Portfolio Action Update

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IPMG
INVESTMENT PLANNING AND MANAGEMENT GROUP OF
RAYMOND JAMES®

Tactical Asset Allocation Style & Sector Signals

Ratings 60 and Above are a Green Light
Ratings 40 and Below are a Red Light
Ratings 41 to 59 are (Neutral)
Light Green indicates going from Green to Neutral since last Signal Date
Pink indicates going from Red to Neutral since last Signal Date

Rating Table and Technical Analysis Process Explanation at End of Report

Styles	Large Cap Growth	Large Cap Value	Mid Cap Growth	Mid Cap Value	Small Cap Growth	Small Cap Value
S - T	8/6/13 (10)	8/14/13 (20)	7/30/13 (20)	4/23/13 (60)	8/8/13 (30)	8/6/13 (10)
I - T	3/1/13 (80)	8/30/13 (5)	7/5/13 (55)	7/1/13 (70)	8/27/13 (40)	8/30/13 (40)
Sectors	**Banking**	**Biotech**	**Energy Oil & Gas**	**Financial Services**	**Gold Mining**	**Healthcare**
S - T	8/27/13 (40)	8/21/13 (60)	7/24/13 (20)	8/30/13 (30)	8/12/13 (50)	8/27/13 (20)
I - T	8/27/13 (45)	7/2/13 (90)	8/6/13 (50)	4/24/13 (70)	8/12/13 (90)	7/5/13 (80)
Sectors	**Natural Resource Equities**	**Real Estate**	**Retail**	**Technology**	**Transportation**	**Utility**
S - T	8/19/13 (20)	8/1/13 (20)	7/23/13 (43)	8/14/13 (13)	8/20/13 (58)	8/6/13 (0)
I - T	8/27/13 (25)	8/2/13 (20)	7/8/13 (43)	8/23/13 (40)	11/23/12 (67)	8/16/13 (20)
Foreign	**Emerging Markets**	**China**	**Europe**	**Japan**	**Latin America**	**S.E Asia**
S - T	8/30//13 (70)	8/21/13 (50)	8/27/13 (30)	8/7/13 (20)	8/16/13 (20)	8/19/13 (10)
I - T	8/19/13 (30)	7/24/13 (70)	7/15/13 (75)	8/26/13 (20)	8/16/13 (10)	8/21/13 (30)
Bonds	**Foreign Hedged to $**	**Foreign Non-$hedged**	**Emerging Markets**	**Invest. Grade Corporate**	**High Yield Corporate**	**Long Term Treasury**
I –T	8/29/13 (75)	8/13/13 (40)	8/16/13 (20)	8/15/13 (40)	8/1/13 (30)	7/11/13 (80)
S - T	5/28/13 (13)	8/19/13 (30)	8/15/13 (0)	8/15/13 (15)	8/1/13 (45)	8/13/13 (10)

MARKET COMMENTS September 1, 2013

Obviously, Red lights have increased as August progressed. We noted in our last update (8/4/13) that although the Rating Table lights were predominated Green, subtle action in technical metrics were indicating that the strong rally from the June lows was maturing. Consequently, we were already biased towards a defensive posture in our various investment strategies entering August. So, it was not a surprise that S&P 500 Large Cap index ended August down 3.13% and down 4.49% from the August closing high on 8/2/2013. So far, this has been a modest correction in the S&P500 index. The question at this point is will September continue the correction and has the August high been the high for the year? Technically, the stock market is set up to have a continuation of the correction. But we have been here before. A move back above the 50 Day Moving Average (DMA) would tend to negate the strength of the negative trends, so action in the coming week or so will be important.

The recent push to new highs in stock market indices has been compared to the break out above the 1000 level on the Dow Jones Industrial Index in 1982 that ended a 16 year era of stagflation. Has a new secular Bull market been signaled with the recent new all time highs in key stock indices? I think It is too soon to draw that conclusion. Let's take a look at several conditions existing in the Fall of 1982 and now.

	1982	**2013**
S&P 500 P/E Ratio	~ 7	~ 17.6 WSJ.com 8/30/13
Long Term Treasury Yield	~ 14% & Topping	~ 3.7% & Bottoming (?)
Reported CPI Inflation	High	Low, but different methodology
Federal Reserve Monetary Policy	Conservative	Progressive
Government Economic Policy	Conservative	Progressive
Military Involvement	Late Stage Cold War	Middle East Turmoil
Total Government Debt % GDP	~ 32%	~ 102% St. Louis Federal Reserve

In general, the present conditions don't seem conducive for a new secular bull market just yet, in my opinion. A technical sign that downside volatility is still in the cards would be if the recent move to new highs was a false breakout like what occurred in October, 2007. That would happen if the S&P dropped below the 2007 closing October peak at 1565. That also happens to be about where the 200 DMA currently resides. That would be a further drop of 4.2% from the August 30 closing value of 1633. False breakouts either up or down are usually very strong technical signals.

