

**ABULS, BONE &
ELLER GROUP**
OF
RAYMOND JAMES®

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**A WINNING
CULTURE –
A PATIENT PATH
FROM GOOD TO
GREAT BEGINS**

When we (Rich) awoke today the first thing we did was turn to the Tribune sports page and look at the front page. In particular, we were looking for the recap and highlights of yesterday’s National League playoff game. Buried somewhere in small print was a notation of the final score...

St. Louis Cardinals 2
Pittsburgh Pirates 1
Series tied at 2 and 2

We had to leaf back to page 5 to get a condensed recap of the outstanding pitcher’s duel and Cardinal victory. It is obvious that baseball barely registers on the Chicago sports scene today.

It got us thinking about winning cultures and what it takes to make them. With all biases (Rich’s) set aside, it would be hard to find a knowledgeable sports fan who doesn’t think that the St. Louis Cardinals have one of the most consistently superior sports franchises in history. As of 2013 Forbes business magazine valued the Cardinals at \$716 million making them the 10th most valuable franchise in Major League Baseball and



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“the best single-team baseball market’ in the United States. It is a middle market franchise by population and yet consistently ranks in the top three in television ratings annually. In baseball history they are second to the Yankees in World Series victories and have won 19 pennants. Since the advent of the National League Championship series in 1969, they have won 11 of 44 series or 1 in 4 of each series played.

The Cardinals and Branch Rickey are credited with establishing the farm system, the development system for baseball talent. And more importantly, many would credit the Cardinals with the most consistent player development in the history of baseball. They don’t rebuild; they replace a player or two.

“It’s a culture you learn as you go through the system,” said (David) Freese (Cardinal player). “You learn fundamentals. You learn that it is all about hard work, and most of all, it is about winning. That’s what they stress. It’s not about stats or being (on) the top prospect lists. It’s about developing players.”

One of the basic tenants of our investment philosophy is a belief in active management. We do believe people make a difference. In ‘Good to Great’ Jim Collins puts forth the idea that the Who is a step ahead of the What. Both are important, but a good What will fail with the wrong Who.

Money managers, just as baseball teams, can be distilled down to an environment characterized by a consistent depth of talent, a ‘culture’ of discipline with expecta-

tations and actions that exemplify doing things fundamentally sound and doing them right. They possess a deep concern and purpose, they want to be the best they can be and they have an understanding of what drives their results. Money managers, mutual funds, businesses, assets, etc. are not faceless, humanless widgets. When built correctly, they are purposeful collections of talented people producing extraordinary results.

The money management landscape is littered with firms that used to be. There are not many who have consistently remained true to their cultures and produced consistently superior results. Not unlike other businesses or sports teams, ego, poor communication and greed are primary contributors to their demise.

“You can accomplish anything in life, provided that you do not mind who gets the credit.”

Harry S. Truman

In a culture of discipline leadership plays a different role that it does in an undisciplined one. A culture of discipline requires fewer rules. It encourages freedom, communication and entrepreneurial actions. Again taking form Jim Collins, the leaders are more exemplified by humility than ego. They have tremendous resolve and resiliency for the success of the organization and less ambition for themselves. They are teachers not preachers. They exemplify work ethic; more plow horse than show horse. They are result oriented. They are patient and long-term focused. They look in the mirror to assess blame and take responsibility. They look out the window to give credit and to find purpose.

Mastery is a process not a destination. The St. Louis Cardinal did not win a World Series in the 1950’s, 1970’s or the 1990’s. Yet, neither the organization nor their fans quit believing, working or supporting their culture. In the concept of Mastery, short periods of significant improvement are followed by some



small periods of modest diminishing returns and long periods of plateaus. This Master Curve is repeated over and over again throughout the lifetime. Patience is the bedrock of this long-term process and is a part of every successful organization.

When we evaluate our select list of money managers we find the characteristics of Mastery and ‘Good to Great’ spread throughout them. The American Funds and Dodge & Cox are examples of great depths of talent. Individuals are carefully chosen, developed over time and most often stay for the balance of their careers. The Oakmark money managers exemplify a driven purpose and discipline as value investors. While also having the freedom to manage and build portfolios with personal discretion and conviction. Longleaf Partners exemplifies doing the right things and humble leadership. And all of them without exception are models of hard work, stewards of client results, personal responsibility, patient and long-term focused.

In the world of compound returns and your money, a little better over a long period of time produces significant differences in lives. Just as a 3% difference in stroke average between the #1 player and #150 on the PGA Tour is the difference between Tiger Woods and an unknown. Or the difference in a 1 run baseball game makes a World Champion or not. We believe your managers will prove valuable over the long-term.

