). All of those returns can wreak havoc on retailers' bottom lines. Returns are anticipated to be higher this year than in years past. Data from the National Retail Federation shows that returned merchandise is expected to cost retailers about 9.9 cents for every dollar's worth of sales (up from 7 cents per dollar in years past). With holiday sales expected to total about \$469 billion this season, merchants will see a reduction in sales revenue of about \$46.4 billion when customers want a refund.

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.

Disclosure: Harbour Capital Advisors, LLC (“HCA”) is an SEC-registered investment adviser located in McLean, Virginia. HCA and its representatives are in compliance with the current filing requirements imposed upon SEC-registered investment advisers by those states in which HCA maintains clients. HCA may only transact business in those states in which it is registered or qualifies for an exemption or exclusion from registration requirements. A direct communication by HCA with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For information pertaining to the registration status of HCA, please contact the SEC or the state securities regulators for those states in which HCA maintains a notice filing. A copy of HCA’s current written disclosure statement discussing HCA’s business operations, services, and fees is available from HCA upon written request. HCA does not make any representations or warranties as to the accuracy, timeliness, suitability, completeness, or relevance of any information prepared by any unaffiliated third party and takes no responsibility therefor. All such information is provided solely for convenience purposes only and all users thereof should be guided accordingly. Past performance may not be indicative of future results. Therefore, there can be no assurance (and no current or prospective client should assume) that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by HCA) made reference to directly or indirectly by HCA will (i) be suitable or profitable for a client or prospective client’s investment portfolio or (ii) equal the corresponding indicated historical performance level(s). Different types of investments involve varying degrees of risk. Historical performance results for investment indices and/or categories generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, or the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. The material contained herein is provided for informational purposes only and does not constitute an offer to buy or sell or a solicitation of an offer to buy or sell any option or any other security or other financial instruments. Certain content provided herein may contain a discussion of, and/or provide access to, HCA’s (and those of other investment and non-investment professionals) positions and/or recommendations as of a specific prior date. Due to various factors, including changing market conditions, such discussion may no longer be reflective of current position(s) and/or recommendation(s). Moreover, no client or prospective client should assume that any such discussion serves as the receipt of, or a substitute for, personalized advice from HCA, or from any other investment professional. HCA is neither an attorney nor an accountant, and no portion of the content provided herein should be interpreted as legal, accounting, or tax advice. The tax information contained herein is general in nature and is provided for informational purposes only. HCA does not provide legal, tax, or accounting advice. HCA cannot guarantee that such information is accurate, complete, or timely. Laws of a particular state or laws which may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Federal and state laws and regulations are complex and are subject to change. Changes in such laws and regulations may have a material impact on pre- and/or after-tax investment results. **CIRCULAR 230 DISCLOSURE: To comply with Treasury Department regulations, we inform you that, unless otherwise expressly indicated, any tax information contained herein is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties that may be imposed under the Internal Revenue Code or any other applicable tax law, or (ii) promoting, marketing, or recommending to another party any transaction, arrangement, or other matter.** Rankings and/or recognition by unaffiliated rating services and/or publications should not be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if HCA is engaged, or continues to be engaged, to provide investment advisory services, nor should it be construed as a current or past endorsement of HCA by any of its clients. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized adviser.