In 1982, the emerging economic drivers of real time global communications and the technology revolution of solid state electronics was about to change the world and provide good paying jobs for all Americans. **What are the economic drivers for the next secular Bull market?** If America's industrial and government leaders don't mess it up, there is a **Game Changer** on the horizon that has the promise to fill the bill, although it is likely still three to ten years down the road. The arrival timing of this **Game Changer** is uncertain and **that** is why a secular Bull market may not be imminent. The **Game Changer** is ……….

Energy Independence for America

I have been to many conferences and meetings during the past year where the topic of Energy Independence always seems to be the topic du jour. This is not a new topic as the massive shale oil & gas deposits deep under the continental U.S. has come to light in recent years. **Since 1973 and the Arab Oil Embargo, the cost of energy and the global geopolitical and military aspects that go with America's need for foreign oil has dominated many aspects of our lives.**

I used to say, in our seminars for many years, that if the Middle East countries will sell us their energy for our paper dollars, let's hold our own oil in the ground till that nice game plays out. That was when the belief was that oil was a scarce commodity with peak production just around the corner, as several studies were predicting a few years back. Well, you don't hear that talk any more.

It may be true that the easy to find and cheaper to produce hydrocarbon energy may be peaking but there is massive amounts of oil and natural gas being discovered daily deep under the North American continent and the Gulf of Mexico. Most of these new finds are in fields that have been around for a long time. It is just that the new energy is at much lower levels and expensive to develop. **The technology of deep on and off shore horizontal drilling along with 'fracking', the use of high pressure water and chemicals to force the oil and gas out of the shale, has made these deep reserves more economical to produce.**

There are environmental and political issues to deal with but it is not an 'if', but a 'when' that these reserves will be fully developed, I believe. **Some estimates are that America potentially has several times the current world known oil reserves and essentially an unlimited supply of natural gas for hundreds of years.** In many oil and gas fields, natural gas is currently just being burnt off because it is not economical at current prices to get it to end users.

Bottom-line, Energy Independence looks like a shinning light at the end of the tunnel. But, how fast is that energy train coming towards us. I have heard most speakers on the subject say that America will be energy independent in three to five years and an exporter of energy a few years after that. But, those are estimates. There may be some unforeseen hurdles to overcome that could delay that timetable or even bust the energy independence balloon.

What are the potential benefits of being energy independent and an exporter of energy? These come to mind:

- ***Troubling global geopolitical issues are lessened or eliminated;***

- ***No need to use military might to secure access to foreign energy;***

- ***The U.S international balance of trade improves substantially;***

- ***America becomes the low cost global place for a lot of manufacturing that uses a lot of energy which would be a big boost to America's manufacturing renaissance, that already is occurring;***

- ***Energy cost for Americans may moderate and be more stable in the future.***

High tech industries like biotechnology, information technology, 3D printing, robotics, etc. are great but by themselves don't generate enough jobs to keep all Americans fully employed. **That is why the return of low tech manufacturing of consumer durable and non-durable goods by Americans for Americans, along with expenditures for infrastructure repair and replacement are so vital to the American workers future, in my judgment.**

