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	8/14/14 (100)	8/14/14 (60)	8/13/14 (80)	4/16/14 (100)	8/19/14 (70)	8/11/14(100)
I - T	4/29/14 (90)	8/15/14 (70)	8/10/14 (65)	8/15/14 (90)	7/9/14 (55)	5/2/14 (70)
Sectors	Banking	Biotech	Energy Exp. & Prod.	Financial Services	Gold Mining	Healthcare
S - T	5/23/14 (85)	8/8/14 (80)	8/26/14 (80)	7/15/14 (90)	8/21/14 (20)	4/23/14 (100)
I - T	8/25/14 (70)	8/8/14 (90)	8/29/14 (85)	8/14/14 (70)	8/4/14 (40)	4/25/14 (70)
Sectors	Natl. Resource Equities	Real Estate	Retail	Technology	Transportation	Utility
S - T	6/25/14 (50)	8/26/14 (30)	8/14/14 (63)	5/12/14 (100)	8/20/13 (67)	8/15/14 (100)
I - T	8/25/14 (80)	6/20/14 (60)	8/25/14 (63)	5/19/14 (90)	8/15/14 (83)	8/15/14 (80)
Foreign	Emerging Markets	China	Europe	Japan	Latin America	S.E Asia
S - T	8/13//14 (60)	8/28/14 (40)	8/25/14 (40)	8/27/14 (30)	8/18/14 (60)	8/14/14 (90)
I - T	8/15/14 (90)	5/19/14 (70)	4/16/14 (20)	5/5/14 (50)	8/14/14 (80)	3/28/13 (80)
Bonds	Foreign Hedged to $	Foreign Non-$hedged	Emerging Markets	Invest. Grade Corporate	High Yield Corporate	Long Term Treasury
I –T	6/30/14 (100)	8/21/14 (40)	8/13/14 (90)	8/14/14 (85)	8/18/14 (70)	8/18/14 (80)
S - T	7/24/14 (75)	8/14/14 (55)	8/25/14 (80)	8/25/14 (65)	7/8/14 (55)	4/11/14 (75)

Table Data at end of 8/31/14

Rating Table and Technical Analysis Process Explanation at End of Report

Green lights dominate the Rating Table. August was a strong up month after some weakness during the last half of July and the first week of August. It seems that nothing can stop this market given the geopolitical turmoil around the globe and the final stages of reducing the QE purchases by the Federal Reserve. The economy continues to show slow but steady improvement in most measures. Interest rates remain low with the 10 Year Treasury dropping below 2.4% in the middle of August and closing the month at 2.343%. The US financial markets appear to represent a relative safer haven when compared to global alternatives.

The chart below depicts the YTD performance for the NASDAQ Composite Index (COMP - Mustard), S&P500 Large Cap Index (SPX - Blue), Dow Jones Industrial Average (DJIA = Black) and Russell 2000 Small Cap Index (RUT - Red). The NASDAQ Composite has edged out the S&P 500 of the major indices for the lead at the end of August with a gain of 11.0%. The Russell 2000 Small Cap Index is lagging with a gain of only 2%.

Source: BigCharts.com

We see a sharp decline in the second half of January, maybe a knee jerk response to the beginning of Federal Reserve QE Tapering. Then an abrupt rally in February to the first week of March. Probably a realization that Tapering was not going to be a problem. More about that later. Then, mostly sideways action to mid April and then a modest rally phase up until mid July. Another declining phase from mid July thru the first week of August, and then a good rally for the rest of August. A positive result for the year, but a somewhat ragged price action for many styles and sectors.

Historical seasonality would suggest that September could provide some negative market action. But, historical market trends and tendencies have been disrupted by the Federal Reserve and the US Treasury increased intervention policies in financial markets since the credit crisis began six years ago, in my judgment. Consequently, we pay attention to our Rating Table Red and Green lights that focus on what is happening, rather than trying to predict what might or should happen. I update my Red and Green Table daily, although the web site is only updated periodically. Nevertheless, when there is obvious global geopolitical turmoil while the US stock market is rising, we will still be prudent with our cash and hedging allocations. We are not advocates of being fully invested at all times.

