



## Portfolio Shift Commentary: July 16, 2014

It's hard to believe the first half of 2014 is already in the books! First quarter data surprised to the downside, with US GDP contracting nearly 3% and data out of Japan and Europe generally trending below expectations. While the early year slump has tamed full year growth expectations, we feel that a meaningful pick-up in growth is likely in the second half. Second quarter US GDP growth is tracking at a 3.5% pace and second half growth is expected to run at a 3.0% rate. Despite the ongoing threat of higher oil prices and the unresolved conflicts in Iraq and Ukraine, we believe the global equity picture is still bullish, given the improving growth outlook, continued policy support and reasonable valuations.

Within the equity side of the portfolio, we replaced our real estate holdings with a technology allocation. In our opinion, the growth prospects seem much stronger with the technology sector over the second half of the year. The technology sector has the highest projected earnings growth rate among the 10 S&P sectors for the second quarter at 12.3 percent, its best quarter since the first quarter of 2012 according to a Thomson Reuters poll. Nine of the 13 sub-industries in the tech sector are expected to report higher earnings than a year ago.

We see the technology sector as one of the more undervalued sectors. While the Dow Jones industrial average and the S&P 500 have hit record highs recently, the tech-heavy NASDAQ is still more than 700 points away from its all-time intraday high on March 10, 2000, suggesting there may be room to the upside in our opinion.

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

Best Regards,

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It is not possible to invest directly in an index. The S&P 500 is an unmanaged index of 500 widely held stocks. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. Investments related to a specific sector, where companies engage in business related to a particular industry, are subject to fierce competition, the possibility of products and services being too rapid obsolescence and limited diversification. Investments mentioned may not be suitable for all investors.

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