Capitalization Styles

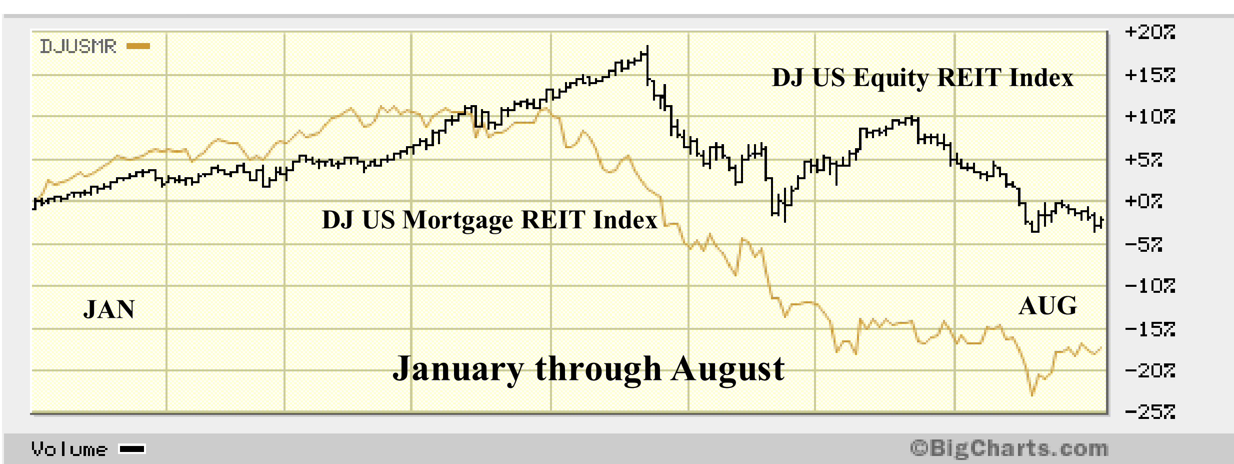
The S&P500 Large Cap Index was down 3.13% in August and 4.49% from its August 2 high.. How did some other key indices fair? The S&P400 Mid Cap Index was down 3.90% and 5.97% from the August 1 high. The Russell 2000 Small Cap index was down 3.29% in August and 4.90% from its August 5 high. The early August highs in these three indices was their high for the year. The respective YTD (year-to-date) change for the S&P 500 Large Cap, S&P400 Mid Cap and Russell Small Cap indices are 14.5%, 16.0% and 19.0%, respectively. Obviously, the Small Capitalization Style has been the strongest performer by a significant amount.

For a breakdown between Growth and Value, the Dow Jones Total Stock Market data posted on the WSJ.com Market Data Center shows the following YTD results for their total Stock Market indices: Large Cap Growth +15.5%, Large Cap Value +14.1%; Mid Cap Growth +20.15%, Mid Cap Value +16.16%; and, Small Cap Growth +23.8%, Small Cap Value +15.8%. Growth was the winner with an increasing differential as one moves down the Capitalization size. Can Small Cap Growth continue its outperformance as we move through the final 4 months of the year? Probably, at least until it becomes well advertised that it is the Capitalization Styles to focus on in the Financial press. It seems to me that the Large Cap Style has been the focus of many investment commentators coming into 2013 and it has done fine, just not the best.

Industrial Sectors

The Biotech sector is the only remaining Double Green light. The NASDAQ Biotech sector has been the strongest sector YTD reported on the WSJ.com Market Data Center. There are 8 out of 12 Short Term Red lights and 4 Intermediate Term Red lights. Banking and Energy Intermediate Term lights have improved from Red to Pink (Neutral).

Let’s take a look at the Real Estate sector. This is essentially the exchange listed Real Estate Investment Trust (REIT) industry. There are equity REITs that typically own and operate commercial properties and Mortgage REITs that primarily raise money and lend to builders or buyers of commercial properties and hold the mortgage on the property. The REITs in general are down on the year with the Mortgage REITS suffering the most. The chart below shows the Dow Jones US All Equity REIT index down about 5% and the Dow Jones US Mortgage REIT index Down about 17% YTD. They were doing fine until interest rate started to rise sharply in May.



International Markets

On the August 4 Portfolio Action Update, there were Double Green lights for all six International Markets on the Rating Table, Now at the end of August, there are Double Red lights for Japan, Latin America and S.E. Asia. The Short Term light for Europe turned Red on 8/27/13.

