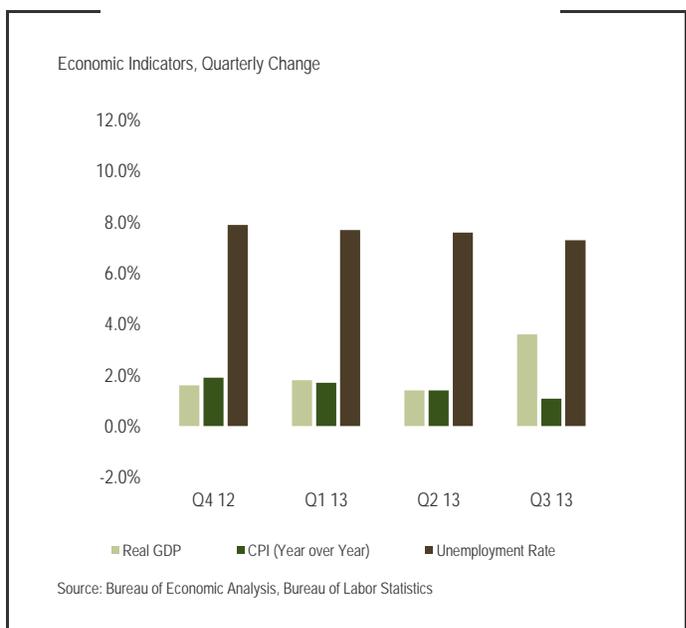


## Economic Update

According to Bloomberg, the global economy is set to grow at its strongest pace since 2010 with the U.S. at the helm, as noted in a report published on December 12th. After surveying economists from Goldman, Deutsche, and Morgan Stanley, among others, the consensus is for an acceleration in global GDP of at least 3.4%, with the United States and the U.K. at the forefront of the continued recovery. The economists interviewed call for a more sustainable year of growth in 2014, which would boost corporate confidence and equity markets, while propelling energy demand and consumer wealth. These projections rely heavily on factors like worldwide central bank actions to prove true.

Turning to the U.S., retail sales showed strong gains in November despite many stores claiming Black Friday sales were mildly disappointing. A 0.7% gain in retail sales in November followed a positive 0.6% in October which indicates increased strength in consumer spending after a weak third quarter. Higher stock markets, lower gasoline prices, and increased property values helped boost wealth in the U.S., allowing consumers to spend more on discretionary items. Sales were strong across the entire spectrum of business establishments, from internet retailers to brick-and-mortar furniture outlets, and auto sales were particularly promising.

In a similar release, U.S. consumer spending (as measured by household purchases) rose 0.3% in October, after gaining 0.2% in September, despite personal income falling 0.1% last month. Durable goods made up a large piece of the consumer spending gain after strong auto sales. The disappointing income numbers come after two strong months in August and September, with October's release the first income decline since January of this year. This release is not surprising as wages are typically lagging indicators, or later economic factors to improve in a recovery. As jobs numbers continue to show strength and housing recovers further, income numbers should improve, but this may not be until 2015 or later.



Dec 2 <sup>nd</sup>	ISM Mfg. Index - Level, Nov.	57.3
Dec 2 <sup>nd</sup>	Construction Spending, Nov. Monthly Chg.	-0.3%
Dec 3 <sup>rd</sup>	ICSC-Goldman Same Store Sales, Wkly. Chg.	-1.6%
Dec 4 <sup>th</sup>	International Trade Balance Level, December	-40.6B
Dec 4 <sup>th</sup>	New Home Sales, December	444,000
Dec 4 <sup>th</sup>	ISM Non-Mfg. Index, December	53.9
Dec 4 <sup>th</sup>	Non-farm Payrolls, Dec. Monthly Chg.	203,000
Dec 5 <sup>th</sup>	Real GDP, Q3 Quarterly Change SAAR*	3.6%
Dec 5 <sup>th</sup>	GDP Price Index, Q3 Quarterly Change SAAR*	2%
Dec 5 <sup>th</sup>	Initial Jobless Claims ( Week ending 12/6)	368,000
Dec 5 <sup>th</sup>	Factory Orders, Nov. Monthly Chg.	-0.9%
Dec 5 <sup>th</sup>	Unemployment Rate, November	7.0%
Dec 6 <sup>th</sup>	Consumer Credit, March Monthly Change	18.2B
Dec 6 <sup>th</sup>	Core PCE Price Index, Nov Monthly Chg.	0.1%
Dec 6 <sup>th</sup>	Personal Income, March Monthly Chg.	-0.1%
Dec 6 <sup>th</sup>	Consumer Sentiment Index, January	82.5

