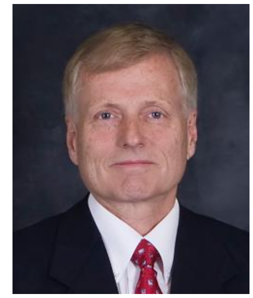
MOULTON WEALTH MANAGEMENT INC.

"MOLTEN HOT" MINUTES



SPECIALIZING IN RETIREMENT AND TAX PLANNING

DONALD J. MOULTON
CFP®, RFC

www.moultonwealth.com

RIAL R. MOULTON
CFP®, CPA/PFS, RFC

Week of May 10, 2021

Per a disaster declaration by Governor Inslee, all gatherings are limited. If you were planning to attend a seminar and don't wish to wait until there is a change in the restrictions please call the office for a free Financial Physical.

Are you a long term investor?

FINANCIAL PHYSICAL

Due to the Lock Down, Seminars are on hold. If you'd like a phone based Financial Physical, please call…

509-922-3110

OUR FINANCIAL PHYSICALS REVIEW:

1. PROTECTION
2. ESTATE PLANNING
3. TAXES
4. RETIREMENT
5. INVESTMENTS

We've been told by Wall Street to be "long term investors", and for good reason. Markets move up and markets move down, but over the long term they've historically risen. As such you don't want to make short term moves that hurt your long term goals.

Having said that, there's a crucial part of this question that is ignored in Wall Street "100 year market return" pitches…

When will you need the money?

If you're 30 years old, and planning to retire at 60, you've got 30 years to recover from any market downturns. As such, buy and hold may be appropriate as you are truly a long term investor.

But if you're close to retirement or retired, and you plan to use your investments for living expenses, guess what…

You're a short term investor!

Don't believe me? Let's use actual numbers. *(As always, this is an exercise in math and not a recommendation to buy or sell any investment or to use any process. Past performance is not necessarily indicative of future results.)*

Let's assume you retired with $1,000,000 on January 1, 2000. Let's further assume you planned to take out 4% of your portfolio on that first day and every January 1 thereafter, adjusted higher by 3% each year for inflation. As such on January 1, 2000 you take out $40,000, on January 1, 2001 you take out $41,200 ($40,000 adjusted higher by 3%), etc.

Math tells us that if you earned 7.3% on your portfolio, this plan should work. So on January 1, 2000 you took out $40,000 leaving $960,000. If you earned 7.3% in that year you'd end the year at $1,030,080. 4% of $1,030,080 is $41,203.20, enough of a gain to satisfy your second withdrawal. You can do the math, but your portfolio will continue to grow, even after withdrawals, so that a 4% withdrawal of the total each year would be 3% higher than the previous year's withdrawal.

So far so good.

Now let's see what really would have happened to your portfolio over the next 20 years if you received the exact returns of the S&P-500, including dividends. Of course you wouldn't have received those exact returns as even index funds have expenses. But this is just a math exercise.

Hint: the average return of the S&P-500 including dividends over the 20 years was 7.68%, above the average we decided we needed.

The results follow.

