Portfolio Action Update

Ron Miller, Managing Director, Investments

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

Styles	Large Cap Growth	Large Cap Value	Mid Cap Growth	Mid Cap Value	Small Cap Growth	Small Cap Value
S - T	9/4/13 (50)	2/13/14 (80)	3/17/14 (80)	2/10/14 (80)	2/3/14 (90)	3/20/14(60)
I - T	2/11/14 (70)	2/18/14 (80)	2/11/14 (75)	7/1/13 (80)	2/13/14 (70)	2/13/14 (70)
Sectors	Banking	Biotech	Energy Oil & Gas	Financial Services	Gold Mining	Healthcare
S - T	2/13/14 (95)	12/16/13 (70)	3/17/14 (70)	3/20/13 (70)	3/12/14 (30)	3/17/14 (60)
I - T	2/13/14 (80)	11/15/13 (80)	3/21/14 (70)	2/4/14 (80)	3/21/14 (20)	1/7/14 (90)
Sectors	Natural Resource Equities	Real Estate	Retail	Technology	Transportation	Utility
S - T	3/18/14 (60)	3/12/14 (30)	9/10/13 (86)	10/11/13 (80)	8/20/13 (92)	2/13/14 (70)
I - T	3/21/14 (65)	1/24/14 (70)	2/28/14 (86)	9/13/13 (100)	11/23/12 (83)	2/13/14 (90)
Foreign	Emerging Markets	China	Europe	Japan	Latin America	S.E Asia
S - T	3/11//14 (20)	3/11/14 (10)	3/21/14 (60)	1/24/14 (10)	2/6/14 (100)	3/12/14 (0)
I - T	3/11/14 (30)	3/11/14 (40)	3/14/14 (30)	3/17/13 (20)	3/20/14 (80)	3/18/13 (50)
Bonds	Foreign Hedged to $	Foreign Non-$hedged	Emerging Markets	Invest. Grade Corporate	High Yield Corporate	Long Term Treasury
I –T	3/20/14 (25)	3/20/14 (30)	3/12/14 (40)	3/8/14 (45)	3/7/14 (40)	3/18/14 (50)
S - T	1/9/14 (100)	2/6/14 (70)	3/19/14 (70)	9/27/13 (75)	2/12/14 (55)	3/10/14 (35)

Table Data at end of 3/23/14

Rating Table and Technical Analysis Process Explanation at End of Report

MARKET COMMENTS MARCH 23, 2014

The US Stock market was down in January, with the S&P500 loosing 3.56%. The S&P500 dropped below its 50 day moving average (dma) and appeared to be poised to move lower. In fact, the first trading day of February (2/3/14) was down another 2.28%. Not a great start for 2014. However, the McClellan technical overbought/oversold oscillator (market breath based) was oversold with a reading of minus 200, so a near term bounce was expected. The next day the market was up, then a one day pause, followed by a sharp rally that had only three down days during February with the S&P500 rising 4.31% from the end of January. I don't think a straight up rally for the month of February, after the January swoon, was expected.

The S&P500 closed Friday (3/21/14) at 1866.52 for a YTD change of + 18.16 points or + 0.98%. The Russell 2000 Small cap index is up 2.59% YTD and the NASDAQ index is up 2.40% YTD. However, the Dow Jones 30 Industrial Average is down - 1.65%. The average of these four indices is a gain of + 1.08% YTD. According to Jeff Saut, Chief Investment Strategist at Raymond James, the general consensus is for the S&P500 earnings for 2014 to be around $121 per unit. If you assume a P/E (Price to Earnings ratio) of 17, that would suggest a price target for the S&P500 of 2,057. That corresponds to a potential gain of 11.3% for 2014. To be honest, I put little stock or confidence in these type of projections. There are too many variables that influence corporate earnings and especially P/E levels that can have a major impact on stock prices in the final analysis.

There are headwinds that could have a negative impact on the direction of financial markets this year that we remain sensitive to in our portfolio management. However, I want to point out some longer term positives that Jeff Saut recently discussed at a Luncheon for clients in Atlanta. It is easy to be justifiably concerned about the headwinds that are real, but also to underestimate what positive factors could also be shaping future geopolitical and economic environments and opportunities.

