



Newsletter

April 21, 2014

Dear Clients,

A quote from Steve Write, a famous Erudite scientist, might be an appropriate start to this quarterly letter: "If everything seems to be going well, you have obviously overlooked something!" In the investment world this is not hard to do, so I'll try to explain why we are where we are, and project where we may be headed. Hopefully you read my fifth year anniversary letter sent out a few weeks ago which outlined some of my thoughts on this subject.

Quarter Ending March 31, 2014		
Year to Date Performance	Last Full Quarter	Index Close
Dow Jones Industrial Averages	-0.16%	16,457.66
NASDAQ Composite Price	0.54%	4,198.99
Standard & Poor's Averages	1.80%	1,872.34
Barclay's Capital Bond Index	1.97%	
EAFE-Global Markets	0.77%	

The end of the first quarter saw mixed performance results from the indexes. The new economic data points to continued recovery, but not at a robust rate. The global economies and their investment markets are also recovering, some better than others, and I don't see this trend reversing anytime soon. In a recent interview on CNBC, Warren Buffet explained his thinking on why we will not likely see any major corrections any time soon. To quote: "Humans will behave in crazy ways, both on the upside and the downside in the next fifty years. It's very unlikely they do it in the next few years because after something like 2008, once they get out of the emergency room, they're a little more careful for a while."

Today, the press picks up on all the bear market pundits because it makes for good headlines, and investors are looking for short term answers to the investment future. Bears make the case we have come too far too fast and therefore a major correction is eminent. Fear sells, but I'm not buying. There are still no safe investment alternatives to equities especially when judged on both the qualitative and quantitative risk characteristics. According to a Reuters survey taken at the end of March, 51 leading investment houses raised their cash levels, and increase their bond holding while pruning their equity holding. Bond yields have come down slightly recently as the world seeks a safe haven from some of our global issues, i.e. China's slowing economy, and the

Ukrainian crisis. As of April 9th according to Reuters, U.S. money market fund assets increased by \$2.6 billion to \$2,641 trillion, a twenty month high! This means future buying power has improved. Short term yields are still near zero and someday that will force investors to seek real returns on their assets if they wish to protect the purchasing power of their capital. Remember too, making two correct investment decisions, getting out then getting back in, is nearly impossible. The markets will always be volatile and that's how opportunities are created. When we experience the next major market correction, to quote Warren again from the same CNBC interview, "The United States will still come back...the farms don't go away, the productive capacity doesn't go away, human ingenuity doesn't go away, the desire of people to live better in the future and for their kids doesn't go away." Be patient, and as I stated in the anniversary letter, make sure your boats don't have holes in them!

I think our economy has not yet seen the full positive effects of getting through one of the worst winters/springs on record, the deleveraging of balance sheets as well as lower interest costs, the increase in cash balances, the wealth effect of the recovering housing/construction markets, the substantial increases in investor's portfolios over the last five years and rising dividend yields. In other words, there are more positive than negative economic trends, which should keep the wheels on the wagon for a while!

We will continue to try and position our clients' portfolios to take advantage of the constantly changing economic conditions, while being cognizant of one's individual needs. Please feel free to call anytime you may have a question or wish to review your portfolio.

Sincerely,

Jeffrey L. Farni Sr.

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