S&P-500	Inflaton	S&P-500 Annual Returns	Portfolio Balance	Annual Withdrawals
Year End			$ 1,000,000.00	$ 40,000.00
2000-12-31	3%	(9.10)	$ 872,640.00	$ 41,200.000
2001-12-31	3%	(11.89)	$ 732,581.78	$ 42,436.000
2002-12-31	3%	(22.10)	$ 537,623.57	$ 43,709.080
2003-12-31	3%	28.68	$ 635,569.16	$ 45,020.352
2004-12-31	3%	10.88	$ 654,800.52	$ 46,370.963
2005-12-31	3%	4.91	$ 638,303.45	$ 47,762.092
2006-12-31	3%	15.79	$ 683,787.83	$ 49,194.955
2007-12-31	3%	5.49	$ 669,432.03	$ 50,670.803
2008-12-31	3%	(37.00)	$ 389,819.57	$ 52,190.927
2009-12-31	3%	26.46	$ 426,965.18	$ 53,756.655
2010-12-31	3%	15.06	$ 429,413.73	$ 55,369.355
2011-12-31	3%	2.11	$ 381,936.71	$ 57,030.435
2012-12-31	3%	16.00	$ 376,891.28	$ 58,741.349
2013-12-31	3%	32.39	$ 421,198.70	$ 60,503.589
2014-12-31	3%	13.69	$ 410,074.27	$ 62,318.697
2015-12-31	3%	1.38	$ 352,554.60	$ 64,188.258
2016-12-31	3%	11.96	$ 322,854.96	$ 66,113.905
2017-12-31	3%	21.83	$ 312,787.63	$ 68,097.322
2018-12-31	3%	(4.38)	$ 233,972.87	$ 70,140.242
2019-12-31	3%	31.49	$ 215,423.52	$ 72,244.449
Average return over the 20 years		7.68		

Do you see the problem?

What went wrong?

Sequence of returns.

If you had received 7.68% every year, the same as the 20 year average, the portfolio would have ended over $2,000,000 even after withdrawals. But that's not how the market works. Some years are good and some are bad. The long term average means little in the real world for someone who needs to fund their retirement and doesn't have 30 years to recover.

Wall Street tells us to ignore bear markets and instead to take our lumps because the market always comes back. They were right in that the market came back, but will your portfolio?

Risk management, targeted at mitigating drawdowns, when you're retired or close to retirement is critical to long term retirement success.

Participate but protect.

Does the investment plan include a sell strategy to protect your downside?

Where are you getting your advice?

Are they fiduciaries?

Are they a Certified Financial Planner™?

Do they have a background in accounting, tax, finance?

Do they review all areas of your financial life (like income taxes, risk management, estate planning) or just talk about stocks?

Who benefits most from their “advice”?

If you’re not a client, what is your advisor telling you about our current situation? If your advisor is not discussing these issues with you, shouldn’t (s)he be? How much work do you think it takes to keep up on all of this as we try to do, and how much easier do you think it would be to simply repeat over and over…

- Never sell
- You can’t time the market
- You’re a long term investor
- The market always comes back
- Etc., etc., etc.

Are you being told to stay invested after thoughtful analysis of world events, stock valuations, economic considerations, etc.? Or are you being told to stay invested due to a lack of thoughtful analysis of world events, stock valuations, economic considerations, etc.?

It’s your money and it’s your retirement.

Being told after the fact that ‘everyone lost money’ may make you feel better but it won’t help pay your utilities.

If you didn’t like what happened to your portfolio in the dot.com bubble or the financial crisis bubble, but you’ve made no moves to change the way you invest, now may be the time to seriously consider your process – NOT after the market, and your portfolio, have crashed.

Break the cycle and make your portfolio decision based on where we are likely headed, not on where we’ve recently been.

If we can help, call our office now and set up a no obligation review.

We think investing today must include a defensive strategy and system. It's this system that helps us decide when "enough is enough" and that it is time to protect your portfolio. If you don't have a system you should consider it now. Regardless of what happens over the next week, month or several months, stocks are overvalued in our opinion and eventually they will reset with a significant market decline.

Remember, we have a feature on our website: www.Moultonwealth.com to help you measure your risk tolerance. The problem with trying to decide how much risk to take is we all want to be aggressive when the market is going up, but conservative when it's going down. That's why a sell discipline is important. However, the first line of defense is always our allocation. This approach to measuring risk gives a number by making investors trade off gains and losses. Just click the button to see where you stand.

On to this week's data…

U.S. Markets: The major U.S. indexes finished the week mixed as a rally on Friday erased most losses from earlier in the week. The narrowly-focused Dow Jones Industrial Average fared the best, while the technology-heavy NASDAQ Composite index recorded its worst weekly loss in two months. The Dow Jones Industrial Average rallied over 900 points finishing the week at 34,778, a gain of 2.7%. The Nasdaq Composite finished the week down -1.5%. By market cap, the large cap S&P 500 rose 1.2%, while the mid cap S&P 400 gained 1.7%. The small cap Russell 2000 added just 0.2%.