Jeff Saut's comment: "I think the Surprise is going to be America, and the surprise is going to be the level of productivity the U.S. is going to deliver on the back of Reindustrialization, cheaper energy and smarter policymakers and policies." Below are eight positive factors he pointed out along with my related comments (italicized).

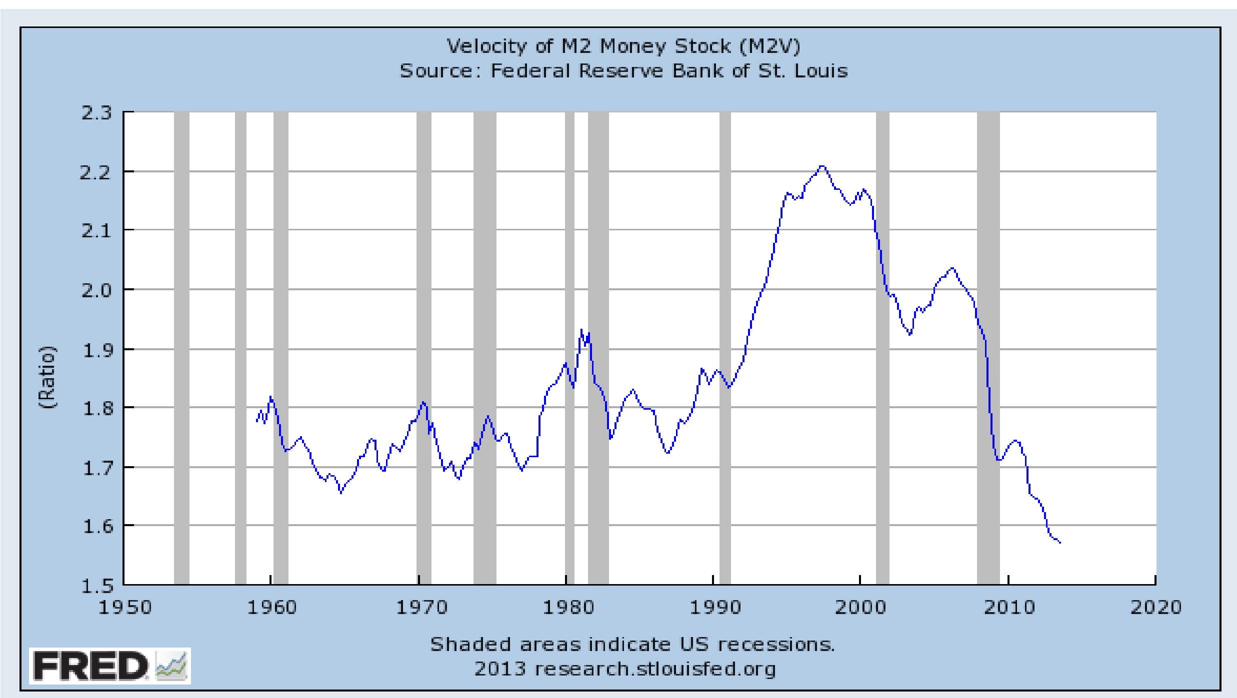
1. **Constituency of Congress:** *A belief that better policy makers will be elected in the future to effectively deal with the difficult issues that the country faces. This takes real faith.*
2. **On-shoring:** *American manufacturing is experiencing a renaissance as America's net cost of production becomes more competitive when compared with the increase in foreign production and energy cost. This is a real positive as foreign auto makers and many foreign industrial companies are proving as they build and open manufacturing plants in America.*
3. **No Recession:** *Although current economic growth is subpar, business activity appears to be improving. The key will be growth sustainability and improved job creation.*
4. **Energy Independence:** *If you have not heard about energy independence coming to America from the vast fields that are being discovered, you must be a Rip Van Winkle. However, the price of Oil and Gas needs to remains relatively stable for this independence to become a reality as most of the new sources of North American energy are expensive to produce.*

