FONTIS Investments LLC

DEAR FRIENDS,

- The jobs, jobs, jobs theme continues to drive the markets. Is the anomaly "sell in May and go away" a 2013 theme?
- US Equities post inconsistent gains in April, with lower volatility
- 10 year Treasury maintains its sub 2% mark

With the exception of smaller cap companies, US and international equity indexes posted solid gains for the month. After the first four months of the year, the S&P Mid Cap index drives the greatest gains, inching out the Dow's results. The Cypress Bank meltdown appeared to have very little effect on US and international markets. Daily volatility was lower in April than the month prior. Liquidity in the fixed income continues to be strong, with yield around historically low levels.

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

Index [1]	April '12	2013 YTD
S&P 500	1.78%	11.99%
Dow	1.79%	13.24%
NASDAQ	1.84%	7.67%
S&P 400 Mid Cap	0.61%	13.73%
Russell 2000	- 0.42%	11.54%
MSCI EAFE (Intl)	5.75%	7.40%

Commodity price [2]	1/31/13	1/1/13	1/1/12	1/1/11	1/1/10
Crude oil	$92.58	$92.84	$98.98	$73.71	$79.74
Gold	$1468	$1664	$1566	$1066	$1097

* Past performance is no guarantee of future results.

[1] WSJ Online 4/30/13
[2] Bloomberg Online 4/30/13

Initial Unemployment Claims hit a 5 year low at an average of 324,000 on an estimate of 345,000. The US unemployment rate hit a 4 year low of 7.5%.

We added 165,000 new jobs in April, when the experts were predicting 145,000.

This is great news for the jobs picture. Frankly, it's the brightest jobs news coming out of the Great Recession. There is a long way to go for the economy to be considered robust, but we are getting there one step at a time. We are seeing the leading and lagging employment indicators in step at the same time. The brighter jobs picture is counter to a number of other signals that economic activity softened in March and April. Economists have dubbed it the "spring swoon" because it also happened the previous two years.

The trade deficit fell as imports recorded their largest drop since 2009. Until recently exports have been one of the bright spots in the economy. A slowing global economy and Europe's sovereign debt crisis has fueled what is increasingly looking like a depression forming in several countries.

This time of year brings up the anomaly of "sell in May and stay away", until the fall, of course. There are several significant factors which don't support this theory for 2013. Corporation balance sheets are stronger and reinvestment rates are in excess of 75% for the S&P 500 companies.

Brokerage analysts expect three out of four S&P 500 companies to earn higher net income in 2013 than before the Great Recession in 2007. However 71% of S&P 500 companies have lower P/E (price to earnings) ratios than in 2007.

They clearly don't want to prematurely tighten monetary policy to cause the financial markets to quickly reverse. In a recent survey of CFO's their confidence level is up to 55, from earlier this year at 51. They also are appearing to lean to greater hiring as the year progresses.

The Fed recently reaffirmed their "pedal to the metal" approach to monetary policy.

There are also indicators which lead us to believe a correction in the equity markets will occur in the near future. We have seen a significant run in equity prices which still remain at comfortable levels. It appears May will drive the direction for the summer months. We remain cautious as we enter the summer months and look to the degree of strength the economy shows as well as potential extra ordinary events which undoubtedly affects outcomes.