Monthly Commentary

November 21, 2013

SELECTOR
Real-Time Money Management

"Good investors gather information, put that information into current and historical context, then make sound decisions."

Changes in the weather are easy to predict, as long as you don't try to be too exact. While many people get frustrated with the meteorologists when they aren't on target with their predictions, they still listen for the daily numbers. It is easier to report on what just happened, than on what is going to happen tomorrow. The truth is, the forecasts that we get today are far more accurate than the Farmer's Almanac. And there is no arguing the value of seeing the Nexrad radar. Besides, most people don't have much to say if they don't talk about the weather. It's common ground and safe conversation.

We can continue this analogy into the financial markets. Many investors get frustrated when they compare their short-term results to their long-term expectations. This is especially true after a Bull Market rally. We have been enjoying very favorable equity markets. It is very difficult to predict exactly when they are are going to change direction, even for experienced advisors. But there is no arguing the value of referring to the technical charts. People are more apt to discuss the weather than equity markets. But everyone knows that it's safe to complain about the low interest rates. It's common ground and safe conversation.

Those low interest rates are an excellent place to start when you are evaluating your own investment experience. The rate of return on short-term interest paying investments, also know as the 'riskless' rate of return, remains very low. According to Bankrate.com the national range of interest rates for a 1 year certificate of deposit (CD) is from 0.15% to 1.05%. The three month range is 0.03%-0.45%. These are definitely unattractive rates for most investors, so they will add more risk in the hopes of realizing greater returns. Some investors will make their next moves from CD's into the bond markets, but it has been a bumpy ride for bonds since May. Short-term results have been disappointing, and longer term predictions are cloudy with a chance of rain if interest rates move higher.

As a result, equity markets have been at the center of attention. It remains very important to temper one's enthusiasm for equities with a realistic perspective as to your long-term ambitions. If your desire would be to realize a long-term investment return of 8%, you needn't be 100% invested in equities, exposed to investment returns of plus or minus 20% and greater. That is more volatility than most people would find comfortable. That is why we offer several different investment styles. It is easy to complain about low interest rates, to be suspicious of high stock markets, and to be disappointed by languishing bond markets, just as it is prudent to maintain an investment portfolio that is diversified, flexible, and in line with your long-term requirements.

SELECTOR® Conservative Growth, Balanced Growth, and Income & Growth portfolios are not up +20% YTD. But they are doing a lot better than +1% and may be very suitable for that majority of investors who want more than the riskless rate of return but don't want to experience the full volatility of equity markets. Barring a sharp downturn in equity markets over the holidays, we can expect that 2013 is going to be a pretty good year. Remember to measure your progress by your own expectations and not a stock market benchmark, and you should be pleased with your results. If you are 100% invested in equities as we are with the **SELECTOR® Growth** and **Aggressive Growth** portfolios, you should be very happy with your results. This is one of those years that should stand out in our memories, in a very good way.

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We are entering the busiest season of the year, both for retailers and for most families. Before things get totally out of hand, we want to thank you for the honor and privilege of working with you. 2013 has not been an easy year for financial markets, especially for bond, emerging markets equity and precious metals markets. On the news front, largely due to the drama from the U.S. Government shutdown and the new federal healthcare initiatives, 2013 was disturbing at best. Yet, it has been a very productive year for the domestic equities markets. This underscores the importance of maintaining an active approach to portfolio management. We look forward to the opportunities and challenges of the coming year, and appreciate the trust that you have placed with us as we continue to work on assisting you in realizing your investment objectives.

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Sources: Bloomberg, Marketwatch.com, StockCharts.com.