Portfolio Action Update

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INVESTMENT PLANNING AND MANAGEMENT GROUP OF
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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	1/2/13 (70)	1/2/13 (99)	1/2/13 (70)	11/23/12 (60)	11/23/12 (60)	11/19/12 (90)
I - T	1/4/13 (90)	1/4/13 (90)	1/3/13 (70)	12/7/12 (80)	12/3/12 (90)	12/13/12 (90)
Sectors	**Banking**	**Biotech**	**Energy Oil & Gas**	**Financial Services**	**Gold Mining**	**Healthcare**
S - T	11/23/12 (80)	1/3/13 (70)	11/23/12 (99)	1/2/13 (99)	12/27/12 (50)	1/2/13 (99)
I - T	12/14/12 (70)	12/3/12 (80)	12/3/12 (90)	12/5/12 (85)	1/2/13 (70)	12/28/12 (90)
Sectors	**Internet**	**Natural Resource Equities**	**Real Estate**	**Technology**	**Transportation**	**Utility**
S - T	12/27/12 (38)	11/23/12 (60)	12/21/12 (70)	11/23/12 (60)	11/23/12 (75)	1/3/13 (80)
I - T	11/26/12 (88)	12/17/12 (80)	12/3/12 (99)	12/3/12 (93)	11/23/12 (99)	12/10/12 (99)
Foreign	**Emerging Markets**	**China**	**Europe**	**Japan**	**Latin America**	**S.E Asia**
S - T	1/25//13 (40)	1/25/13 (30)	1/14/13 (60)	10/17/12 (70)	11/19/12 (90)	1/2/13 (70)
I - T	12/3/12 (90)	12/11/12 (80)	11/23/12 (90)	12/10/12 (85)	12/10/12 (90)	1/4/12 (70)
Bonds	**Foreign Hedged to $**	**Foreign Non-$hedged**	**Emerging Markets**	**Invest. Grade Corporate**	**High Yield Corporate**	**Long Term Treasury**
I –T	1/25/13 (40)	12/21/12 (20)	12/27/12 (30)	12/13/12 (20)	11/23/12 (80)	11/23/12 (20)
S - T	12/19/12 (20)	1/11/13 (55)	1/18/13 (60)	12/26/12 (25)	12/3/12 (70)	12/18/12 (30)

Rating Table and Technical Analysis Process Explanation at End of Report

MARKET COMMENTS FOR THE WEEK ENDING 1/27/2013

As you can note from the Rating Table, there are mostly Green lights flashing. There was a little correction as the end of the year approached and the "fiscal Cliff" remained unsolved. However the late hour compromise generated a renewed rally phase that started on 12/31/12 and is still in effect as I write this update. Consequently, 2013 is off to a nice January rally phase. Our various equity income and growth strategies are participating nicely.

In 2012, there were three intermediate term rally and correction phases. (1) January to April rally, April to June correction. (2) June to mid-September rally, mid-September to mid November correction. (3) mid-November to mid-December rally, mid-December to December 28 correction. With the exception of the late December correction, this seasonal pattern is often typical of the yearly in and out money flows of the market. Of course the specific time frames vary as well as the amplitudes from year to year. Consequently, it is not out of the question to look for similar trends this year. However, - - - - - - -.

The equity markets have been in volatile but upward cyclical trend since the March 2009 credit crisis low. I am in the camp that believes a secular bear market began at the beginning of the Internet Eras in the Spring of 1998, discussed in our Investment Philosophy section. The dot.com phenomenon and the capital expenditure for the Y2K technology upgrade helped drive key stock market indices to extended new highs in early 2000. Consequently, we believed that a period similar to the 1966 to 1982 Stagnation Era was a possibility as we moved into the 21th century with already high equity valuations. It is now nearly 15 years since the Internet Eras began and thirteen years since the 2000 top.

Once again, the stock market, represented by the S&P500 index, is approaching the highs of 2000 and 2007. Since WWII these secular trends have tended to last 16 to 17 years. So, we may be getting closer to the end of this secular bear market era. But, what will be the next drivers for a secular bull market? Maybe the economic benefits of the emergence of Energy independence, or the accelerated return of U.S. consumer goods manufacturing, or very positive economic ramifications of the social media industry, or even a creditable fiscal and monetary policy to deal with the exploding national debt, etc. All of these and currently unknown drivers are possible. Or it could just be the flow of investment funds from bonds to stocks, putting upward pressure on stock prices and downward pressure on bond prices. Although an academic equilibrium model says that the flow of funds out of one asset class in another one shouldn't matter because there are still the same number of stocks and bonds held in the market place. However. in the real world it does matter in terms of relative asset pricing. If there is a preponderance of sellers of bonds that want to buy stocks, then the aggressiveness of that action can cause the prices of stock to rise and the prices of bonds to fall (i.e., higher interest rates). The ownership of these assets has changed hands at the current clearing price. So we will have to see what happens over coming years. We also have been around long enough to realized that bullish talk is usually the loudest at cyclical market tops.