International Markets The majority of major international markets finished the week to the upside. Canada's TSX rose 1.9%, while the United Kingdom's FTSE 100 rallied 2.3%. France's CAC 40 and Germany's DAX added 1.9% and 1.7%, respectively. In Asia, China's Shanghai Composite shed -0.8%, while Japan's Nikkei gained 1.9%. As grouped by Morgan Stanley Capital International, developed markets surged 2.9% and emerging markets finished the week up 1.3%.

Commodities: Commodities finished the week solidly to the upside as concerns over price inflation continued to grow. Precious metals finished the week in the green with Gold rising 3.6% to $1831.30 per ounce, while Silver rose 6.2% to $27.48. Energy was also bid higher. West Texas Intermediate crude finished the week up 2.1% to $64.90 per barrel. Viewed by some analysts as a barometer of world economic growth (or inflation), due to its wide variety of industrial uses, the industrial metal copper ended the week up 6.3%.

U.S. Economic News: The number of Americans applying for first-time unemployment benefits fell below 500,000 last week for the first time since the onset of the pandemic. Initial jobless claims in the states sank 98,000 to 498,000 in the seven days ended May 1, the government said. It was the fourth consecutive weekly decline. Economists had expected claims to total 527,000. New applications for jobless benefits fell the most in Virginia, New York, Florida, California and Oklahoma. Kentucky was the only one to post a sizable increase. Meanwhile, the number of people already collecting jobless benefits, known as "continuing claims", actually rose by 37,000 to a seasonally-adjusted 3.69 million. The increase is expected to unwind next week based on current trends. Chief economist Stephen Stanley of Amherst Pierpont Securities wrote in a note, "Jobless claims are still very high, but they are finally beginning to drop to more normal levels."

The U.S. gained 266,000 jobs in April as the economy continued to gain strength, but the increase in new jobs fell shockingly short of economists' forecasts. Economists had expected a reading of 1 million new jobs. Senior chief economist Gus Faucher of PNC Financial Services stated, "The April jobs report was a huge disappointment." Concurrently, the official unemployment rate ticked up to 6.1%, the U.S. Labor Department reported. The increase in the unemployment rate stemmed from more people entering the workforce in search of jobs—overall a good sign for the economy. The small increase in new jobs flies in the face of mounting evidence that companies are eager to hire more workers in response to soaring demand for goods and services – but workers are declining to accept the jobs. In the report, so-called leisure and hospitality businesses — hotels, restaurants, theaters, amusement parks — added the most new jobs in April. They hired 331,000 people. Yet even as customers return and sales surge, businesses say it's harder to find employees. They complain that generous emergency unemployment benefits have dissuaded many workers from accepting jobs. Extra benefits don't expire until September.

Soaring prices of raw materials and a widespread shortage of parts, materials, and labor threaten to hamper the strong recovery of American manufacturers. The Institute for Supply Management (ISM) reported its manufacturing index fell 4 points to 60.7 in April—down from a 38-year high the prior month. The reading fell far short of analysts' expectations of an uptick to 65. In the report, top manufacturing executives say they are struggling to overcome key shortages that are causing the prices of most goods to rise—in some cases sharply. A senior executive of a manufacturer of fabricated metal products stated, "Steel prices are crazy high. The normal checks on the domestic steel mills are not functioning — imported steel is distorted by the Section 232 tariffs." In addition, a senior executive at a maker of rubber products stated, "In 35 years of purchasing, I've never seen everything like these extended lead times and rising prices — from colors, film, corrugate to resins, they're all up." All 18 major industries tracked by the survey reported they are growing — the first time that's happened since 2014.