This past week, I listened to Brian Westbury's (Chief Economist at First Trust Portfolios, www.ftportfolios.com) 101 - Economic Analysis Video "Tapering has not hurt the economy". I respect his astuteness and agree with much of what he believes. However, his major point in this video is that the Federal Reserve and the Treasury have not had much to do with the recovery from the credit crisis. He credits technology advances, innovations and creativity as the primary reason. It is true that those are also important factors over the long term, but I believe he is missing the point that what alleviated the crisis was a bolstering of "confidence" that the financial system was going to survive, when it looked like that was not a likely possibility. The Fed has reasoned that the QE training wheels can be taken off and that the economy is not going to fall down. So far, it seems like they are correct. QE will be gone in October.

The ingredient that is always the key factor in a turn around is the return of 'confidence' that survival has becomes a renewed possibility. What happened in March of 2009 to change the perception of viability? First, I believe that the crisis for the banking system began in late 2007, when the Financial Accounting Standards Board (FASB) ruled (Statement 157) that FAS 15 be modified to state that mortgages held by financial institutions be Marked-to-Market on their financial statements. Bonds and mortgages in reality have a market value that is impacted by changes in interest rates and credit quality perceptions if they are sold. Previously, mortgages were held at face value on bank balance sheets if they were current on receiving principal and interest payments regardless of what their current market value might be.

Because financial institutions (for example, banks) normally utilize substantial leverage in their business operations, a relative small drop in the value of a mortgage portfolio can have a major impact on their balance sheet and therefore their viability and ability to meet regulatory reserve requirements. As this Mark-to-Market ruling was implemented, the value of balance sheet declines requiring liquidations of bad mortgages began, exacerbated by the prevalence of subprime mortgages. This precipitated a cascading negative impact in the mortgage markets and consequently the soundness of the US financial system. During 2008 a variety of actions by the Federal Reserve were implemented to try and stem the financial crisis including raising the guarantee on money markets from $100 thousand to $250, 000. I believe this was facilitated by the Treasury department's Exchange Stabilization Fund. This eased the pressure on the Money Markets and helped middle class Americans take their finger off the panic button. But the stock market continued to suffer until March 9, 2009.

In my judgment, what turned the tide on March 9, 2009 for the business community and institutional investors as well, was the relaxation of the FAS 15 Mark-to-Market ruling around that time. Therefore, a lot of financial intuitions that may have been facing immanent bankruptcy got a reprieve. I believe this action by the FASB occurred at the request of the Treasury and Federal Reserve as well as law makers in a congressional hearing on 3/12/09.

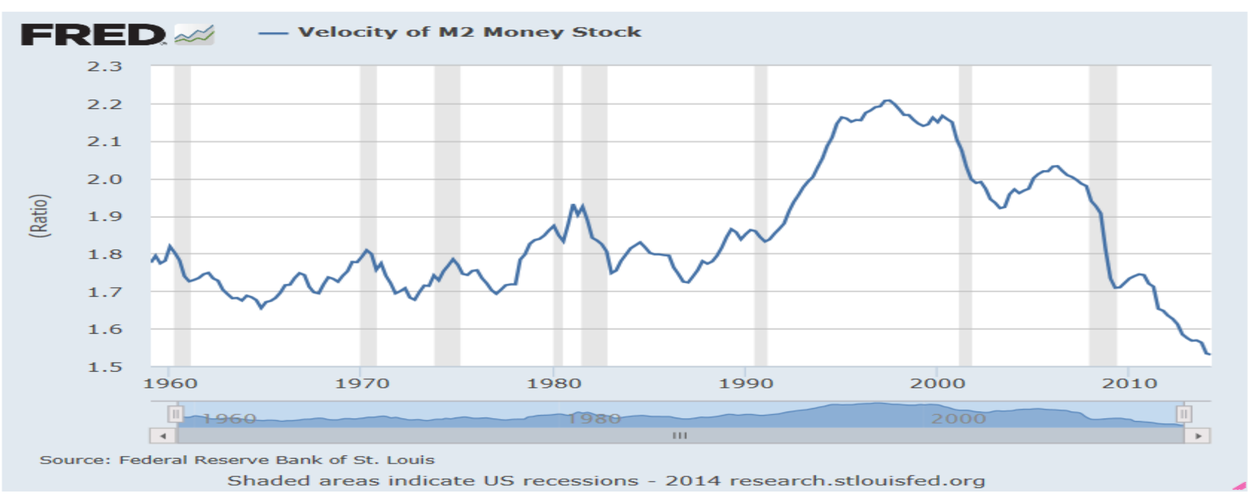
Additional specific key actions taken by the Federal Reserve and the Treasury to revive a slipping confidence in the economic recovery was Quantitative Easing (QE - Wikipedia.org/Quantitative Easing). QE1 in general refers to the various monies loaned to financial institutions and mortgage backed securities purchase by the Fed during 2008 and 2009. QE 2 was announced in November 2010 as economic activity weakened again. That involved buying $600 billion Treasury securities by the end of the second quarter of 2011. A third round of QE3 was announced on September 13, 2012 which involved buying $40 Billion of commercial housing market debt risk per month. Then in December, 2012 the $40 Billion was raised to $85 billion per month, on an open-ended basis and was often referred to as QE Infinity.

