Quantitative Asset Management, LLC
Investment & Advisory Services

Newsletter

April 23, 2013

Dear Clients,

Quarter Ending March 31, 2013		
Year to Date Performance	**Last Full Quarter**	**Index Close**
Dow Jones Industrial Averages	11.9%	14,578.54
NASDAQ Composite Price	8.2%	3,267.52
Standard & Poor's Averages	10.6%	1,569.19
Barclay's Capital Bond Index	0.03%	
EAFE-Global Markets	5.2%	

The returns produced by the major equity indexes in the first quarter were superb. Over the last three years, returns for equities averaged twenty-five percent above historic long term returns. This tells me we could see a market correction soon. However, looking back over the last five years, the averages are about twenty-five percent below those same historic averages. Going back fourteen years, the only significant return on the S&P 500 comes from dividends that were paid out over that time. As a result, any upcoming correction will likely be brief and mild. As I have stated in previous letters, there are no viable investment alternatives that will pull money away from the equity markets at this time.

Economies of the world will continue to struggle, and growth will be hard to come by as nations deal with the necessary spending cuts. The economic issues we face will not be resolved quickly, and there are additional speed bumps we have yet to encounter such as student debt, underfunded pension plans, healthcare costs, and federal, state, and local government budget deficits. None of these will cause immediate economic dislocations, but they will be a drag on future economic growth.

Our economic issues are not new and many parallels can be drawn from the Greeks and Romans. In 700 B.C., the ancient Greeks brought us coinage and a new monetary system that encouraged borrowing…sound familiar? One hundred years later, (it took longer back then), Athens and the other Greek cities were on the verge of civil war because of a debt crisis. Back then if one defaulted on their debts, they were sold into slavery, and when too many Greeks were enslaved, it brought on the crisis. The Athenians finally convinced a wealthy merchant by the name of Solon to fix their economic issues. He immediately canceled debts, bought back the enslaved,

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established a written constitution, and established a balanced democracy. Our founding fathers adopted much of what Solon brought to the Greeks when they founded this country.

Later, in 49 B.C., the Roman Empire was nearing collapse when Julius Caesar and his army crossed the Rubicon to defend his reputation and save the Roman Empire. To quote Professor J. Rufus Fears, “Rome encountered powerful forces that threatened to pull the empire apart: political corruption, a financial crisis at home, and an unpopular war in the Middle East.” Caesar’s campaign was a success. He immediately canceled interest due on debts (the current Federal Reserve policy?) but maintained payments on principal, launched a massive campaign of public works, and transformed the empire into an effective commonwealth of nations.

The Greek and Roman civilizations went on to flourish. Our economy will recover, and so too the world, providing we use a little discipline and common sense to manage our way to prosperity.

As always, we will find value and opportunities that will provide you with real returns while managing risk. Please don’t hesitate to call if you have any questions or concerns.

Sincerely,

Jeffrey L. Farni Sr.

**As required by Advisors Act Rule 204-3 advisory disclosure documents (ADV Part 2A) are available upon request.*

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