



A Toast - To the Decade

2014- "Am I Late to the Party?"

This is the most common question the members of the Sloan Wealth Management (SWM) Portfolio Management Team fielded this holiday season. This common quandary is in the context of the (2010, 2011, 2012 and now 2013) bull-run in the stock market, but we can't help but visualize the numerous parallels to an actual party. If you have read our previous year-end letters (available at Sloanwm.com) you know we were among the first to arrive at the party and have no plans of leaving any time soon - as this decade remains enticing.

2013 SWM Performance – Net of Fee

Moderate Composite: +21.3%

Equity Only Composite: +26.4%

It takes a rare sense of security and confidence to be the first patron at the party. It can often be lonely, but it certainly has its benefits. You get to talk to people you may not normally speak with, thank the hosts and get comfortable with the lay of the land. This puts you in the position to advise other patrons upon their arrival (or even those that have yet to arrive) on the state of the party. This party's theme of global growth and prosperity can continue throughout the decade. If not here already, you are only fashionably late. It is a great time to invest and more people are showing up every day...this party is just getting started...we will save you some punch.

Mantra- How to Control Emotions and Make Good Decisions

As technology has become further ingrained in our lives, we should all review our strategy for maintaining focus on what is important in this world of constant Wi-Fi induced distractions. Imagine a hungry elephant walking through an open air market. How does the elephant get to its destination without reaching and grabbing everything in sight with its trunk? The 150 pound man gives the one ton elephant a stick to hold in its trunk. This is akin to a mantra to control the mind and focus. This exciting decade is our stick, and participating in it remains our mantra.

The process of determining what is useful information has become even more important. Your mantra matters. At SWM, we have been focused on analyzing the facts and removing the emotions. The mantra keeps the mind (or investment strategy) from wandering and taking the bait from negative bloggers, CNBC, or those selling you products to capitalize on your fear and emotions. The mantra prevented us from getting distracted by government shut downs, the threat of the European Union falling part, higher taxes, threat of double dip recessions, or any other white noise. **A tactical global investment strategy executed with a proven methodology should bode well in all market environments for the rest of this decade.**

Moderate Composite - Net of Fee				Cumulative
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total</u>
+17.3%	-2.8%	+16.5%	+21.3%	+61.1%

*\$5 million invested on 1/1/10 would amount to \$8 million at the end of 2013 (net of fees). The Moderate Composite is made up of a collection of separately managed portfolios with a similar moderate risk level. These portfolios include a fixed income allocation of 15-20%. **Our Equity Only Composite was up 26.4% in 2013.***

Just the Facts Please- October 9, 2007

After hearing the same question/concern from so many, we began to wonder "why?" Why is it that so many intelligent people remain unaccepting of this prosperous decade? It is our conclusion the events of 2008 are still fresh on investors' minds and some are concerned it will happen again.

Prior to the spring of 2013, the all-time high of the S&P 500 was on 10/9/07 at 1,565. Coincidentally, the index on 10/9/13 was 1,656. The market is just now reasonably above the 2007 levels, but the corporations represented have made tremendous progress. They have made many advances in technology, productivity, efficiency, and, most importantly, have decreased leverage to improve their financial situation. While the stock market has recouped the losses from the Panic

of 2008, the earnings of companies are at all-time highs (estimated to be \$109 in 2013). This means the valuation remains at a 15.4x multiple on projected twelve month earnings. The average price-to-earnings ratio in periods when interest rates are this low is 19x earnings. Thus, the market remains attractively valued.

Notable US Economy Thoughts

- 2013 Home prices: +8% nationally
- Step closer to energy independence
- Commodities prices remain low
- Fed effective in exit to stimulus program
- Recent GDP reading a healthy 4.1%
- Manufacturing Renaissance in energy, housing & auto industries
- Interest rates remain low
- Political rancor subsides

Not the Only Belle at the Global Ball- Check EM's Dance Card

Moderate improvement in US growth can be enhanced by surging emerging market economies. The 1.3 billion people in China and 1.2 billion people in India have an ace up their sleeve – a charging middle class with the unyielding desire to have a better life. In fact, people all over the world are demanding a better life from their governments as technology allows them to unite for a better future. You no longer need to leave home to obtain an education...all you need is an internet connection. Technology is empowering people at all ends of the globe.

And, don't forget our friends on the other side of the pond. With a European Union that is still intact and back in growth mode - Europe is showing signs of life after struggles that rattled markets around the world in 2011. Further stimulus by the European Central Bank and the effect of the US taper should drive the overvalued Euro lower improving their export driven economies.

If we can achieve these returns in the face of fear, imagine what can happen with some optimism in the punch.

Evolution of an Industry- The Future of Investing

We cannot guarantee the future, but we can state facts. The evolving global economy has changed the world of investing which has impacted what we call "The Participation Factor". You must not only participate, but participate with conviction when appropriate and be liquid enough to... as we say... "When the facts change, change your mind".

It is not too late to participate. It may take a new focus, a new mantra - a stick. Advances in technology allow for instantaneous sharing of ideas around the world leading to more productivity and new discoveries. This decade presents a compelling investment opportunity, but one must participate. Take a deep breath and enjoy this dynamic world around you.

"In 2013 SWM continued our commitment to delivering the highest standard of experience for all our investors with the hiring of Jody Nava."
Frank Sloan, President

At the end of the day, we take great pride in the meaningful relationships we have built and those who share and support our vision. We help many charities and organizations create positive outcomes in this world. We want to thank you all and wish you peace, happiness and health in 2014 and beyond.

The Sloan Wealth Management Portfolio Management Team

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