The point I am making is that it is illogical to believe that historical low interest rates promoted by the Federal Reserve and the Treasury through QE and easy monetary policy have had little to do with the rise in the stock market and the modest increase in economic activity since 2009. The Federal Reserve's balance sheet has increased from less than $1 Trillion to about $4.5 Trillion and Government debt has increased $7.5 Trillion to about $17.5 Trillion currently. It is true that a possible depression similar to the Great Depression of the 1930s has been avoided. But, the plight of America's middle class loss of purchasing power has continued. Globalization and technology advances have contributed to the reduction of America's higher paying jobs and increased real total unemployment. Negative business regulatory and taxation policies have also played a roll in this process.

My concern is that Government intervention thinking has been emboldened by the events of the last 6 years. Consequently, there is a real risk of Government intervention becoming the default policy response to all economic problems. Free market solutions taking a back seat with Federal Reserve and Government Central Planning policies moving to the forefront. Historically, that also means considerable expansion in government debt. That would not be a wise direction for the country to go in my judgment.

Could the country have survived without excessive Government intervention. Probably, but Government maintaining the rule of law and order would have been important. However, the recovery would likely have been a very messy process. Most of the institutions and people that got bailed out would not have survived. New leadership would evolve over time and excesses of the past rooted out. However, it would be a painful process for most everyone. The end result, however, would likely be a stronger nation on sounder economic footing, in my judgment. Nevertheless, the country chose the path of least resistance, printing money. It remains to be seen what the long term consequences will be.

M2 Money Velocity Watch



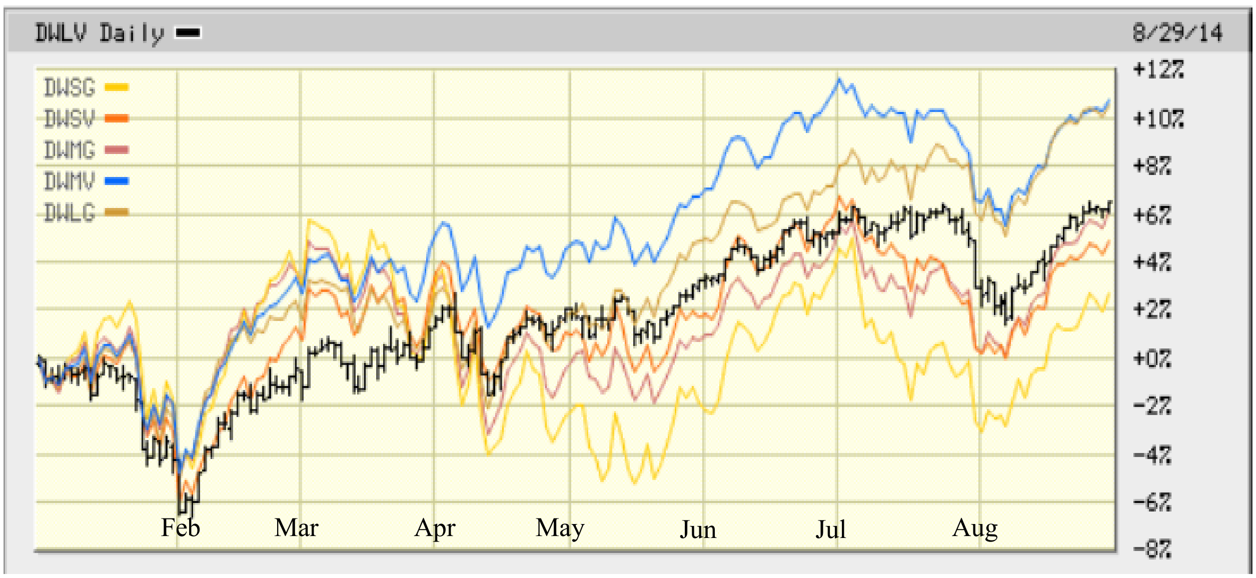
The chart above shows that the M2 Velocity of money, as of 7/30/14. It has still failed to turn up indicating an improvement in consumer confidence of sustainable economic growth.

