MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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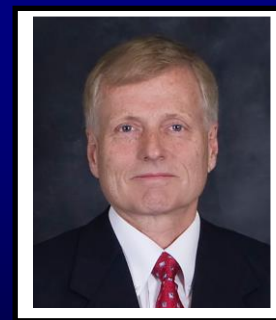

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Week of October 31, 2022

Last week's newsletter discussed various data pointing to a possible "hard landing" for the economy and ultimately the stock market. You can read it here *Newsletter - Moulton Wealth*. Also, if you listen to our radio show on KXLY you may have noticed

HAPPY HALLOWEEN

(Please look out for the little ones!)

ATTEND OUR…

RISK MANAGEMENT

SEMINAR

BRING A GUEST

- **NOVEMBER 30TH @ 9:30 AM – SPOKANE**
- **DECEMBER 7 @ 11: AM - RICHLAND**

CALL **509-922-3110** TO RESERVE A SEAT!

LAST SEMINARS OF 2022

it was a repeat. This was a mistake on their part, and we urge you to go the website and listen to the actual show. It contained some important new economic data as well as the differences between mortgages in the USA and those outside of it. You can find it here Moulton Wealth Management "Your Money Matters" or just go to the website and click the Radio button.

Before we get onto this week's newsletter, I want to review last week's GDP announcement. You may know it came in at +2.6% breaking a two-quarter negative streak. Many are proclaiming this is the beginning of an economic resurgence, but likely without looking at the data. The reason the GDP was positive was a +2.8% contribution (i.e. without this it would have been -0.2%) from net exports. This was the highest contribution since the 3rd quarter of 1980 and was driven by exported energy, largely to Europe. It's unlikely to remain anywhere near this level.

Please see our new website www.MoultonWealth.com. Of the many improvements, the most important is we now host podcasts of past radio shows, allowing you to listen at your convenience. You can also read all the past newsletters and take the test to find your Risk Number.

This week let's review what Stanley Druckenmiller, arguably the best investor alive, fears could be in store of the next 10 years.

Stanley Druckenmiller is a retired hedge fund manager. His fund, Duquesne Capital, averaged +30% returns per year from 1986 to 2010 when he closed it, with no down years. This track record is quite possibly the best in investment management history and as such we pay attention to what he has to say.

Recently he said (underlining by us),

"There's a high probability in my mind that the market, at best, is going to be kind of flat for 10 years, sort of like this '66 to '82 time period."

If you are retired, or close to retirement think about that for a minute. How might your retirement change if your portfolio, *"at best,"* doesn't even match its beginning 2022 value until 2032?

Worse, what do you think the likelihood that it will survive at all if you need to take withdrawals to live on during those 10 years?

How might that happen? It happened in 1966 with a series of bear markets with subsequent rallies that never regained the old highs. It also happened in 2000 – 2013 with just two very bad bear markets.

LISTEN TO RIAL'S AND DON'S RADIO SHOW,

"YOUR MONEY MATTERS"