SEE IMPORTANT DISCLOSURES ON BACK PAGE.

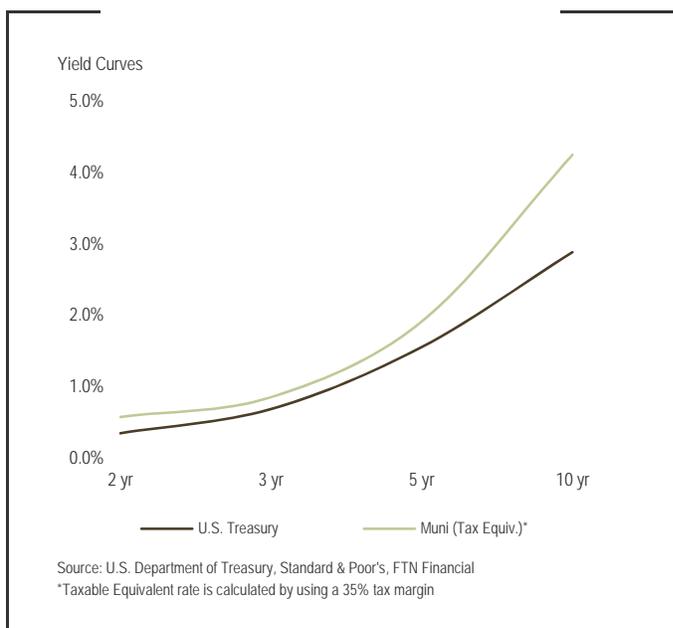
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

Better retail sales report has pushed yields on a 5-year treasury note to 1.55%, the highest level since September 18. The benchmark 10-year was little changed at 2.88% while a 30-year note finished the week at 3.88%. The recent yield changes indicate that, at least up to this point, tapering has been priced in more aggressively on the long end of the yield curve and intermediate-term maturities (5-10 years) may well come under pressure in the coming months. Shorter maturities are considered to be less affected by the stimulus reduction.