An upturn in M2V would be an indication that more aggressive spending is beginning, and less propensities to hold cash is occurring. That is, a greater confidence that real sustainable economic growth and an improved outlook for middle class Americans is occurring. Inflation pressures would also likely increase in that scenario.

Capitalization Styles

Almost total double Green lights in domestic Capitalization Styles with Small Caps lagging somewhat. You may question the cause or reason for the bullish stock market action, but it is what it is. Therefore you want to participate at some level. Stock market action appears to be defying many historical trends and trading patterns. I believe that is a result of US Treasury and Federal Reserve action through the Exchange Stabilization Fund's financial market stabilization efforts. I don't think you can count on this type of action continuing indefinitely, so we still pay considerable attention to the technical analysis that we do and act accordingly.

The Chart below shows the Year-To-Date (YTD) action for the Dow Jones Total Market Indices for Large Cap Growth (DWLG - Mustard), Large Cap Value (DWLV - Black), Mid Cap Growth (DWMG - Red), Mid Cap Value (DWMV - Blue), Small Cap Growth (DWSG - Yellow) and Small Cap Value (DWSV - Orange).

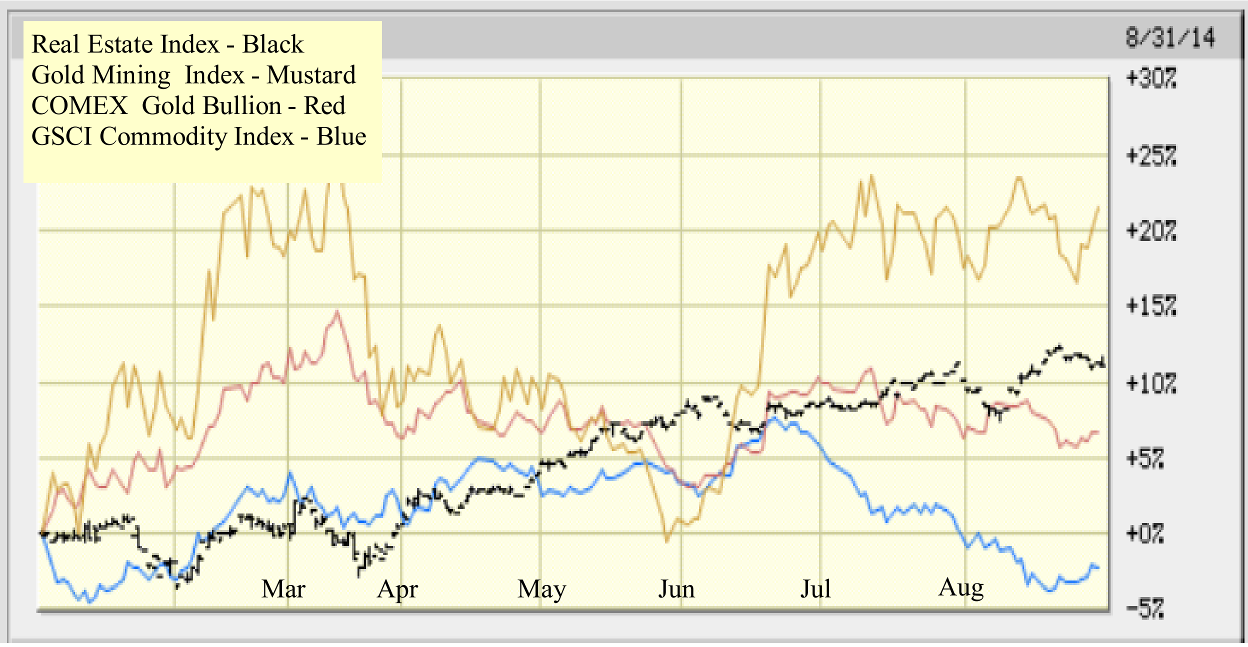


Source: BigCharts.com

Mid Cap Value and Large Cap Growth have performed about the same around +11% and the Laggard has been Small Cap Growth at about +2.5%. Interestingly, the slope of the rally in August has been about the same for all six Styles. I tend to become a little cautious when there are a lot of double Green lights on our Rating Table. The markets are normally in an overbought condition at that point, so some correction action could be seen in September, but there are no weakness signs yet as August Ends.

Industrial Sectors

Almost all Double Green lights for the Industrial Sectors except Double Red lights for Gold Mining and S-T Pink light for Natural Resources and S-T Red light for Real Estate. The latter two still have I-T Green lights. The GSCI Commodity Index (BLUE) is down about 2.1% YTD. This index has 24 components and is world-production weighted with 78.7% energy products, 10.4% Agriculture, 6.1% Industrial Metals, 3.0% Livestock, and 1.8% precious Metals. The Dow Jones Titan 30 Real Estate index (Black) has trended upward during the year and