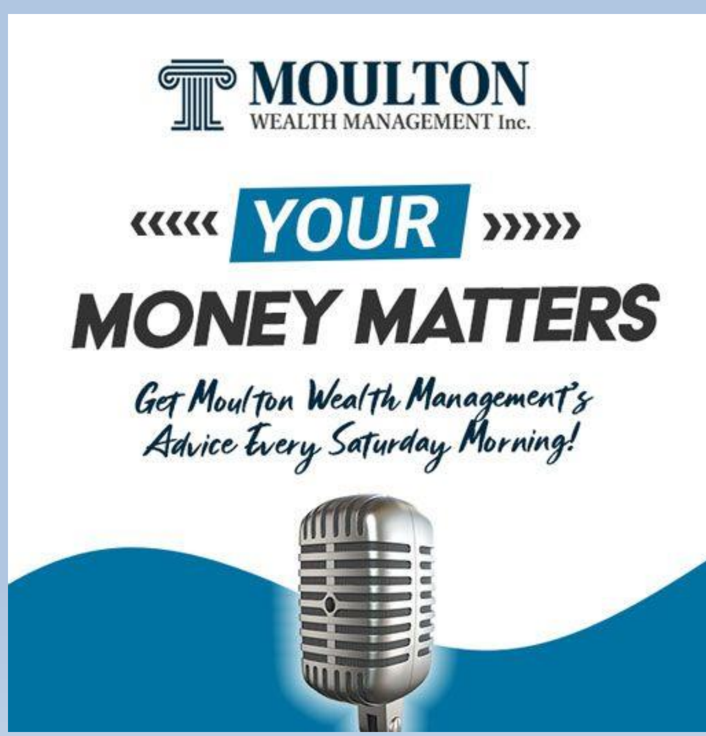
EVERY SATURDAY MORNING AT

8:00 AM ON KXLY RADIO CHANNEL 920 AM IN SPOKANE

AND AT 9:30 AM ON NEWSTALK RADIO CHANNEL 870 AM IN THE TRI-CITIES AREA

LISTEN LIVE AT WWW.NEWSTALK870.AM AGAIN AT 9:30 EACH SATURDAY MORNING

OR VISIT OUR WEBSITE MOULTONWEALTH.COM FOR PODCASTS



Gerard Minack of DoubleLine agrees and adds some context.

"Prior droughts have been due to rising inflation and/or high market valuation. The U.S. is now at risk from both.

U.S. investors have enjoyed munificent beta for a dozen years… But there have been four beta droughts since 1900: extended periods of little or no beta return. Three of the four historical beta droughts – in the 1910s, 1940s and 1970s – were caused by rising inflation, typically decade-average CPI inflation of over 5%. Those three inflation episodes were associated with WW1, WW2, and the 1970s oil shocks. The 2010s beta drought was due to excess equity valuation (like we have seen recently.)

The US may now be entering another beta drought. US returns are now at risk from both the prospect of higher inflation, AND the headwind to returns from high starting-point valuations."

A "beta drought" simply means no gains.

Let's consider actual numbers. The following math exercise considers an investor with $1,000,000 starting portfolio who retired on January 1, 2000. She needed $40,000 per year from the portfolio adjusted for inflation and her buy and hold advisor told her that it wouldn't be problematic because it's only 4%. Let's also assume she withdraws the funds as a lump sum on the first day of each year. Her returns will equal the S&P-500 actual returns (even though it would be less due to fees, even when indexing). Inflation will be 3% for the entire time.

The table on the next page shows the year by year results.

The returns averaged 3.55% per year over the entire time but didn't turn positive at all until the last half of 2013. Meanwhile the actual portfolio fell from its starting point of $1,000,000 to $208,471.95. And the last inflation adjusted withdrawal of $60,504 represented 29% of the remaining funds.

Again this is just a math exercise but one based on actual annual returns for the S&P-500 for the years shown.

Do you really want to hazard a multiyear flat or even down period in the stock market because you're being told by Wall Street that the risk to YOUR RETIREMENT, in their mind, is worth it?

	100%			% Withdrawal
DATE	S&P Annual Retui	$ 1,000,000.00	$ 40,000.00	4.00%
2000-12-31	(10.14)	$ 862,663.78	$ 41,200.000	4.78%
2001-12-31	(13.04)	$ 714,322.80	$ 42,436.000	5.94%
2002-12-31	(23.37)	$ 514,893.93	$ 43,709.080	8.49%
2003-12-31	26.38	$ 595,485.30	$ 45,020.352	7.56%
2004-12-31	8.99	$ 599,970.74	$ 46,370.963	7.73%
2005-12-31	3.00	$ 570,213.42	$ 47,762.092	8.38%
2006-12-31	13.62	$ 593,606.22	$ 49,194.955	8.29%
2007-12-31	3.53	$ 563,626.69	$ 50,670.803	8.99%
2008-12-31	(38.49)	$ 315,540.76	$ 52,190.927	16.54%
2009-12-31	23.45	$ 325,116.41	$ 53,756.655	16.53%
2010-12-31	12.78	$ 306,046.88	$ 55,369.355	18.09%
2011-12-31	(0.00)	$ 250,669.56	$ 57,030.435	22.75%
2012-12-31	13.41	$ 219,597.78	$ 58,741.349	26.75%
2013-12-31	29.60	$ 208,471.95	$ 60,503.589	29.02%
	3.55			