In the vastly larger services side of the U.S. economy, the ISM reported rapid growth as states lifted business restrictions, companies hired more workers, and consumers spent their stimulus checks. ISM's survey of service-oriented businesses such as retailers, restaurants, and health-care providers fell 1 point to 62.7 in April. The ISM survey fell a bit short of Wall Street expectations. Economists had expected the index to edge up to 64.1. Still, April's reading was the second highest since the ISM survey began in 1997. Analysts generally consider any reading above 60 a sign of broad business strength. Anthony Nieves, chairman of the survey wrote, "There was slowing growth in the services sector in April. However, the rate of expansion is still strong. Respondents' comments indicate that pent-up demand is continuing."

Federal Reserve Chairman Jerome Powell gave a speech this week noting that "those least able to bear the burden" of the pandemic were the hardest hit. Powell said 20% of adults without college degrees suffered layoffs last year, versus 12% for college-educated workers. Furthermore, more than 20% of Black and Hispanic "prime age" adults were laid off compared to 14% of similar white workers over the same period. On the big economic picture, the Fed chairman did not say much, but he sounded a bit more optimistic about the outlook than at his regular press conference last week. "We are not out of the woods yet, but I am glad to say that we are now making real progress," Powell said.

International Economic News: Canada's economy lost 207,000 jobs in April as a new round of government-ordered lockdowns forced businesses to again lay off workers. Statistics Canada reported Friday that 129,000 full-time jobs were lost, along with an additional 78,000 part-time positions. The jobless rate ticked up to 8.1% from 7.5% a month earlier. While economists had expected jobs had been lost during the month, the reading was worse than the 175,000 that had been expected. Most of the job losses were in the hardest-hit sectors: retail, food services and information, culture and recreation. Almost all the job losses were concentrated in Ontario and British Columbia, two provinces that implemented strict coronavirus control measures to try to keep a lid on rising COVID-19 numbers.

Across the Atlantic, the Bank of England (BoE) stated the United Kingdom's economy would grow by the most since World War 2 this year even as it slowed the pace of its trillion-dollar bond-purchasing program. Governor Andrew Bailey welcomed the prospect of a stronger recovery than previously forecast, as the country continued to vaccinate its citizens with much lower unemployment than its neighbors. The BoE raised its forecast for British economic growth in 2021 to 7.25% from February's estimate of 5.0%. That would be the fastest annual growth since 1941 when Britain was rearming. However, it comes after output plunged by 9.8% in 2020, the biggest drop in more than 300 years.