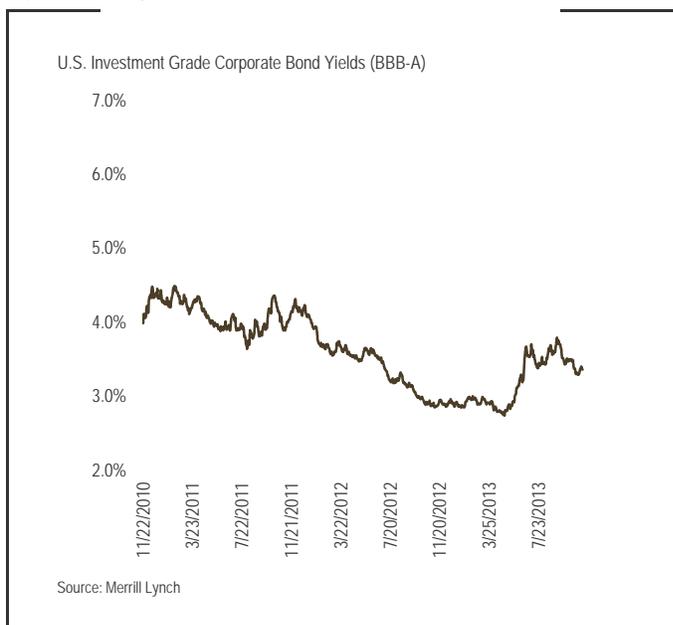
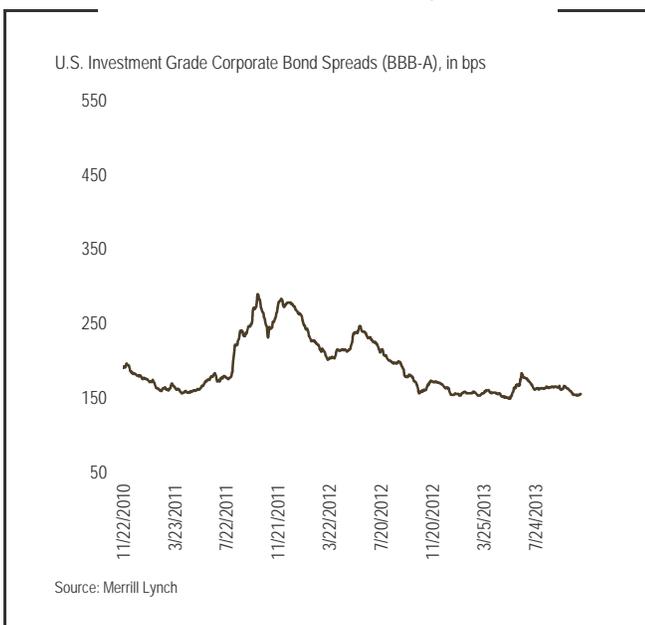
Somewhat stronger economic data over the past several weeks continued to push the U.S. Treasury yields higher, by increasing investors' expectations that the signs of improving economy will prompt the Fed to curb its bond purchases sooner than later. According to a survey of 35 economists conducted by Bloomberg, 34% of them predicted the Fed will announce the move next week, while 40% expect it to happen in March, after the new Fed Chair takes the helm.

In other news, according to S&P, Puerto Rico bonds are already down 18.5% year-to-date. Puerto Rico's debt is facing a downgrade to junk status after Moody's put the commonwealth's general obligation debt under review, stating deteriorating finances and increasing reliance on external short-term debt. After Fitch, Moody's is the second major rating agency to issue this warning. A rating cut could adversely affect many municipal bond funds with exposure to Puerto Rico's debt as they will be required to sell into a declining market.



Issue	12.6.13	12.13.13	Change
3 month T-Bill	0.06%	0.07%	0.01%
2-Year Treasury	0.30%	0.34%	0.04%
5-Year Treasury	1.51%	1.55%	0.04%
10-Year Treasury	2.88%	2.88%	0.00%
30-Year Treasury	3.90%	3.88%	-0.02%

SEE IMPORTANT DISCLOSURES ON BACK PAGE. Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.