What is your defensive plan?

There's still time.

Call or attend a seminar to hear about ours.

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.

What's Your Risk Number?

In the markets:

U.S. Markets: Major U.S. stock benchmarks managed a second consecutive week of across-the-board gains as investors reacted to a busy calendar of third-quarter earnings reports. The Dow Jones Industrial Average surged over 1700 points finishing the week at 32,862—a gain of 5.7%. The technology-heavy NASDAQ Composite lagged the other benchmarks with a 2.2% gain. By market cap, the large cap S&P 500 finished the week up 4%, while the mid cap S&P 400 index added 5.3% and the small cap Russell 2000 surged 6% to lead all others.

International Markets: It was a similar story with major western international benchmarks. Canada's TSX rose 3.2%, while the United Kingdom's FTSE 100 added 1.1%. On Europe's mainland, France's CAC 40 and Germany's DAX finished up for a fourth consecutive week. France's CAC 40 rose 3.9%, while Germany's DAX added 4%. In Asia, China's Shanghai Composite shed -4.0%, while Japan's Nikkei ended up 0.8%. As grouped by Morgan Stanley Capital International, developed markets rose 3.2%, while emerging markets finished down -2.8%.

Commodities: Precious metals finished the week mixed with Gold retreating -0.7% to $1644.80 per ounce, while Silver rose 0.4% to $19.15. Oil rebounded following two weeks of declines. West Texas Intermediate crude oil rose 3.4% to $87.90 per barrel, while Brent crude added 2.4% to $95.77. The industrial metal copper, viewed by some analysts as a barometer of world economic health due to its wide variety of uses, finished the week down -1.3%.

U.S. Economic News: The number of Americans filing for first-time unemployment claims ticked up last week, but remained near historically low levels. The Labor Department reported initial jobless claims rose by 3,000 to 217,000 in the week ended October 22. Economists had expected claims to rise by 6,000. Analysts note that initial jobless claims is one of the earliest and best barometers of whether the economy is getting better, or worse. Meanwhile, continuing claims, which counts the number of Americans filing for first-time unemployment benefits, rose by 55,000 to 1.44 million. Rubeela Farooqi, chief U.S. economist for High Frequency Economics, wrote in a note, "Even as filings are not rising, we expect a gradual increase over coming months as demand slows in response to aggressive and ongoing Fed tightening."

Home prices cooled at a record pace in August, according to S&P Case-Shiller, with the biggest declines on the West Coast. S&P CoreLogic reported its Case-Shiller 20-city home price index fell 1.3% in August. Year-over-year price appreciation rose to 13.1%--but that's down from 16% in July. The annual increases in home prices have slowed sharply since hitting a peak of 21.2% in April. The West Coast, which includes some of the costliest housing markets, saw the largest monthly declines, with San Francisco (-4.3%), Seattle (-3.9%) and San Diego (-2.8%) falling the most. The broader national index fell a seasonally-adjusted 1.1% in August from July. The growth rate in housing prices peaked in the spring and has been declining ever since. Buyers are scarce now that mortgage rates are above 7% and inflation remains high. Nancy Vanden Houten, U.S. economist at Oxford Economics stated, "We expect the decline in home price growth to accelerate as sharply higher mortgage rates deliver a major blow to affordability and home sales."