CURRENT INVESTMENT STRATEGY

The markets overall had a successful 2013 third quarter. The markets absorbed the rhetoric of Federal Reserve tapering in the second quarter, put the possibilities on the back burner and plowed ahead in the third quarter. In US dollars the S&P 500, Russell 2000, EAFE and the Emerging Markets were up 5.20%, 10.20% 11.60% and 5.90%, respectively. Fixed income returns were modest for the quarter. We have stated that an extended period of time for ‘clipping the coupon’ may be in store. When you analyze income sector returns for the third quarter this is evident. Barclays Aggregate, Municipals, Corporate, High Yield and Emerging Debt were up 0.60%, 0.70%, 0.80%, 2.30%, and 1.40%, respectively. Annualizing these quarterly returns result in yields that approximate the current yields on these income sectors; e.g. Barclays Aggregate 0.60% quarterly return annualized equals 2.40%.

In spite of looming policy issues regarding US government shut downs, debt ceiling negotiations, implementation of health care reform, Federal Reserve rhetoric regarding tapering and the impending changing of the guard at the Federal Reserve our investment policy remains unchanged. We continue to characterize the global macro-economic environment as one of gradual improvement with the risks heavily tilted toward government policy risk. Households and corporations continue to reduce their leverage risk and increase balance sheets with a combination of savings and rising asset prices. Low interest rates continue to put upward pressure on asset prices including stocks and real estate. From a fundamentals perspective we continue to borrow future returns in the equity markets at the expense of savers experiencing financial repression. Values are getting full, while the momentum and technical continue to favor equity investments.

The Abuls, Bone & Eller income allocation as of September 30, 2013:

| | |
|---------------------|------|
| Core Bonds | 60% |
| Global Bonds | 20% |
| Multi-sector Income | 10% |
| Equity-Income | 10% |
| Total | 100% |

In the global equity markets, US markets have surpassed their previous highs set back in 2007. However, due to the deeper fiscal and economic issues in Europe international equities remain over 35% below their 2007 highs and emerging market equities over 20% from their previous highs. As we noted last quarter, the valuations for the emerging markets and international equities are compelling. They are selling

for cheaper valuations with higher current dividend yields than US stocks.

In particular, emerging market equities appear to have significant value. The global equity market continues to bull its way forward. It would not be surprising to see a normalized and healthy sell-off of 10% - 20% given the long duration of the current market advance. We would consider this an opportunity to rebalance into equities and increase our allocation to emerging market equities.

| Market | Current Forward PE | 10-Year Forward PE | Current Dividend Yield |
|-----------------------|--------------------|--------------------|------------------------|
| World (ACWI) | 13.4 | 13.2 | 2.5% |
| International (EAFE) | 13.2 | 12.7 | 3.1% |
| US (S&P) | 14.5 | 14.1 | 1.9% |
| Emerging Markets (EM) | 10.0 | 11.1 | 2.7% |

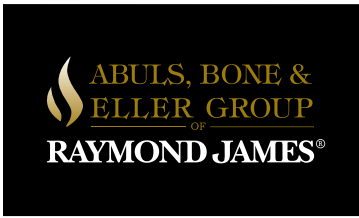
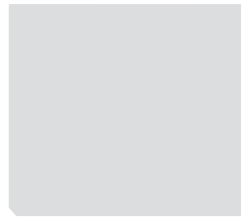
The Abuls, Bone & Eller equity allocation as of September 30, 2013:

| | |
|-------------------------|-------|
| Large Cap Value | 22% |
| Large Cap Growth | 22% |
| Small Cap Value | 1.5% |
| Small Cap Growth | 2.5% |
| International Large Cap | 25.5% |
| International Small Cap | 4% |
| Emerging Markets | 4% |
| Natural Resources | 4.5% |
| Alternatives | 10% |
| Cash | 4% |
| Total | 100% |



C O N G R A T S

We want to congratulate one of our recent additions and a member of the Abuls, Bone & Eller farm system on a significant development. Paul Bode recently passed his Certified Financial Planner (CFP) qualifying exam. Paul's developing skill set is highlighted by undergraduate and graduate degrees in finance, passing level one of the Chartered Financial Analyst program and now his CFP designation. Paul's personal discipline, hard work, patience and focus on the fundamentals will surely make him an important contributor to our team and a valuable resource in helping our clients develop and a more secure and prosperous financial future. Congratulations to Paul!



REQUIRED DISCLOSURES

Views expressed in this newsletter are the current opinion of the author, but not necessarily those of Raymond James & Associates. The author's opinions are subject to change without notice. Information contained in this report was received from sources believed to be reliable, but accuracy is not guaranteed. Past performance is not indicative of future results. Investing always involves risk and you may incur a profit or loss. No investment strategy can guarantee success. International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices rise.

Diversification and strategic asset allocation do not ensure a profit or protect against a loss. Investments are subject to market risk, including possible loss of principal. Gross Domestic Product (GDP) is the annual market value of all goods and services produced domestically by the US. Alternative investment strategies involve greater risks and are only appropriate for the most sophisticated, knowledgeable and wealthiest of investors. High-yield bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio.

