FONTIS
Investments LLC

DEAR FRIENDS,

- US equity indexes (with the exception of the NASDAQ) post gains, while many world markets retreat
- The Fed demonstrates again a strong commitment to keeping the long end of the yield curve at historically low levels
- Have recent leading economic indicators been confirmed with lagging indicators?

Most US equity indices ended February with modest gains, pulling ahead in 2013 of many their foreign counterparts. Volatility also increased as the month closed. We have entered a point where all three major indexes (S&P 500, Dow Jones and NASDAQ) don't necessarily follow the same daily or monthly direction. More often than not, they follow suit in direction. Volume for the month was moderate, but growing. The flight to quality in Treasuries still kept a great deal of cash out of the equity markets.

Index [1]	Feb'12	2013 YTD
S&P 500	1.07%	6.17%
Dow	1.40%	7.25%
NASDAQ	-0.06%	2.23%
S&P 400 Mid Cap	0.82%	8.04%
Russell 2000	0.66%	7.30%
MSCI EAFE (Intl)	-1.92%	0.95%

Commodity price [2]	1/31/13	1/1/13	1/1/12	1/1/11	1/1/10
Crude oil	$93.28	$92.84	$98.98	$73.71	$79.74
Gold	$1555	$1664	$1566	$1066	$1097
* Past performance is no guarantee of future results.					

Christopher J. Mason
President | Chief Investment Officer

7760 France Avenue South, 11th Floor
Bloomington, MN 55435
Tel 952-715-4926
Fax 952-715-4927
Chris.Mason@fontiswm.com
www.fontiswm.com

[1] WSJ Online 2/28/13
[2] Bloomberg Online 2/28/13

In past editions, we continued to point out leading indicator growth such as initial jobless claims dropping. We have been on that path for over a year, without much confirmation in new job creation. A recent report seems to have confirmed our observations all along; the economy is slowly growing. We must keep in mind one data point does not constitute a trend, but it is a start. Initial jobless claims are setting low water marks, which generally points us to optimism.

Many components of our current situation curiously remind us of the '82 bull market.

In '82 we also had an out of control Federal Reserve policy. Many consider the current Fed's balance sheet growth reckless and out of control. In '82 the economy was growing ever so slowly, similar to our current growth rate. Currently we are experiencing significant budget deficits, much like the early-mid-eighties. Sovereign debt problems were grabbing much of the headlines then as well.

There are of course subtle differences in the causes, magnitude of the components and possible solutions. Our point is we are reminded of the '82 bull market in many ways, but we are in a very different world. The tug of war between the fear of another bear market and greed kept (and keeps today) many on the sideline with cash.

It appears Washington has started to show thawing between the parties. *They have created partial fixes on the Fiscal Cliff/Sequester/Debt ceiling issues.* We don't want to read too much into the recent joint meals between the players, they certainly are a step in the right direction. The nation needs more problems fixed and less political posturing. We are keeping our fingers crossed for it to continue.

Despite the current four year bull market, our evaluation models continue to show US equities as undervalued.

We also have a great deal of investor uncertainty in the markets, the economy and in Washington. Uncertainty often confirms markets are underpriced. Certainty and euphoria have been present prior to many bubbles bursting. If history proves itself again, we have not gotten to that point yet.