Sales of new homes fell in September, partially reversing August's big gain, according to government statistics. The Commerce Department reported new home sales fell 10.9% to a seasonally-adjusted annual rate of 603,000. Analysts had expected new home sales to come in at 593,000. Compared to the same time last year, new home sales are down by 17.6%. The median price of a new home sold in September rose to $470,600 from $436,800 in August. Still, prices are down from the record high set at $479,800 in July. Regionally, the decline in new home sales was led by the South, where sales fell 20.2%, followed by the West. Stephen Stanley, chief economist at Amherst Pierpont is not expecting the housing market to improve anytime soon. Stanley wrote in a note to clients, "I'm prepared to bet that new home sales have yet to hit bottom, as mortgage rates continue to climb, hitting 7% this week."

The economy grew in the third quarter, rebounding from two consecutive quarters of declines in the first half of the year, the government reported. The Bureau of Economic Analysis reported third quarter Gross Domestic Product—the official scorecard of the U.S. economy, grew at an annual rate of 2.6%. The positive reading was driven largely by a shrinking trade deficit that masked emerging weak spots in the economy. The main engine of the U.S. economy, consumer spending, has remained relatively stable this year. GDP had contracted by 1.6% in the first quarter and 0.6% in the second. The result exceeded economists' forecasts of a 2.3% increase. However, analysts don't expect the positive trend to continue. Early estimates of the fourth quarter suggest GDP could decline and many economists and business leaders predict a recession by early next year. Chief economist Jeffrey Roach of LPL Financial wrote in a note, "the U.S. is not currently in recession, given the strength of the consumer sector, but the trajectory for growth looks weak. A deteriorating housing market and nagging inflation along with an aggressive Federal Reserve puts the economy on unsure footing for 2023."

Preliminary, or "flash", PMI data from S&P Global showed an economic downturn in the U.S. "gathering significant momentum" in October. S&P reported the U.S. manufacturing sector ticked up slightly to 50.7 in October based on its flash survey. However, its measure of the much larger 'services' side of the U.S. economy (approximately 70% of GDP) fell to 46.6 from 49.3. Readings above 50 signify expansion, below that, contraction. The readings were a wide miss from economists' forecasts. Manufacturing was expected to rise to 51.8 and Services to rise to 49.7. In the service sector, the downturn was fueled by the rising cost of living and tightening financial conditions. In manufacturing, new orders fell back into contraction territory. Chris Williamson, chief business economist at S&P Global Market Intelligence stated, "The US economic downturn gathered significant momentum in October, while confidence in the outlook also deteriorated sharply."

Orders for goods expected to last at least three years, so-called 'durable goods', rose in September, but analysts pointed out that momentum is fading. The Commerce Department reported orders at U.S. factories rose 0.4% last month. It was the sixth increase in the last seven months. However, the reading missed expectations of a 0.7% increase. Core orders, which removes the often-volatile transportation and military equipment categories, actually fell -0.7%. It was the first drop in core orders since February and the biggest since March 2021. Ian Shepherdson, chief economist at Pantheon Macroeconomics stated, "It now looks increasingly likely that manufacturing will slip into recession in the months ahead. The sector has outperformed the survey data for much of this year, but that gap is now narrowing as two of its biggest supports—rising auto output and resilient capex—are fading fast."

The confidence of the nation's consumers fell to a three-month low in October on fears of high inflation and the rising odds of a recession. The Conference Board reported its survey of consumer confidence fell 5.3 points to 102.5 this month. Economists had expected just a slight pullback to 106.3. In the details of the report, the measure of how consumers feel about the economy "right now" dropped to 138.9 from 150.2, while a similar measure that looks ahead six months slid to 78.1 from 79.5. Lynn Franco, senior director of economic indicators at the board stated, "The expectations index is still lingering below a reading of 80 — a level associated with recession — suggesting recession risks appear to be rising." Corporate economist Robert Frick of Navy Federal Credit Union noted, "Consumer confidence is a proxy for inflation now, particularly prices at the pump. Confidence improved as gas prices fell in August and September, and now declined as gas prices are rising."