Source: BigCharts.com

closed out August up about 11.6%. The Philadelphia Gold and Silver Mining Index (Mustard) has been very volatile but is currently up 21.5%. Since there are Double Red lights for Gold, the probabilities for renewed down action have increased. There has been a big variance in the returns for the real asset components this year.

We began to reduced our Precious Metals Mining exposure on the 8/21/14 S-T Red light signal and continued the selling on 8/25/14. We have continued to hold gold bullion securities but will likely hedge the gold bullion if the downtrend continues. We have focused on the Gold and Silver Royalty companies for new exposure to this sector.

A philosophical viewpoint about Gold. We know that the U.S. Treasury, through its Exchange Stabilization Fund (ESF), participates in the financial markets. "The legal basis of the ESF is the Gold Reserve Act of 1934. As amended in the late 1970s, the Act provides in part that "the Department of the Treasury has a stabilization fund...Consistent with the obligations of the Government in the International Monetary Fund (IMF) on orderly exchange arrangements and an orderly system of exchange rates, the Secretary…., with the approval of the President, may deal in g***old, foreign exchange, and other instruments of credit and securities.***" (www.treasury.gov/resource-center/international/ESF/Pages/esf-index.aspx).

If I were the US Treasury Secretary, I would be thinking along these lines as I watched the price of gold and consider it a barometer on the financial condition of the current economy. If it goes above **$1,400** per oz., we may be losing the **Inflation** battle. If it goes below **$1,200** per oz. we may be losing the Deflation battle. I consider the current stable comfort level to be around

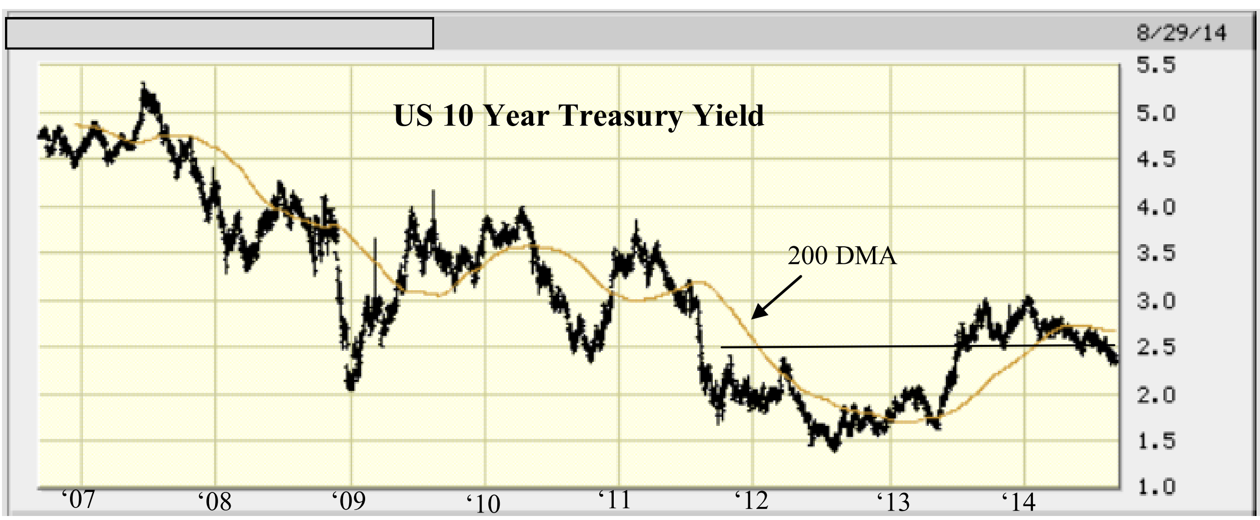
$1,300 plus or minus $50 per oz. I will use the tools available to me as the US Treasurer to maintain these levels with the stabilization level advancing a few percent a year to respond to our stated goal of 2% inflation. A sharp move outside these up or down parameters would indicate that the we are loosing control of the situation, so I will take strong counter action.