Source: OMNI Trader Software and Data Source — Nirvana Systems

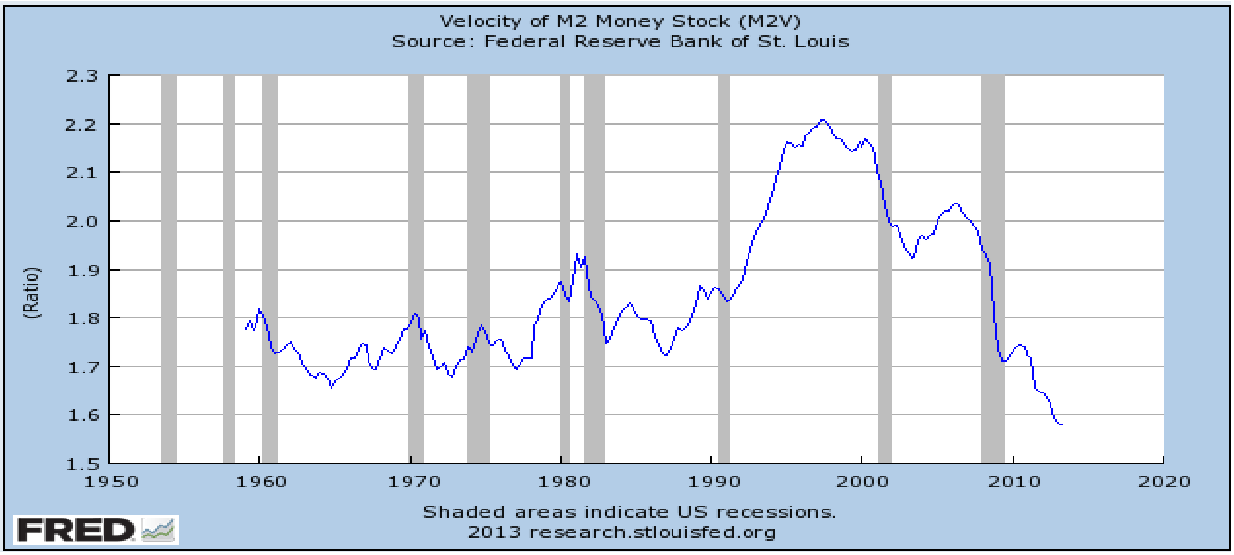
However, our technical analysis system generated a new Green light for the Emerging Markets index on Friday 8/30/13. The Emerging Markets index has been in a Bearish trend for most of the year with a short term rally from mid-April to early May, as shown in the chart above, then it nosedived until June 24 which has been the low for the year so far. Since then, base building has occurred with the potential for a double bottom occurring last week. So, is the new Green light on Friday just indicating another short term rally or the beginning of an intermediate term rally or more? Only time will tell about the long term, but at least a short term rally is likely.

Bond Markets

It is a long accepted fact that the Federal Reserve directly influences short term interest rates with its Open Market Operations. However, I along with many others believe that long term interest rates have been artificially held down by the Federal Reserve since the credit crisis in 2008, especially with the advent of Quantitative Easing (QE). However, interest rates may be on the verge of retuning to more normal historical levels in the 5% to 7 % range for longer term bonds depending on the actual maturity. Long term Treasury bonds have historically traded about 2% over the inflation rate. According to Bureau Labor Statistics, the 20 year average of CPI has been 2.5% and the 40 year average has been 4.2%. So, there is room for bond rates to rise some more just to get back to normal levels relative to historical inflation.

When the Federal Reserve starts to remove the monthly $85 Billion QE, bond yields may have an additional bump upward from current levels. Nevertheless, if the economic activity remains subdued or starts to fade, deflationary pressures could keep bond yields under wraps. The rise in rates since May has likely already discounted, to some degree, the eventually “tapering”.

It is likely that Increased Inflationary pressures will remain subdued until stronger economic activity causes the **Velocity** of **Money** to increase as consumers feel better about spending and increasing consumer debt. Interestingly, as aggressive QE was introduced in the post credit crisis, the **Velocity** of **Money** has actually dropped to new lows as shown in the below Chart.



Money Velocity is the number of times one dollar is spent to buy goods and services per unit of time. If the velocity of money is increasing, then more transactions are occurring between individuals in an economy. Stronger economic activity is likely to remain elusive with the recent increase in income taxes and uncertainty in business regulatory and healthcare policies that are in the present environment.

The chart below shows the rapid rise in the 10 Year Treasury Note when the Federal Reserve just started talking about the eventual desire to phase out QE, maybe sooner than later. There is some controversy about how quickly "tapering" can be done without sharply increasing interest rates. John Hussman (www.hussman.com) doesn't think it will be easy to do. I agree.

Source: OMNI Trader Software and Data Source — Nirvana Systems

Portfolio Action Update 9/1/2013

Red lights on our Rating Table have increased as August progressed. We noted in our last update (8/4/13) that although the Rating Table lights were predominated Green, subtle action in technical metrics were indicating that the strong rally from the June lows was maturing. Consequently, we were already biased towards a defensive posture in our various investment strategies entering August and have increase the defenses some more during the month. So, it was not a surprise that S&P 500 Large Cap index ended August down 3.13% and down 4.49% from the August closing high on 8/2/2013.

So far, this has been a modest correction in the S&P500 index. Individual securities in many sectors have had greater drops. The question at this point is will September continue the correction and has the August high been the high for the year? Technically, the stock market is set up to have a continuation of the correction. But we have been here before. A move back above the 50 DMA would tend to negate the strength of the negative trends, so action in the coming week or so will be important.