International Economic News: The Canadian economy ticked slightly higher at the end of summer and initial estimates pointed to growth continued in September even as worries of an impending recession grow. Statistics Canada said real gross domestic product gained 0.1% in August, topping its initial estimate that suggested no growth for the month. Karyne Charbonneau, executive director, economics, at CIBC, said the economy may have slowed, but the good news is there was at least some growth. "While we will be revising our overall 2022 growth expectation to be a tad higher, this does not alter our view that the economy will stall in the months ahead, and the lack of momentum late in Q3 is aligned with that," Charbonneau wrote. In related news, the Bank of Canada hiked its key interest rate target by half a percentage point earlier this week to 3.75% as it said the economy remains overheated.

Across the Atlantic, economic activity in the United Kingdom contracted at its fastest pace in almost two years this month, suggesting the country has fallen into a recession. S&P Global reported its flash UK composite output index, a measure of activity in the private sector, dropped two points to a 21-month low of 47.1 in October. October's was the third consecutive reading under 50, which indicates a majority of businesses reporting a contraction in activity, and was below the 48.1 forecast by economists. The gloomy outlook comes amid domestic political uncertainty, with Rishi Sunak on course to become prime minister after Liz Truss resigned last week. Chris Williamson, chief business economist at S&P Global Market Intelligence, said October's flash PMI data showed "the pace of economic decline gathering momentum" after recent political and financial market upheaval.

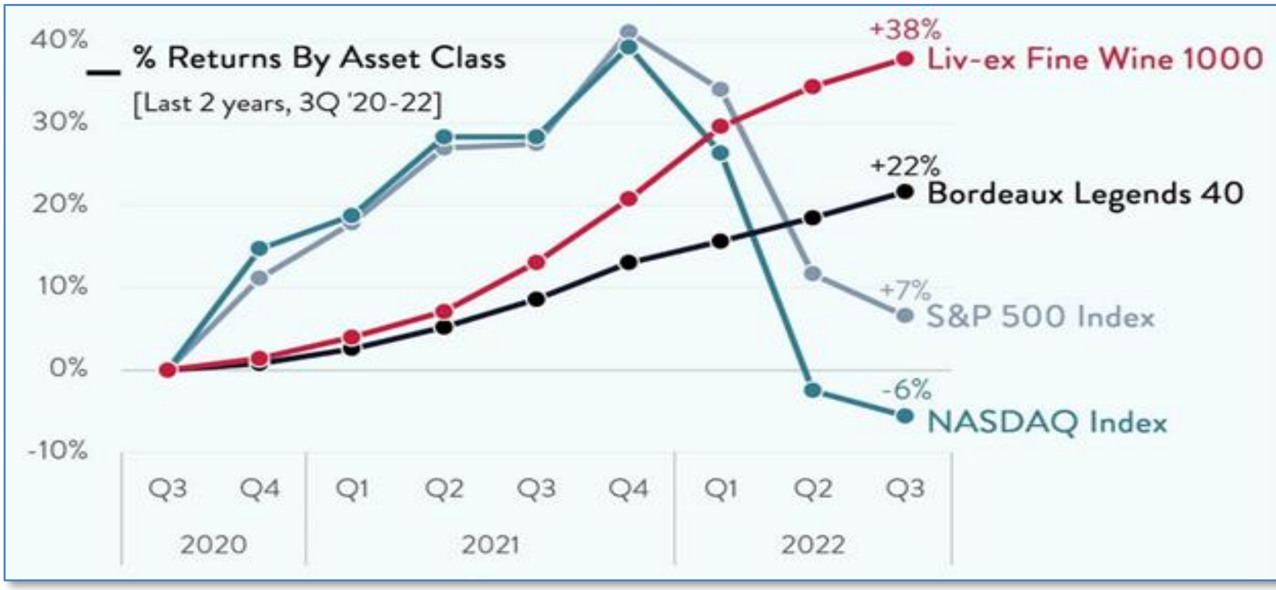
On Europe's mainland, the French economy grew at a slower pace in the third quarter according to preliminary data from France's National Institute for Statistics and Economic Studies. GDP in the Eurozone's second-largest economy expanded by 0.2% during the period, down from its second-quarter reading of 0.5% but in line with expectations. Household consumption growth was unchanged, while expenditures on accommodations and transport fell sharply. Food consumption dropped for a third consecutive quarter, a sign that the recent surge in inflation is leading consumers to slow spending on food. However, analysts at Dutch multinational banking giant ING remain optimistic. "Overall, the figures indicate that, despite sluggish consumption and a sharp drop in momentum in tourism-related activities, economic activity is holding up well in France, thanks in particular to improvements in supply chain tensions," the analysts wrote.