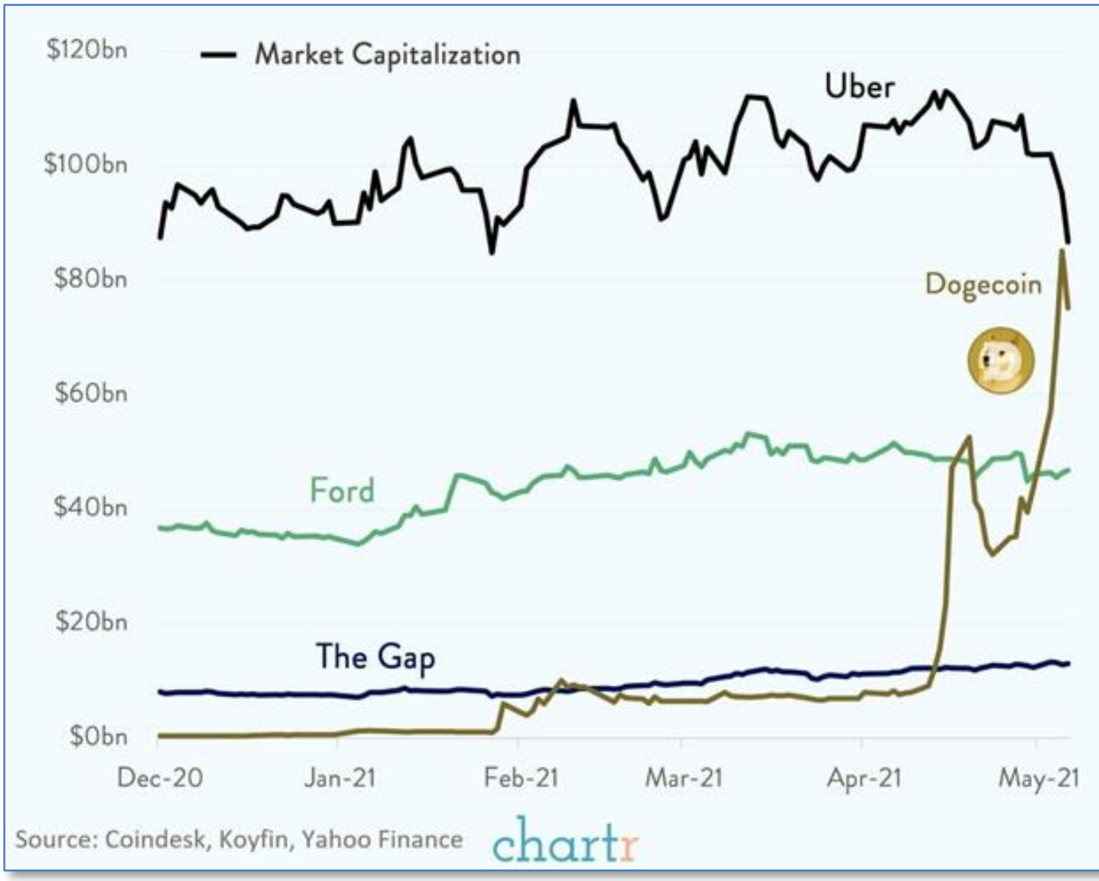
On Europe's mainland, a think-tank warned the failures and slowness of France's vaccination efforts will create a "knock-on effect" on its economy which will inevitably increase calls to leave the European Union. Director of Bruges Group, Robert Oulds, warned the failures of France's vaccination program would mean the country would lag behind many other nations who have seen better results from their vaccination efforts. As a result, the slow reopening of the economy could leave many citizens struggling and looking for someone to blame. Mr. Oulds suggested the anger will likely be focused on both Emmanuel Macron and the European Union. France is undergoing an economic crisis which has seen many desperate Parisians lining up for food parcels due to the shutdown of the economy and its national debt reach higher than its total GDP.

The German government is planning a new green financing strategy to steer capital towards environmental projects and thus develop Germany into a leading hub for so-called “sustainable finance.” The Sustainable Finance Strategy plan lists 26 individual measures and is due to be adopted by the cabinet with a goal of mobilizing investment for climate protection projects. "The federal government wants to develop Germany into a leading location for sustainable finance," states the plan, which is aligned with the United Nations' Sustainable Development Goals. The plan aims to support the European Union becoming carbon neutral by 2050 - a target the European Commission estimates will require 350 billion euros to be invested annually.

In Asia, China “indefinitely” suspended all activity under its China-Australia Strategic Economic Dialogue, its state economic planner said—the latest setback for strained relations between the two countries. "Recently, some Australian Commonwealth Government officials launched a series of measures to disrupt the normal exchanges and cooperation between China and Australia out of Cold War mindset and ideological discrimination," China's National Development and Reform Commission (NDRC) said in a short statement on the decision. The commission did not say in the statement what specific measures prompted the action. China's foreign ministry spokesman, Wang Wenbin, stated the suspension was a "necessary and legitimate" response to Australia "abusing" the concept of national security to pressure cooperation with China. The action is the latest in a long string of actions by China intended to use economic agreements as a tool to enforce acquiescence with China’s foreign policy goals.

Japan’s extended state of emergency over the coronavirus pandemic is estimated to lead to an economic loss of ¥1 trillion ($9.2 billion), dimming the prospect for a steady recovery toward the end of the year, according to an economist’s forecast. The government’s decision to expand the areas for the emergency declaration and extend it by about three weeks will have a negative impact of ¥600 billion in addition to the initially estimated ¥400 billion, said Shunsuke Kobayashi, chief economist at Mizuho Securities. Japan’s third state of emergency took effect on April 25 and was slated to end on May 11 but has been extended to the end of May with populous Aichi and Fukuoka prefectures added to join Tokyo, Osaka, Hyogo and Kyoto, which were already placed under the COVID-19 emergency.