5. **Technology Revolution:** *Technology advancements are an integral facet of human endeavors. The key driver of the latest Technology Revolution was the invention of the transistor (solid state electronics) first introduced in 1947. This revolution is still going strong with advancements in biotechnology, robotics, 3D Printing, communication equipment, etc.*
6. **Techno-Philanthropist:** *The March 24 Forbes listed 1,645 Billionaires in the World with a combined net worth of $6.4 Trillion. The US has 492, China 152, Russia 111, and Germany 85. Philanthropy seems to be an increasingly popular trend that is financing a variety of philanthropic endeavors as well as providing venture capital for an explosion of techno-enterprises that are improving the human existence.*
7. **The Do-it-yourselfers:** *The industries that provide products to the 'do-it-yourselfers' have a bright future as the Baby Boomer retirement population grows.*
8. **3 Billion new voices:** *The emerging economies of the world are busy growing their middle class consumer populations that desire goods and services like the developed world offers.*

To be a true optimist, in my observations and experience over the years, you have to be able to dismiss negative information most of the time. This 'optimist' human trait has an upside and a downside as risk is normally a part of the opportunity landscape.

M2 Velocity

The chart below shows that the M2 Velocity of money, as of 2/28/14, has still failed to turn the corner and indicate an improvement in consumer spending bias and confidence in the economy. See my Update 1/5/14 for more discussion of M2V. There has been a nearly 20 year general decline in this economic metric. As you can see, the up periods for M2V have generally followed recessions (the shaded areas) within a year or two and the down periods have generally preceded recessions by a year or so, or been concurrent with recessions beginning. After a short blip up in 2010, the M2V has been in a sharp decline even with a rising stock market.



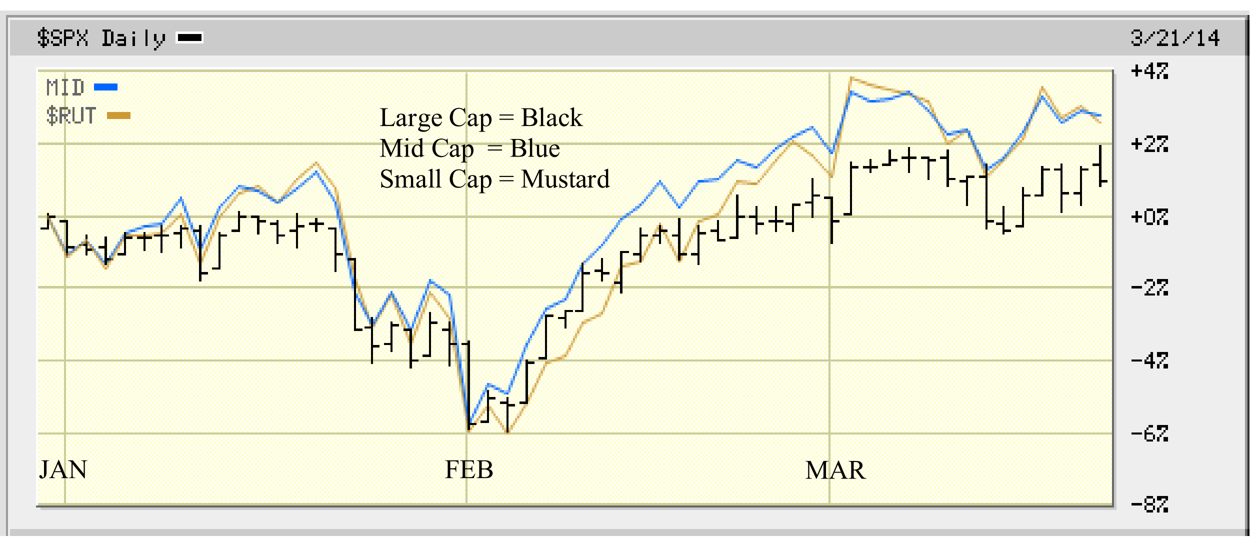
I believe the persistent weakness in M2V since the mid-1990s is a result of the squeeze on middle class Americans resulting from the globalization induced lower purchasing power of worker incomes and poorer job opportunities.

Capitalization Styles

A couple of Short Term Red lights for Mid Cap Growth and Small Cap Value were generated during the week ending 3/14/14. For example, note the date of 3/17/14 in the Mid Cap Growth Green Cell. It had turned Red on 3/13/14 after having been Green since 2/10/14. It then reversed two business days later as a rally phase began. The Short - Term lights (daily data) can change frequently. On the other hand, the Intermediate - Term lights (weekly data) had not generated any Red lights during the short lived decline in the 2nd week of March. We don't automatically make trades when Rating Table lights change color, but the information is a key aspect of our Portfolio Management decision process.