The above scenario is obviously fiction, but it may not be far from reality. The advent of "Paper Gold", the ability to trade gold based securities with out actually taking delivery of gold provides additional tools for the ESF to influence the price direction of Gold. The Gold market is very small relative to the size of global commerce and consequently it is fairly easy to push the price around in the short term. Nevertheless, it is a historical asset class used for wealth preservation. The below is a quote (the last paragraph) from former Federal Reserve Chairman Alan Greenspan's contributed Chapter 6 ("Gold and Economic Freedom" - written in 1966) in Ayn Rand's book "CAPITALISM — The Unknown Ideal":

> *"This is the shabby secret of the welfare statist's tirades against gold. Deficit spending is simply a scheme for the hidden confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights. If one grasp this, one has no difficulty in understanding the statists' antagonism toward the gold standard."*

President Nixon took the US off the Gold Standard in 1971, as foreigners were cashing in their US $ for gold and depleting the US gold reserves. Americans were prevented from buying gold from 1933 until the end of 1974 when President Ford's executive order, repealed the 1933 law.

Bond Markets



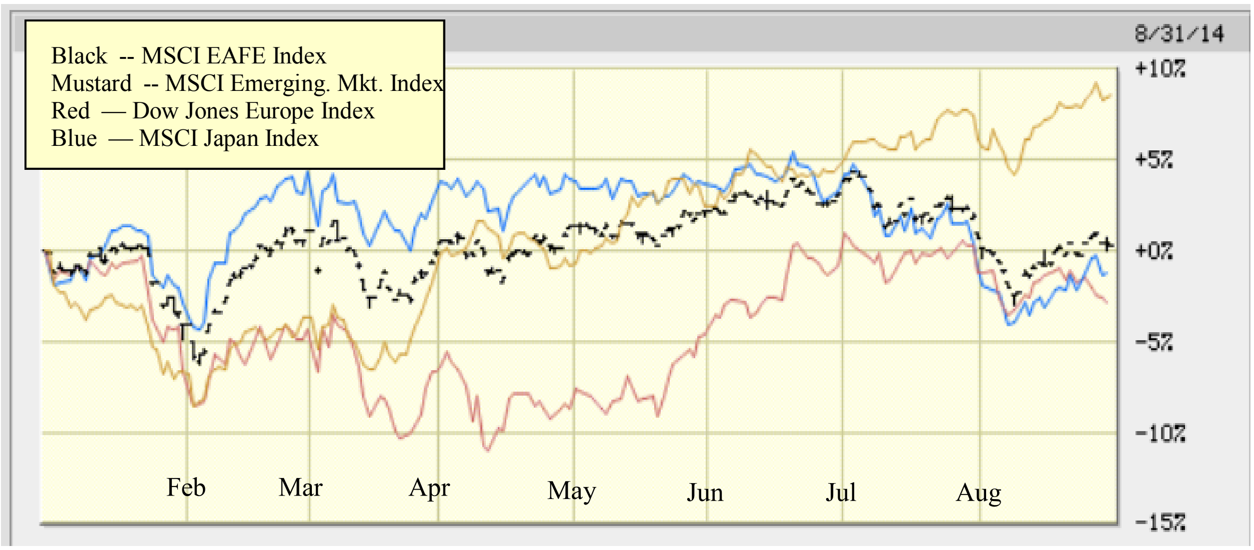
Source: BigCharts.com

There are Green lights for US bonds on the Rating Table. That means that bond prices are rising as bond yields have been falling for most of 2014 as shown on the chart above:

