Portfolio Shift Commentary: August 13, 2013

Fed Chairman Bernanke's "taper talk" in June shook global markets and led to massive outflows in the bond markets. Since then, bond investors have been dumping long-term bonds as interest rates have moved up over 100 basis points since early May.

In today's market, one of our main concerns is interest rate risk. With the recent move in rates, the markets appear to be pricing in Fed tightening or at least tapering sooner than many expected. In fact, yields could move up more if economic growth surprises to the upside or the market continues pricing in Fed policy changes earlier than expected. Many are looking back to previous Fed tightening cycles in 1994 and 2004 for clues and courses of action.

Within our fixed income allocation we have exited our broad bond market and investment grade corporate bond positions and replaced them with similar, shorter term holdings, in an effort to lower our overall duration. In our opinion, shorter durations allow for greater protection in an environment of rising rates and for reinvestment at potentially higher yields down the road.

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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