We also saw 5 straight down days for the Dow Jones Industrial average during the week discussed above. Rating numbers in general dropped so that another strong down day would likely have generate many more Red lights. However, we have been here before, in fact for most of last year, when the 'invisible hand' of the market rescued the bull trend many times. Well, it showed up again with a mild rally during last week ending 3/21/14. Nevertheless, our discipline requires us to be on alert for further weakness during the approaching seasonally weaker 2nd quarter for the stock market.

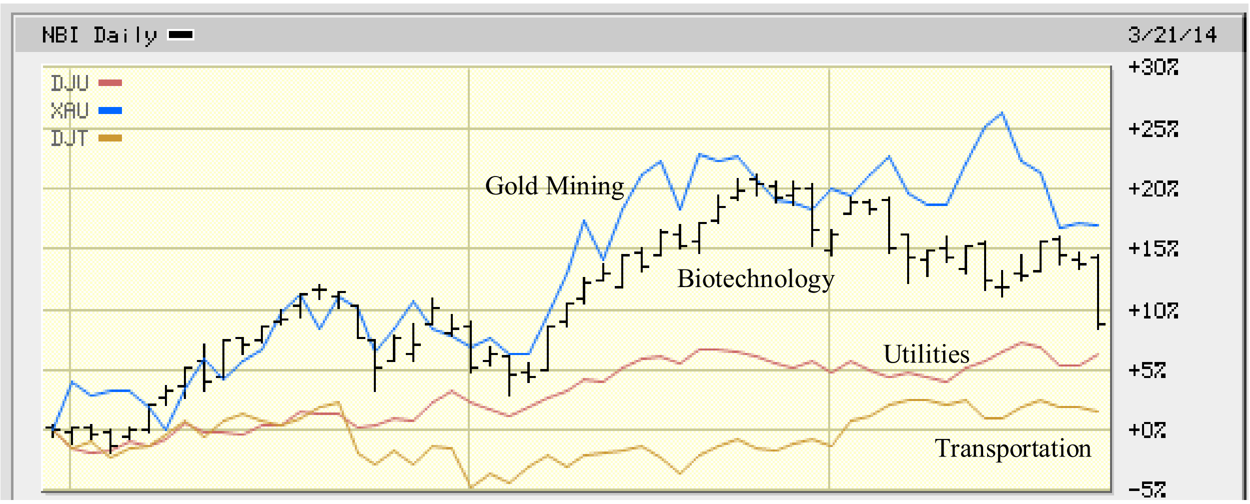
The chart below shows the YTD trend of the S&P500 Large Cap index, the S&P400 Mid Cap index and the Russell 2000 Small Cap index YTD. The Mid Cap and Small Cap indices have performed about the same and a little better than the Large Caps. So far, the general stock market performance this year, is substantially less than last year. The S&P500 at the end of the 1st Quarter 2013 was up 10.0% Vs. 1.0% this year. We still have a week to go, so anything can still happen. However, I believe that the general consensus has been that 2014 is not likely to be as robust as 2013, so the first quarter action has been in line with my expectations, especially after the strong upward flurry during the last two weeks of 2013.



Data Source: BigCharts.com

Industrial Sectors

There are Double Green lights for all sectors except Gold Mining and Real Estate. Gold Mining and Utilities underperformed the general market last year; Gold Mining by a lot. The chart below shows the action this year for representatives of these two sectors; the Philadelphia Gold & Silver Mining index (Blue) and the Dow Jones Utility index (red). Two strong performers last year were the NASDAQ Biotechnology index (Black) and the Dow Jones Transportation index (Mustard).



Data Source: BigCharts.com

The sectors that underperformed last year are doing better so far this year as I suggested in my update 1/5/14. In particular, the Gold Mining sector that was down 49% last year is up about 17% YTD. The D J Utility sector was up around 8% last year and already up around 7% so far this year.