The S&P 500 is an unmanaged index of 500 widely held stocks. The MSCI Emerging Markets Index is designed to measure equity market performance in global emerging markets. The Russell 2000 index is an unmanaged index of small cap securities which generally involve greater risks. Barclays Capital U.S. Aggregate Bond Index is made up of the Barclays Capital U.S. Government / Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Based Securities Index, including securities that are of investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million. The MSCI EAFE (Europe, Australia, Far East) index is an unmanaged index that is generally considered representative of the international stock market. These international securities involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. The Dow Jones-UBS Commodity Index aims to provide broadly diversified representation of commodity markets as an asset class. It is not possible to invest directly in an index.

The Russell 2000 index is an unmanaged index of small cap securities which generally involve greater risks. The Dow Jones-UBS Commodity Index aims to provide broadly diversified representation of commodity markets as an asset class. 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 an unmanaged index of 30 widely held securities. The Wilshire Real Estate Securities Index measures the performance of publicly traded U.S. real estate securities. The Barclays Capital U.S. Corporate High-Yield Bond Index covers the universe of fixed-rate, non-investment grade corporate debt of issuers in non-emerging market countries. Eurobonds and debt issues from countries designated as emerging markets are excluded. The Barclays Capital Long-Term Municipal Bond Index is composed of those securities included in the Municipal Bond Index that have maturities greater than 22 years. It is not possible to invest directly in an index.

The value of fixed income securities fluctuates and investors may receive more or less than their original investments if sold prior to maturity. Bonds are subject to price change and availability. (P/E) is the price of the stock divided by its earnings per share. The MSCI ACWI ex US Index is an equity index based upon a broad based world ex-US composite market.

Past performance does not guarantee future results. There is no assurance these trends will continue. The market value of securities fluctuates and you may incur a profit or a loss. This analysis does not include transaction costs and tax considerations. If included these costs would reduce an investor's return. As federal and state tax rules are subject to frequent changes, you should consult with a qualified tax advisor prior to making any investment decision. Raymond James does not provide legal or tax advice on these or any other transactions.

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A LOOK AT THE NUMBERS AS OF 09-30-2013

| | Current Yield | Last Quarter | Last 12 Months | Last 3 Years | Last 5 Years | Last 10 Years |
|-------------------------|---------------|--------------|----------------|--------------|--------------|---------------|
| Major Indexes | | | | | | |
| DJIA | 2.26 | 2.12 | 15.59 | 14.94 | 9.93 | 7.74 |
| S&P 500 | 2.12 | 5.25 | 19.34 | 16.27 | 10.02 | 7.57 |
| NASDAQ | 1.51 | 10.82 | 21.03 | 16.77 | 12.51 | 7.76 |
| RUSSELL 2000 | 1.65 | 10.21 | 30.06 | 18.29 | 11.15 | 9.64 |
| EAFE | 3.23 | 11.56 | 23.77 | 8.47 | 6.35 | 8.01 |
| DJ UBS Commodity Index | - | 2.13 | -14.35 | -3.16 | -5.29 | 2.14 |
| Vanguard REIT Index Adm | 3.90 | -3.00 | 5.71 | 12.31 | 6.34 | 9.62 |

| | | | | | | |
|-----------------------------|---|-------|-------|-------|-------|-------|
| Equity Asset Classes | | | | | | |
| U.S. Large Cap Value | - | 4.43 | 21.23 | 14.66 | 8.70 | 7.32 |
| U.S. Large Cap Growth | - | 9.34 | 20.68 | 15.27 | 10.66 | 7.62 |
| Mid Cap Value | - | 6.80 | 28.32 | 16.01 | 11.81 | 9.49 |
| Mid Cap Growth | - | 10.13 | 26.11 | 15.98 | 11.90 | 9.26 |
| Small Cap Value | - | 8.09 | 29.48 | 16.18 | 11.44 | 9.95 |
| Small Cap Growth | - | 12.26 | 30.36 | 18.75 | 13.14 | 9.63 |
| Foreign Large Cap Value | - | 10.68 | 21.72 | 7.39 | 5.26 | 7.51 |
| Foreign Large Cap Growth | - | 9.71 | 18.11 | 7.62 | 7.32 | 8.28 |
| Emerging Markets | - | 5.00 | 2.99 | -0.49 | 6.25 | 12.01 |

| | | | | | | |
|-----------------------------------|------|-------|-------|------|-------|------|
| Fixed Income Asset Classes | | | | | | |
| CD - 1 Year | 0.50 | | | | | |
| CD - 3 Year | 1.20 | | | | | |
| CD - 5 Year | 2.10 | | | | | |
| Treasury 5 Year | 1.43 | | | | | |
| Treasury 10 Year | 2.63 | | | | | |
| 6 Month T-Bill | 0.08 | | | | | |
| Barclays Muni Bond Index | - | -0.19 | -2.22 | 3.24 | 5.98 | 4.40 |
| Barclays Aggregate Bond Index | - | 0.57 | -1.68 | 2.86 | 5.41 | 4.59 |
| CSFB High Yield Bd. | - | 2.39 | 7.21 | 9.06 | 12.50 | 8.59 |
| CPI | - | 0.73 | 1.52 | 2.32 | 1.32 | 2.38 |
| Prime Rate | 3.25 | - | - | - | - | - |
| Broker Call | 2.00 | - | - | - | - | - |

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