Finally: The cryptocurrency ‘Dogecoin’ (which started out as a joke by IBM software engineer Billy Markus and Adobe software engineer Jackson Palmer) has passed a market cap of over $75 billion—more valuable than the iconic Ford Motor Company. (By the way, Jackson Palmer says the correct pronunciation is “dohj coin”). After this weekend’s appearance on Saturday Night Live by populist Dogecoin promoter and Tesla CEO Elon Musk (during which he joked Dogecoin was a “hustle”), Dogecoin fell from a pre-SNL high of 72c to as low as 43c but had rebounded to 57c as of mid-Sunday evening. Whatever its merits or demerits, Dogecoin is certainly the most valuable joke in the known universe! (Chart from chartr.co)



GET A PHYSICAL! We invite you to attend a seminar and come in for a “financial physical”, even if you think your current approach is fine. Much like going to the doctor for a physical despite feeling great, you want to make sure any negative issues you may not be aware of are caught early and addressed. For example…

- Do you need a process to help manage losses during the next bear market?
- Have you addressed your investment process and adjusted it for what is going on in the world?
- If not, what are you waiting for?

At the bottom of the 2007 - 2009 bear market the S&P-500 index returned to levels last seen in 1996.

The drop didn’t retrace only a few months or even a couple years.

We discuss many of these issues on the weekly radio show and invite you to listen.

WEEKLY FOCUS – THINK ABOUT IT

“Right now Bitcoin fells like the internet before the browser.”

Wences Casares – CEO of Xapo

Yours truly,

Rial R. Moulton, CFP®, CPA / PFS, RFC
Certified Financial Planner™

Donald J. Moulton, CFP®, RFC
Certified Financial Planner™

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

Investment services offered through Moulton Wealth Management, Inc., an independent Registered Investment Advisor. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. Yahoo! Finance is the source for any reference to the performance of an index between two specific periods. Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Consult your financial professional before making any investment decision. You cannot invest directly in an index. Past performance does not guarantee future results. Investments in securities do not offer a fixed rate of return. Principal, yield and / or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. No system or financial planning strategy can guarantee future results.

https://www.slickcharts.com/sp500/returns
https://paybis.com/blog/cryptocurrency-quotes/

The Barclays Capital Credit Index *is an unmanaged index composed of U.S. investment-grade corporate bonds.*

The Barclays Global Aggregate Bond Index *(formerly Lehman Brothers Global Aggregate Index), an unmanaged market-capitalization-weighted benchmark, tracks the performance of investment-grade fixed income securities denominated in 13 currencies. The index reflects reinvestment of all distributions and changes in market prices.*

The Barclays U.S. 1-10 Year TIPS Index *is an unmanaged index composed of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of one to ten years.*

The Barclays U.S. Aggregate Bond Index *is an unmanaged benchmark index composed of U.S. securities in Treasury, Government-Related, Corporate, and Securitized sectors. It includes securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least $250 million.*

The Barclays U.S. TIPS Index *is an unmanaged index composed of all U.S. Treasury Inflation- Protected Securities rated investment grade, have at least one year to final maturity, and at least $250 million par amount outstanding.*

The Barclays U.S. Treasury Index *is an unmanaged index composed of U.S. Treasuries.*

The CDX IG 12 *is a benchmark high-grade derivatives index, which measures the cost of insuring a basket of U.S. investment-grade corporate debt against defaults.*

The Chicago Board Options Exchange Volatility Index (VIX) *tracks the expected volatility in the S&P 500 over the next 30 days. A higher number indicates greater expected volatility. Common usage: The Chicago Board Options Exchange Volatility Index (VIX), a barometer of market volatility.*

The Dow Jones Industrial Average *is a widely followed market indicator based on a price-weighted average of 30 blue-chip stocks that trade on the New York Stock Exchange which are selected by editors of The Wall Street Journal.*