We have a defensive posture that varies with each strategies' investments objective and perceived risk exposure. Note the net market exposure shown in the table below:

Growth Portfolio Plus (GPP) = 28%
Focus List Plus (FLP) = 39%
Equity Income Portfolio Plus (EIPP) = 50%
Equity Income Plus - ERISA (EIPE) = 53%
Portfolio Income Plus (PIP) = 48%
Energy/Defense/Resources (EDRP) = 76%
Natural Resource Plus (NRP) = 65%
Precious Metals Plus (PMP) = 64%
International Equity Growth (IEG) = 52%
Global Opportunity Plus (GOP) = 65%
Global InDe-flation Plus (GIP) = 70%
Diversified Income Taxable Plus (DITP) = 50% Intermediate Duration Multi-Sector, 43% Cash Equivalent, 7% Short Treasury.

Note: The net exposure values indicated are approximate since individual account exposure can very somewhat from these values. This net exposure is computed by subtracting the total Bear Hedges (if any) from the long positions held in the strategy. Keep in mind that the Bear hedges can be in styles and sectors that may not exactly match the long positions held in the strategy. Consequently, the hedging process is not a perfect defense, but can be an effective risk management tool. The residual cash position is held in a money market.

Past performance is not a guarantee of future results.

NOT FDIC INSURED ~ NOT BANK GUARANTEED ~ MAY LOSE VALUE

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DISCLOSURES

There is no assurance that these movements or trends will be profitable or imply a successful investment strategy. The information has been prepared without regard to any particular investor's investment objectives or financial situation. Investors should not act on the information in this report without obtaining specific advice from their financial advisors.

Short Term (S-T) signals are based on daily price data and may be different and change more frequently than the intermediate Term (I-T) signals that are based on price action for a trailing 5 day period. These ratings are subject to change at any time and their accuracy is not guaranteed. Individual securities may perform differently form these signals. These directional signals are a useful tool in the portfolio management process but are not the sole determinate of actual portfolio style or sector weightings. Market data used in this analysis is believed to be from reliable sources but it is not guaranteed.

Asset allocation does not guarantee a profit nor protect against loss. Investing involves risk including the possible loss of capital . The performance noted does not include fees and charges which would reduce an investor's returns. The indexes mentioned are unmanaged and cannot be invested in directly. Mid-cap and small cap securities generally involve greater risks. International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risk are greater in emerging markets. The companies engaged in the technology industry are subject to fierce completion and their products and services may be subject to rapid obsolescence. High-yield bonds are not suitable for all investors.

Technical Analysis Process Explanation

Ron's Technical Analysis process utilizes the OMNI Trader software program developed by Nirvana Systems in Austin, Texas. This program is essentially a tool box that contains many technical systems, such as moving averages, trend lines, overbought/oversold oscillators, classical price patterns, etc. to determine the strength and direction of the current price direction of the security under review based on an analysis of historical price data. This process analyzes the price action of approximately 600 mutual funds daily. The mutual funds are organized into specific styles and sectors typically with 10 funds representing each style and sector. For Example, there are 10 Biotech funds, 10 Banking funds, 10 Energy funds, and so on. Altogether, 54 styles and sectors are analyzed (only 30 are shown on the webs site table.). If the technical analysis indicates that a fund is in an up trending mode, it is given a green arrow pointing up and if the analysis indicates a down trending mode, it is given a Red arrow pointing down. If the analysis is indeterminate, that is noted as a Neutral rating split between a Green and Red arrow. If 60% or more of the arrows are green for a style or sector, then the Table cell shows a Green light. If 40% or less of the arrows are Green, then the Table shows a Red light. The date on which the signal direction changed is noted in each cell of the Table along with it current Rating % of Green arrows. This majority rule of the style or sector fund arrows is an essential part of determining the cell color. Please note that these signals do not represent actual trading.

Web Site Commentary

My Portfolio Action Update commentary is a periodic update of my technical analysis viewpoint of the financial market environment and the current portfolio management posture for our key portfolio strategies. In general, my portfolio management approach is to determine current market conditions through technical analysis and to position the various portfolio strategies to participate in the current environment. My belief is that the market price is the final arbiter of all available information as digested by all market participants regarding security values. Therefore, carefully analyzing price action over time is the key element in our portfolio management process. However, neither opinions, technical analysis or fundamental security analysis produce perfect results. There is always a degree of risk present.

A few days may transpire from when these comments are written and when they are posted on the web site. Obviously, the technical analysis data and portfolio positions could have changed in that timeframe. Therefore, these comments should be read in the context of what we have been doing, not necessarily what we may be doing when you actually read them. This information is not intended to be a solicitation of a buy or sell of any financial security. The opinions expressed herein are my own and do not reflect the position of **RAYMOND JAMES.**

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