On the other hand, the NASDAQ Biotech index was up 65.6% last year and was up about 20% thru late February, but has recently been in a three week correction loosing about 11% from its February high and could have more down side ahead as this premium growth sector consolidates the big advance of last year. The Dow Jones Transportation index is up about 2% YTD after a 39.5% move up last year. I have thought of the Transportation index as the canary in the coal mine in regards to being a leading indicator of a more sever market correction. So far, the canary is still singing.

Bond Markets

The 10 Year Treasury Note yield, over the last decade, is shown in the chart below:

Data Source: BigCharts.com

The downtrend line from the yield peak in 2007 was penetrated to the upside in June of last year. Since then the 10 Year Note has traded between 2.5% and 3.0%. If the economy improves, I would expect the yield to move above the 3.0% level. The next major resistance would be the 4% level. Of course, geopolitical and economic issues that contribute to a renewed recession could move the yield back below the 2.5% level.

The thing to watch for would be a continuing subpar economy, but a rise in the 10 Year Treasury Yield above the 3% level and aggressively on its way to 4%. That would indicate that inflationary pressures were starting to have a negative impact that would not be welcomed by the stock market. However, an improving economy and better job outlook (really, not just because fewer are looking for a job) accompanied by a modest rate of rise in 10 year yields towards 4% would be OK for the stock market, at least for a while, in my judgment.

International Markets

The Emerging Markets have struggled since April of 2011. I hear various market commentators suggesting that 2014 may be the year that the Emerging Markets begin a sustained Bull market move again. Let's take a look. The chart below shows the price action for several Emerging Market regions since June 30, 2010: S&P Latin America 40 (Gold), MSCI Asia/ Pacific x Japan (Black), S&P Emerging Europe Blue), and MSCI South Africa (Red).

April 6, 2011, plus or minus a day or so, is when the Emerging Markets peaked after an extended Bull market move from their Global crisis lows in October, 2008. The Geopolitical and economic issues that have impacted these Emerging Market regions include financial crisis from too much debt, deflation and/or inflation forces, political turmoil and armed conflicts.

Although all Emerging Market regions shown on the chart are still below their 2011 peak, Asia/Pacific and South Africa have held up the best. Emerging Europe and Latin America are even below their June 30, 2010 prices. If I had to pinpoint one factor that caused the stratification of stock market performance among these global regions, it would be relative political stability. The bullish arguments are centered around the attractive valuations of equities in these regions compared to Developed Market equities. Recent technical action has shown some short term Bullish reversal patterns that are interesting.

Portfolio Action Update as of 3/21/14

The stock market was down in January, up in February and a slightly down bias after the first week of March. We began increasing our defensive posture some by reducing our bullish Swing positions on January 13. We remained with our normal Core holdings. We added back some Swing allocation in mid February as the rebound in the stock market worked on recovering the January decline and a little more during the first week of March. However, since then the equity markets have lost momentum and ended up Friday (3/21/14) not much above where the year began. The market could be in a consolidation phase for a while as it seems very sensitive to daily bullish or bearish news with swings in both directions.

We currently have a moderate defensive allocation percentage in our various investment strategies as shown in the table below: the primary growth oriented strategies have the more defensive postures.

Growth Portfolio Plus (GPP) = 45%
Focus List Plus (FLP) = 71%
Equity Growth Plus (EGP) = 54%
Global Opportunity Plus (GOP) = 80%
Power Pak Managers (PPM) = 90%
Equity Income Portfolio Plus (EIPP) = 71%
Equity Income Plus - ERISA (EIPE) = 74%
Portfolio Income Plus (PIP) = 76%
Energy/Defense/Resources (EDRP) = 68%
Natural Resource Plus (NRP) = 51%
Precious Metals Plus (PMP) = 63%
International Equity Growth (IEG) = 55%
Global InDe-flation Plus (GIP) = 79%
Diversified Income Taxable Plus (DITP) = 65% Various Multi-Sector bond exposure

Note: The net market 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 any 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 fund or in a very short duration bond fund.

..

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.**

RON MILLER
MANAGING DIRECTOR, INVESTMENTS

JOSH NEWMAN
FINANCIAL ADVISOR

MARTIN TRUAX
MANAGING DIRECTOR, INVESTMENTS

500 Northpark Town Center, Suite 1850 // 1100 Abernathy Road NE // Atlanta, Georgia 30328 // T: 770.673.2177 // T: 866.813.9911 // F: 770.673.2150