The Dow Jones Wilshire Real Estate Securities Index (RESI) *is used to measure the U.S. real estate market and includes both real estate investment trusts (REITs) and real estate operating companies (REOCs). It is weighted by float-adjusted market capitalization.*

The JP Morgan Emerging Market Bond Index *is a total-return, unmanaged trade-weighted index for U.S. dollar-denominated emerging-market bonds, including sovereign debt, quasi-sovereign debt, Brady bonds, loans, and Eurobonds.*

The JP Morgan EMBI Global Diversified Index *tracks the performance of external debt instruments (including U.S.-dollar-denominated and other external-currency-denominated Brady bonds, loans, Eurobonds and local market instruments) in the emerging markets.*

The JP Morgan GBI-EM Global Diversified Index *tracks the performance of local-currency bonds issued by emerging market governments.*

The MSCI World Index *is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index represents 23 developed market countries.*

The MSCI All Country World Index *is a market-capitalization-weighted index composed of over 2,400 companies, and is representative of the market structure of 46 developed and emerging market countries. The index is calculated with net dividends reinvested in U.S. dollars.*

The MSCI EAFE Index *is an unmanaged, market-capitalization-weighted equity index that represents the developed world outside North America.*

The MSCI Emerging Markets Index *is a free float-adjusted market-capitalization-weighted index designed to measure the performance of global emerging market equities.*

The NASDAQ Composite Index *is a market-value-weighted index of all common stocks listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) system.*

The Russell 1000 Index *includes 1000 of the largest U.S. equity securities based on market cap and current index membership; it is used to measure the activity of the U.S. large-cap equity market.*

The Russell 2000 Index *includes 2000 small-cap U.S. equity names and is used to measure the activity of the U.S. small-cap equity market.*

The S&P 500 Index *is a capitalization-weighted index made up of 500 widely held large-cap U.S. stocks in the Industrials, Transportation, Utilities and Financials sectors.*

Investing Terminology

Alpha *is a measure of a portfolio's return above a certain benchmarked return.*

Alternative Investments *are investments that are not one of the three traditional asset types (stocks, bonds and cash). Alternative investments include hedge funds, managed futures, real estate, commodities, and derivatives contracts.*

Asset-Backed Securities (ABS) *are bonds backed by a pool of loans or accounts receivable and commonly include payments from credit cards, auto loans and mortgage loans.*

Austerity *refers to measures taken by a country's government in an effort to reduce expenditures and a budget deficit.*

Beta *is a measure of the volatility or systematic risk of a security or a portfolio in comparison to the market as a whole.*

Book-to-Price Ratio *is the inverse of the price-to-book ratio, which is calculated as the market value of a security divided by its book value. A lower the price-to-book ratio for a security may mean the security is undervalued, and vice versa (the higher the book-to-price ratio, the better the value).*

Commercial Mortgage-Backed Securities (CMBS) *are pools of commercial mortgage loans that are packaged together and sold to the public. They are usually structured in tranches, or classes of risk, so that investors can determine how much risk they want to take on. In general, CMBS carry less prepayment risk than loans backed by residential mortgages.*

Corporate Bonds *are debt securities issued by corporations to raise money; these bonds usually pay higher coupon rates than government or municipal bonds.*

Correlation Risk *refers to the change in the marked to market value of an asset when the correlation between the underlying assets changes over time.*

Credit Ratings *are an assessment of the risk of default of a company or country. The higher the credit quality (or rating), the lower the perceived risk of default.*

Cyclical Sectors or Stocks *are those whose performance is closely tied to the economic environment and business cycle. Managers with a pro-cyclical market view tend to favor stocks that are more sensitive to movements in the broad market and therefore tend to have more volatile performance.*

Debt-to-Equity Ratio *is calculated as long-term debt divided by common shareholders' equity, and measures the amount of a firm's leverage, or debt.*

