DEAR FRIENDS,

- Equity markets begin new year with significant gains
- The US economy is firming up nicely
- Fiscal Cliff and debt ceiling issues seem to be on the back burner, for now

Major equity indexes start 2013 with significant gains. Volumes and trading activity are strong, with tempered daily volatility. Lowered GDP estimates seem to go unnoticed, as the bulls march along. Fixed Income markets continue to be pricey as the 10 Year Treasury hovers around 2%. January's market theme can be described as focused and determined.

Index [1]	Jan'12	2013 YTD
S&P 500	5.05%	5.05%
Dow	5.77%	5.77%
NASDAQ	1.65%	1.65%
S&P 400 Mid Cap	7.16%	7.16%
Russell 2000	6.24%	6.24%
MSCI EAFE (Intl)	2.27%	2.27%

Commodity price [2]	1/31/13	1/1/13	1/1/12	1/1/11	1/1/10
Crude oil	$96.90	$92.84	$98.98	$73.71	$79.74
Gold	$1,662	$1,664	$1,566	$1,066	$1,097

* Past performance is no guarantee of future results.

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[1] WSJ Online 1/31/13
[2] Bloomberg Online 1/31/13

FONTIS Investments LLC

Based upon a number of factors; namely jobless claims, inventories and manufacturing output, our economy shows strength during January and in early February.

New jobless claims hit a five year low of a seasonally adjusted rate of 330,000. As we often discuss, this is an important leading indicator to watch. As this leading indicator drops, eventually so does the unemployment rate and oftentimes rises in GDP and manufacturing output follows. We are now seeing manufacturing rise and hiring as well. Our rise out of the latest recession has been slow and difficult, never the less we now see positive results.

We also saw preliminary manufacturing Purchasing Managers Index rising for its best showing since March, 2011. Consumer spending also outpaced lowered government spending in the latest GDP figures. While we caution reading too much into the numbers, we are very encouraged when we view the total economic picture.

Politicians love the spotlight and it appears they are continuing to "kick the can" down the road in dealing with Fiscal Cliff and debt ceiling issues. The markets have remained positive through the election, Fiscal Cliff and debt ceiling political posturing. It once again shows American ingenuity can success in spite of Washington, not because of it. We remain cautious because these important issues are not being dealt with, and need to be resolved. The US Federal government cannot spend indefinitely approximately 40% more than it takes in. Our economic outlook is reasonably strong and appears to be getting stronger each month. If this does continue, this can be an offset to the gridlock in Washington.

Many have suggested the uncertainty in Washington has deterred both financial and real investment in the US economy. *This same uncertainty has inadvertently caused attractive equity evaluations that we feel, present investors with good opportunities.* Coupled with Washington gridlock, we also believe it is prudent to keep increased amount of cash as well as maintaining an effective exit strategy when increase volatility rises.