Portfolio Shift Commentary: February 12, 2013

From a macro perspective, 2013 begins on more solid footing with greater fiscal and political clarity, reduced macro tail risks, and increased economic momentum in the U.S. and emerging markets. The markets had a strong start to the year with help from a now significant tailwind in housing, continued loose monetary policy, improved investor sentiment and debt cheap relative to equity. As such, our asset allocation stance reflects cautious optimism.

Within the equity allocations, we slightly increased the overall equity exposure while lowering the cash positions. As macro tail risks continue to lessen, as discussed above, we feel more comfortable adding to our equity positions. We also slightly increased our international and emerging market exposure.

In addition, the utility sector allocation was liquidated, and proceeds were reinvested to a North American natural resource allocation to further diversify our commodity exposure. We continue to hold a moderate allocation to gold. We believe this continues to make sense as a hedge against inflation, currency and equity risk.

Within fixed income, the decision to remove US Treasuries is based on our belief that we would be better diversified by adding non-core exposure through an allocation to emerging market debt. Reduced macro risks and drive for yield should be supportive to emerging market debt overall. Additionally, diversification toward emerging markets makes sense given yield differentials, better growth prospects and stable monetary policy.

As always, we thank you all for your continued support and look forward to discussing any or all of our thoughts at your convenience.

Sincerely,

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