Donor Advised Funds *are private funds administered by a third party and created for the purpose of managing charitable donations on behalf of an organization, family, or individual.*

Duration *is a measure of a security's price sensitivity to changes in interest rates. Specifically, duration measures the potential change in value of a bond that would result from a 1% change in interest rates. The shorter the duration of a bond, the less its price will potentially change as interest rates go up or down; conversely, the longer the duration of a bond, the more its price will potentially change.*

Excess Returns *are investment returns from a security or portfolio that exceed a benchmark or index with a similar level of risk.*

Grantor Retained Annuity Trust *is an estate planning technique that minimizes the tax liability existing when intergenerational transfers of estate assets occur. An irrevocable trust is created for a certain term or period of time. The individual establishing the trust pays a tax when the trust is established. Assets are placed under the trust and then an annuity is paid out every year. When the trust expires, the beneficiary receives the assets estate and gift tax free.*

High Yield Debt *is rated below investment grade and is considered to be riskier.*

Managed Futures *strategies use futures contracts as part of their overall investment strategy. They provide portfolio diversification among various types of investment styles and asset classes to help mitigate portfolio risk in a way that is not possible in direct equity investments.*

Market Capitalization *is calculated as the number of company shares outstanding multiplied by the share price, and is used to determine the total market value of a company.*

Momentum *is the rate of acceleration for an economic, price or volume movement; it is used to locate trends within the market.*

Mortgage-Backed Securities (MBS) *are pools of mortgage loans that are packaged together and sold to the public. They are usually structured in tranches, or classes of risk, so that investors can determine how much risk they want to take on.*

Option-adjusted spreads *estimate the difference in yield between a security or collection of securities and comparable Treasuries after removing the effects of any special features, such as provisions that allow an issuer to call a security before maturity.*

Peripheral Eurozone Countries *are those countries in the Eurozone with the smallest economies.*

__Price-to-Book Ratio__ is calculated as the market value of a security divided by its book value. A lower the price-to-book ratio for a security may mean the security is undervalued.

__Private Foundations__ are charitable organizations that do not qualify as public charities by government standards. A private foundation is a nonprofit organization which is usually created via a single primary donation from an individual or a business and whose funds and programs are managed by its own trustees or directors.

__Quantitative Easing__ refers to expansionary efforts by central banks to help increase the supply of money in the economy.

__Recapitalized/recapitalization__ refers to injecting fresh equity into a company or a bank, which can be used to absorb future losses. This generally takes place through the company issuing new shares. In the case of a government or organization recapitalizing a bank, it usually results in the government or organization owning a stake in the bank.

__Spreads__: Yield spreads represents the difference in yields offered between corporate and government bonds. If they tighten, this means that the difference has decreased. If they widen, this means the difference has increased.

__Standard Deviation__: Statistical measure of historical volatility. A statistical measure of the distance a quantity is likely to lie from its average value. It is applied to the annual rate of return of an investment, to measure the investment's volatility (risk). Standard deviation is synonymous with volatility, in that the greater the standard deviation the more volatile an investment's return will be. A standard deviation of zero would mean an investment has a return rate that never varies.

__Treasuries__ are U.S. government debt obligations that are backed by the full faith and credit of the government. Often, they are used as a proxy for a risk-free asset when comparing other risky assets.

__Yield Curves__ illustrate the relationship between the interest rate, or cost of borrowing, and the time to maturity. Yields move inversely to prices. The Barclays Capital 1-10 Year US TIPS Index: Barclays Capital 1-10 Year US TIPS Index measures the performance of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of one to ten years.

(Other Sources: All index- and returns-data from Yahoo Finance; news from Reuters, Barron's, Wall St. Journal, Bloomberg.com, ft.com, guggenheimpartners.com, zerohedge.com, ritholtz.com, markit.com, financialpost.com, Eurostat, Statistics Canada, Yahoo! Finance, stocksandnews.com, marketwatch.com, wantchinatimes.com, BBC, 361capital.com, pensionpartners.com, cnbc.com, FactSet.)