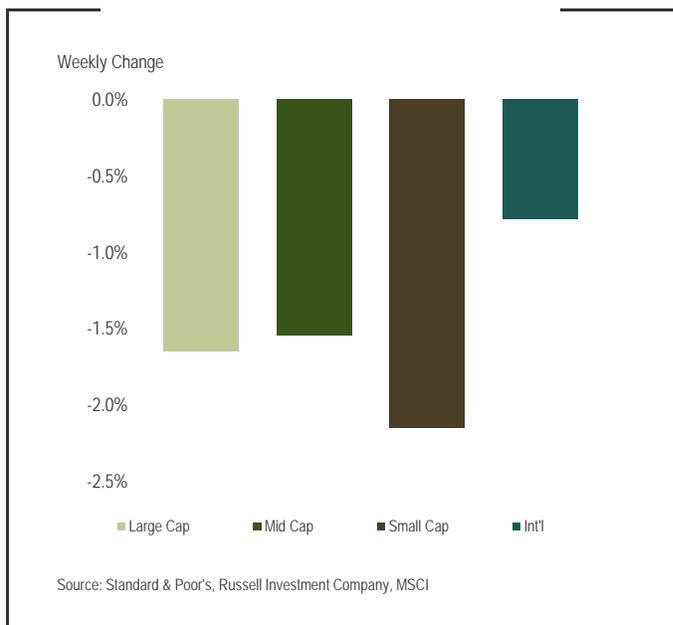


Stock Market Update

Domestic equity markets continued to struggle in the month of December as major indices posted another down week. Uncertainty over the timing of the Fed's tapering seems to have led to some profit taking at the end of a strong year for equity markets. The S&P 500 posted its first back-to-back weekly losses since the week ending October 4. On Thursday the Commerce Department reported a better than expected 0.7% rise in retail sales for the month of November. Inflation remains low as a drop of 0.1% in the producer price index for the month of November was reported on Friday. The Dow Jones Industrial Average closed the week at 15,755.36, down 1.65% for the week. The broader S&P 500 ended the week at 1775.32, lower by 1.65% on the week. The NASDAQ Composite finished lower by 1.51% and closed the week at 4000.98.

Several international markets also finished the week lower as global markets prepare for the inevitable Fed tapering to begin. The Stoxx Europe 600 Index finished the week with a 2.1% loss. In China, the Shanghai Composite Index fell 1.8% for the week. Markets in Japan bucked the trend as weakness in the Japanese Yen helped stocks there rise on Friday and the week. The Nikkei Average posted a 0.7% gain for the week.

On Friday, General Electric announced a 16% increase in its quarterly dividend payment. The increase raises the current indicated dividend yield to 3.3%. This represents an acceleration of their recent annual dividend growth rates and reflects the strength the company has seen in its industrial business units and management's commitment to returning cash to shareholders through a combination of dividend payments and share buybacks.



Issue	12.6.13	12.13.13	Change
Dow Jones	16,020.20	15,755.36	-1.65%
S&P 500	1,805.09	1,775.32	-1.65%
NASDAQ	4,062.52	4,000.98	-1.51%
Russell 1000 Growth	840.34	828.04	-1.46%
S&P MidCap 400	1309.68	1,289.42	-1.55%
Russell 2000	1131.38	1,107.05	-2.15%
MSCI EAFE	1,836.93	1,822.54	-0.78%
MSCI Small Cap	197.61	196.75	-0.43%

SEE IMPORTANT DISCLOSURES ON BACK PAGE.  
Prices reflect most recent data available at the time of publication.  
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch, Wolfe Trahan.

