DEAR FRIENDS,

- The Fed signals a potential tapering of stimulus at year end
- US equities post first monthly drop during 2013
- 10 Year Treasuries yield rises to 2.6%

US equities sustain rally early in June, however show modest drop by month end. We felt an increase in daily and weekly volatility after recent Fed meetings. Bond funds saw $80 Billion flow out after the dovish approach by the Fed. For the first time in several years Treasury yields grew with the benchmark 10 year topping 2.6% from 1.8%.

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Index [1]	**June '13**	**2013 YTD**
S&P 500	-1.52%	12.64%
Dow	-1.42%	13.77%
NASDAQ	-1.65%	10.09%
S&P 400 Mid Cap	-2.11%	13.73%
Russell 2000	-0.91%	15.08%
MSCI EAFE (Intl)	-4.63%	-0.64%

Commodity price [2]	**6/30/13**	**1/1/13**	**1/1/12**	**1/1/11**	**1/1/10**
Crude oil	$96.26	$92.84	$98.98	$73.71	$79.74
Gold	$1240	$1664	$1566	$1066	$1097

* Past performance is no guarantee of future results.

[1] WSJ Online 6/30/13
[2] Bloomberg Online 6/30/13

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June began unfolding as another month of gains, until the Fed meetings were released. In comes higher volatility and daily drops in equity prices. Combine these events with embarrassing US security leaks and uncertain economic growth, many were calling for a significant market drop ahead. The bulls entered and market overreaction was averted. This was June in a nutshell. We were encouraged by a lack of overreaction. We are seeing trading resume at reasonable levels, signaled by a rising consumer sentiment. Consumer sentiment is now at post-recession highs.

The Fed tipped their hand to show a potential desire to taper quantitative easing by the end of the 2013. It is based upon what economic change happens between now and then. Regardless if it comes to fruition or not, it does indicate the market needs to wean itself of capital infusion by the US central bank. Corporate earnings growth should be the driving force for equity gains, which the Fed has an effect upon. Not vice versa. In recent years the tail has started to wag the dog. It is our view this is an important first step to normal post-recession focus.

We also started to see earnings expectations deteriorating. Negative guidance has grown from previous quarters. Some speculate the cause is from heightened pressure on earnings accuracy. Over the years there has been an increase in the companies which has decided to be conservative with guidance. Regardless of the reason, we are anxiously awaiting second quarter earnings. Those results will give some clarity on the strength of the current rally.

Demand for commodities worldwide has waned as the year has progressed. Gold has seen a drop of approximately 25% since the first of the year. Most commodities have followed suit, with the exception of crude oil. We witnessed a spike early in the year, however we are basically flat year-to-date.

Economic news continues to show a slow growth economy, continuing to progress out of the recession. The top three sector performers' year-to-date are: Healthcare, Discretionary and Financials. The sequester cuts and healthcare reform changes are expected to kick in as the year progresses. It appears the dog days of summer for the weather and the economy are coming.