BRAZOS CAPITAL of RAYMOND JAMES®

Portfolio Shift Commentary: July 22, 2013

Financial markets experienced a dramatic shift in sentiment during the last six weeks, driven by concerns that the withdrawal of monetary policy stimulus by the U.S. Fed was coming sooner than expected. This prompted a re-pricing in global rate markets. It seems the Fed is concerned with how far rates have moved and is in damage-control mode as they continue to reiterate that tapering is a far cry from tightening. Bernanke's dovish statement in his testimony to Congress last week was that tapering is contingent on the economy, and that policy will remain highly accommodative for the foreseeable future as unemployment remains high.

We expect volatility to remain elevated near-term, but continue to believe that the macro picture overall is supportive for risk assets. From an asset allocation perspective, we continue to favor U.S. equities among other risk assets.

We added to our U.S. equity exposure using proceeds from our cash position. While we expect international diversification to be additive in the intermediate term, U.S. markets have remained resilient to fiscal and monetary policy concerns and represent a more stable economic environment over the near-term. Although we remain focused on large cap market segments given more robust balance sheets and higher dividend yields, we did allocate a portion of our cash proceeds to U.S. small cap markets.

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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