Alternative Investments Market Update

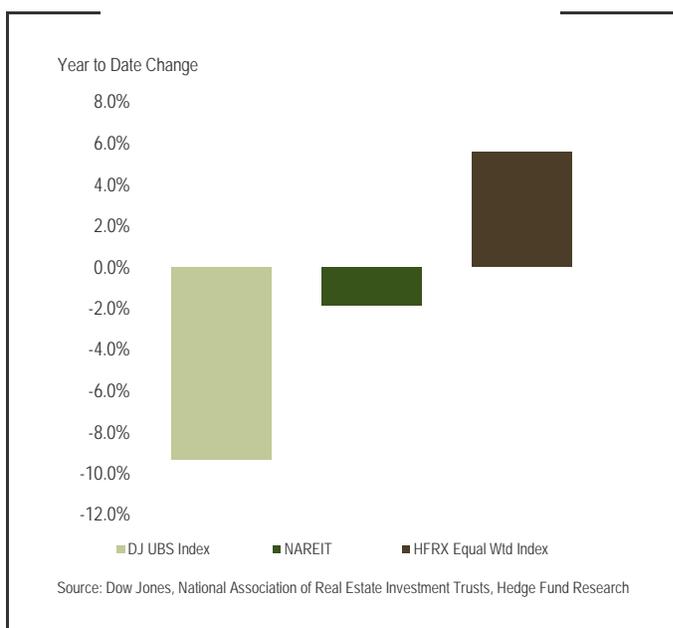
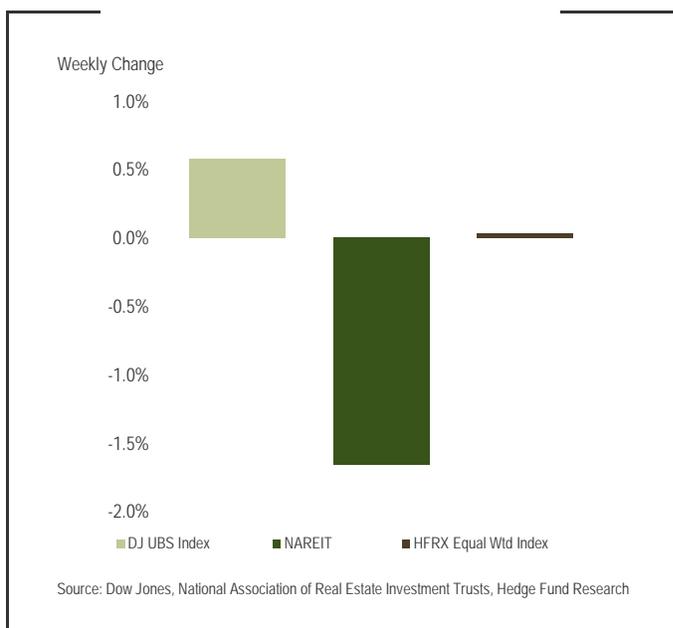
Gold rose this week after signs of low U.S. inflation indicated Federal Reserve policy makers who are meeting next week have more room to maintain their \$85 billion of monthly bond purchases. The Fed's massive bond-buying programme has supported bullion by keeping interest rates low and stoking inflation fears by flooding markets with cheap dollars. The precious metal is headed for its first annual decline in 13 years as investors, buoyed by a recovering global economy, pull money from the metal and invest in riskier assets such as equities. Copper also touched a six-week high this week as nervous investors bought back short positions ahead of the central bank meeting. Investors bet the global metal supply would be tighter than previously expected as Chinese demand continues to grow and global inventories shrink. Crude oil slipped this week as falling demand boosted fuel inventories on top of concern that the Fed would curb its stimulus. Also playing a role in crude performance was the possibility of supplies from Lybia. The Libyan militia whom had shut down most of the country's oil terminals stated that they will reopen them this weekend, and Libya hopes to increase output to 2 million barrels a day once unrest subsides.

Fitch Ratings announced this week that it would maintain its firm outlook for U.S. equity real estate investment trusts (REITs) heading into next year, as positive factors have been kept in check by expectations of a slow economic recovery. In a report released earlier this week, the ratings agency believes the outlook is consistent across all property types, with all major sectors expected to post stable performance in 2014. The report went on to note how REITs should continue to have access to capital markets for secured and unsecured debt and will opportunistically access the equity markets to fund acquisitions and developments. Such access would lead to solid liquidity coverage and improved fixed-charge coverage as REITs refinance higher-cost capital. Fitch also emphasized how interest rate increases that result from stronger economic growth would be positive for REITs, whereas a stagflation scenario of higher rates would almost certainly be detrimental. A more gradual increase in interest rates would be preferable for property sectors with longer-lease tenants, such as net lease, healthcare, retail, and office.

Issue	Previous Week	Current <sup>1</sup>	Change
Gold	1,228.28	1,237.30	0.73%
Crude Oil Futures	97.69	96.47	-1.25%
Copper	323.95	331.00	2.18%
Sugar	16.59	16.27	-1.93%
HFRX Equal Wtd. Strat. Index	1,186.39	1,186.78	0.03%
HFRX Equity Hedge Index	1,142.46	1,142.12	-0.03%
HFRX Equity Market Neutral	950.73	952.22	0.16%
HFRX Event Driven	1,562.30	1,559.64	-0.17%
HFRX Merger Arbitrage	1,566.27	1,564.62	-0.11%
Dow Jones UBS Commodity Index	125.38	126.11	0.58%
FTSE/NAREIT All REIT	155.66	153.08	-1.66%

SEE IMPORTANT DISCLOSURES ON BACK PAGE.

<sup>1</sup> Prices reflect most recent data available at the time of publication  
Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research, Bloomberg, The Wall Street Journal, The International Monetary Fund.



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