Germany, Europe's economic powerhouse, managed to stave off the threat of a recession in the third quarter with unexpected growth, but inflation remains stubbornly high. Consumer prices, normalized with other European Union countries, were up an annualized 11.6% in October, Germany's federal statistics office reported. Analysts had expected annualized inflation to remain unchanged at 10.9%. Economists said inflation was likely to stay in double-digit territory for some time, keeping pressure on the European Central Bank to continue raising interest rates after it hiked them to their highest level since 2009. A plunge in energy imports from Russia following the invasion of Ukraine has sent energy prices spiraling in Germany, pushing inflation to its highest rate in over 25 years and fueling concerns of a potential gas shortage this winter.

In Asia, the International Monetary Fund (IMF) downgraded its economic outlook for the continent as global monetary tightening, rising inflation, and China's sharp slowdown dampen the prospects for the region's recovery. In its Asia-Pacific regional economic outlook report the IMF wrote, "While inflation in Asia remains subdued compared with other regions, most central banks must continue raising interest rates to ensure inflation expectations do not become de-anchored." Krishna Srinivasan, director of the IMF's Asia and Pacific Department added, "Further tightening of monetary policy will be required to ensure that inflation returns to target and inflation expectations remain well anchored." The IMF cut Asia's growth forecast to 4% this year and 4.3% next year. The slowdown follows a 6.5% expansion in 2021.

Japan's Cabinet approved a 29 trillion yen ($200 billion USD) economic package to counter the effects of high inflation on household budgets. While central banks around the world are raising interest rates aggressively to try to tame decades-high inflation, Japan has stuck mainly to using fiscal measures, or government spending, to counter that challenge. The spending package will be part of a supplementary budget that still must be approved by parliament. It includes about 45,000-yen ($300) subsidies for household electricity and gas bills and coupons worth 100,000 yen ($680) for women who are pregnant or rearing babies. The stimulus package is largely seen as an attempt by Prime Minister Fumio Kishida to shore up his sagging popularity.

Finally: If you are more comfortable discussing a Single Malt Scotch or French Bordeaux than some obscure tech stock or cryptocurrency, you are not alone. Billionaire investing legend Warren Buffet says investors should stick to areas they know when they are deciding what to invest in. The fine wine benchmark Liv-ex 1000 index has returned over 38% over the last two years, while the S&P 500 has managed just a 7% gain. And during 2008, when the S&P 500 dropped -38%, the Liv-ex 1000 fell less than -1%. Although the ultra-wealthy have been investing in fine wines and rare spirits for years, average investors have not participated. Now offerings from vint.co and others are offering "shares" in collections of wine and spirits, making fine wine and spirits investing accessible to average investors. Cheers! (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

"There's a high probability in my mind that the market, at best, is going to be kind of flat for 10 years, sort of like this '66 to '82 time period."

Stanly Druckenmiller – Retired Hedge Fund Manager

Yours truly,

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Certified Financial Planner™

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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.

https://realinvestmentadvice.com/druckenmiller-a-decade-of-no-returns/

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.)