The low for the 10 Year Yield occurred in July of 2012. Since then, up until the beginning of 2014, yields rose and bond prices declined. So far this year yields have declined, to the surprise of many economist and bond market analysts/traders, but not all. Now, the yields have fallen back to some support, represented by the horizontal line. QE is about to be stopped and corporate earnings are indicating that the economy is slowly improving. This could be time for rates to begin rising again. Let's see what September brings.

International Markets

After weakness in January, the Emerging Markets represented by the MSCI Emerging Market Index (Mustard), have had a bullish trend and are up about 8.5% Year-To-Date (YTD) as shown



Source: BigCharts.com

in the chart above. The Developed markets represented by the MSCI EAFE index (Europe, Australia and Far East) are essentially flat on the year (Black Line). The Dow Jones Europe Index (Blue Line) and MSCI Japan Index (Red Line) have been under pressure since the end of June, which has pulled the EAFE Index down.

With the economic and geopolitical problems in the European theater, it is a little surprising that the EAFE Index is not down on the year. It has been the expectation of aggressive monetary easing policy by the European Central Bank that has kept EAFE slightly positive. Low interest rates in European countries and Japan in some cases are even lower than in the US as deflation is still a big concern in Europe. I suggest that you keep this list of countries 10 Year government interest rates shown below as of the end of August, 2014 for future historical perspective:

10 Year Yields - Source: BigCharts.com

Italy	2.43%
United States	2.34%
Spain	2.20%
France	1.25%
Germany	0.88%
Japan	0.50%

These abnormal historical low interest rates mean that central Banks around the world are fighting deflationary forces in an effort to stimulate economic growth.

Is it a good time to hedge bond portfolios or be out of intermediate to long term bonds? It depends. If there is a serious recession in the relative near term, rates could go even lower and bond prices higher. On the other hand, if the US economy or the economies of these countries listed above continue to improve, then interest rates will eventually rise and bond prices fall. I am in the camp of eventually rising interest rates. The best thing to do, in my judgment, is to follow the price of bonds and act accordingly. That is what our DITP bond strategy does.

Portfolio Action Update 8/31/14

The stock market action YTD has been labored but with a modest bullish bias. We have increased our market exposure some since the beginning of August after another correction during the last week in July thru the first week in August. It initially appeared that a somewhat deeper correction might take hold. However, once again the "invisible hand" of the market moved the S&P500 to new highs during the rest of August. However, the number of new highs in the S&P500 at the end of August was less than the peak new highs in July indicating that the markets internal metrics are weakening with fewer stocks leading the parade. September is often a tough month, so we will be vigil for any weakness and take more defensive action if it arises.

We ended August with net market exposure between 70% and 85% in strategies other than Natural Resources and Precious Metals. Those strategies were reduced to net exposures of 56% to 66% as shown in the Table below. A correction over the next several weeks could set the stage for a year-end rally from lower levels. Of course, the strength of the economy, corporate earnings growth, the direction of interest rates, and the November election outcomes, especially in the Senate races may have an impact on what the stock market does in the fourth quarter.

Growth Portfolio Plus (GPP) = 80%
Focus List Plus (FLP) = 72%
Global Opportunity Plus (GOP) = 75%
Power Pak Managers (PPM) = 80%
Equity Income Portfolio Plus (EIPP) = 82%
Equity Income Plus - ERISA (EIPE) = 85%
Portfolio Income Plus (PIP) = 78%
Energy/Defense/Resources (EDRP) = 66%
Natural Resource Plus (NRP) = 56%
Precious Metals Plus (PMP) = 57%
International Equity Growth (IEG) = 86%
Global InDe-flation Plus (GIP) = 85%
Diversified Income Taxable Plus (DITP) = 65% Various Multi-Sector bond net 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.

Past performance is not a guarantee of future results.

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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