QUANTITATIVE ASSET MANAGEMENT, LLC
Investment & Advisory Services

Newsletter

July 23, 2014

Dear Clients,

Quarter Ending June 30, 2014			
Year to Date Performance	**Last Full Quarter**	**YTD**	**Index Close**
Dow Jones Industrial Averages	2.84%	2.67%	16,826.60
NASDAQ Composite Price	4.98%	5.45%	4,408.18
Standard & Poor's Averages	5.24%	7.13%	1,960.23
EAFE-Global Markets	4.34%	5.14%	

Oh how the time flies when you're having fun! It's hard to believe the second quarter and first half of 2014 have now come and gone. The markets continued to produce positive results with the Dow hitting 17,000, the S&P gaining 5.2% in the second quarter and up 7.13% YTD, and even the investment grade bond index was up more than 3.9%. Bond prices improved as it became apparent the Fed will remain dovish and the global geo-political turmoil that currently exists created a flight to safety. The "wealth effect" I referred to in the last quarterly letter appears to be helping fuel the current positive economic trends.

The June ADP private payroll statistics showed that 281,000 new jobs were created for the month, with construction jobs showing the biggest increase. The economy continues to improve with rising housing prices, robust auto sales, and increased corporate spending. Given the economic improvement, the U.S. Federal Reserve has continued to cut back on their quantitative easing. So far, it has had little impact on our interest rate environment, which has eased the fear of rising interest rates over the next few quarters (i.e. creating competition for the equity investing dollar). We will, however, begin to see some inflationary pressures mount here at home, but given the deflationary pressures being battled globally, inflation concerns are unlikely to have a negative effect on our investment market's performance over the next year or so.

Where do we go from here? I still see very little competition to pull investing dollars away from the equity markets. For now, the interest rate environment will remain benign in large part because the Federal Government can't afford to see rates rise. Bonds will continue to mature with no real investment returns available in that market. Only now are we seeing signs that small investors who fled the equity markets in 2009 are re-entering. However, that doesn't mean clear sailing for equities. Market corrections will occur, and in some cases the perceived value for

Telephone: 952.476.7855 Facsimile: 952.476.7856 641 East Lake Street, Suite 216
Toll Free: 866.916.7855 karen@QAMgmt.com Wayzata, MN 55391

some companies today will disappoint investors in the future as they realize that true value is not a function of a great name, but of the price you pay for it.

To conclude, I would like to paraphrase the Oracle of Omaha, Warren Buffett, and his Vice Chairman, Charles Munger, regarding the investment markets during the recent annual meeting of Berkshire Hathaway. First, "American business is doing exceptionally well." Mr. Buffett noted that rarely have American businesses been more profitable with corporate profits as a share of GDP approaching 8% after tax, close to record highs. Second, "Cash is like oxygen, you don't notice it 99.9% of the time, but when absent it is the only thing you notice."

As always, we at Quantitative Asset Management will strive to balance your portfolio as the markets dictate, with respect to both risk and reward.

Sincerely,

Jeffrey L. Farni Sr.

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

Telephone: 952.476.7855
Toll Free: 866.916.7855

Facsimile: 952.476.7856
karen@QAMgmt.com

641 East Lake Street, Suite 216
Wayzata, MN 55391