I recall in the fall of 1982, the stock market was approaching the Dow Jones Industrial Average level of 1000 for the fifth time since its first attempt in 1966. The feeling in the financial community, by many, was that once again the 1000 level would provide a barrier. Interest rates were high, P/E ratios were low and the economy still seemed to be in the grips of a serious recession. I recall that a brokerage firm (I don't recall the name) had placed a one page ad in the Wall Street Journal around June of 1982 stating that this time the stock market was going to move through the 1000 level, before long, to start a new secular bull market. They presented a list of reasons for a new investment era. A little later in the summer, our branch was visited by the firms technical analyst who also presented a bullish technical market viewpoint. After many years of failures at the 1000 level, skepticism was the prevailing mood at that meeting. Needless to say, in the Fall of 1982, the DJI did moved above the 1000 level and never looked back and the "Great Bull Era" was off and running.

New Eras occur when new geopolitical, economic or technology drivers emerge that change the course of history. Usually, they are not overly obvious at the time change begins and it can take awhile for these new drivers to be recognized. For example, the current global state of affairs seems locked in military conflicts, economic turmoil and escalating excessive debt. There doesn't seem to be a light at the end of the tunnel for a resolution of this global environment. So, we will have to see what transpires over the next year or two. A new secular bull market, or a renewed cyclical bear market continuation of the existing secular bear market. As usual, credible bull and bear opinions are abundant on what will happen. The main difference between now and 1982 is that investor sentiment metrics are actually very bullish along with much of Wall Street commentary Interest rates are low and starting to rise, valuations are on the high side, and the Fed has flooded the system with plenty of liquidity. All of these factors are just the opposite of 1982. Interesting!

Fortunately, our approach to investment management is to pay attention to what the investment markets are actually doing and not spend a lot of energy trying to predict what might happen in the future. We try to stay in tune with what is happening with our technical analysis of market trends. A new secular bull market can't occur without the stock market moving up with bullish trends. That is an irrefutable fact.

Capitalization Styles

Let's take a look at what capitalization styles are leading out of the box for 2013. Using the Dow Jones Total Market indices as of 1/25/13: Large Cap Growth 5.2%, Large Cap Value + 6.0%; Mid Cap Growth + 8.0 %, Mid Cap Value + 7.1%; Small Cap Growth + 7.3%, Small Cap Value + 6.3%. Mid Cap Growth is the leader at 8% followed by Small Cap Growth at 7.3%. The Value style led for the Large Cap while the Growth style led for Mid Cap and Small Cap styles. In our Growth strategies, we have biased our allocation to the Mid Cap and Small Cap styles which offer higher Beta action relative to the Large Cap styles. Of course, a higher Beta is a two edged when it comes to volatility.

Industrial Sectors

The Intermediate Term lights are all Green as the S&P500 approaches the highs of 2000 and 2007. The various industries shown on the Rating Table compared to their 2007 highs are shown below:

Industry	Related Index	Change from 2007
Banking	KBW Bank Index	54% Lower;
Biotech	NASDAQ Biotech Index	70% Higher;
Energy Oil & Gas	S&P Energy Index	1% Lower
Financial Services	S&P Financial Services	54% Lower
Gold Mining	Philadelphia Gold and Silver Index	19% Lower

Healthcare	S&P Healthcare Index	9%	Higher
Internet	Rydex Internet Index	10%	Higher
Natural Resources	Goldman Sachs Commodity Index	9%	Higher
Real Estate	Dow Jones US REIT Index	27%	Lower
Technology	S&P Technology Index	4%	Higher
Transportation	Dow Jones Transportation Index	3%	Higher
Utility	S&P Utility Index	18%	Lower

Banking, Financial Services, Energy, Real Estate and Utilities are still below their respective 2007 highs while Biotech has been the big winner since 2007.

International Markets

Let's see where the International Markets stand when compared to their respective 2007 highs:

Emerging Markets	MSCI Emerging Market Index	23%	Lower
China	Xinhua China 25 Index	30%	Lower
Europe	S&P Europe 350 Index	33%	Lower
Japan	MSCI Japan Index	35%	Lower
Latin America	S&P Latin America 40 Index	14%	Lower
S.E. Asia x Japan	MSCI Pacific x Japan	18%	Lower
	Vs.		
Dow Jones 30	Dow Jones Industrial Index	2%	Lower
S&P500 Large Cap	S&P500 US Index	3%	Lower
S&P 400 Mid-Cap	S&P400 Mid-Cap Index	22%	Higher
S&P 600 Small Cap	S&P600 Small Cap Index	7%	Higher

It is pretty clear that International Markets have lagged the U.S. markets quite a bit over the past five years. The Mid-cap style has been the best in the U. S. Dividends not included.

Bond Markets

The only double Green light is for the High Yield Sector. The Barclays 20+ Long Term Treasury bond index peaked on July 25, 2012. It has been a slow and labored downward path since then, with countertrend rallies when U.S. economic and Foreign bad news has flared up. But it is beginning to look like the long expected rise in long term Treasury yields is beginning to take hold. The 10 Year Treasury yield has risen from 1.404% to 1.947% and the 30 year Treasury yield has risen from 2.47% to 3.13%, as of 1/25/13. It looks like the trend is up for Treasury bonds, barring a recession emerging in the U.S. economy.

Portfolio Action Update For the Market Week Ending January 25, 2012

The new year is off to a good start. This current rally phase started in the mid-November period after a correction from mid-September to mid-November. There was also a short term correction during the last couple of weeks of December. However, a relative strong rally picked up again after a modest congressional compromise was reached including an increase in income tax rates for income above $450,000 for joint returns. For the most part any solution to the annual deficit and long term growth in total government debt were pushed downstream again. That means there are potential more budget battles to come as we move through 2013.

Nevertheless, with all but one Red light for the domestic equity styles and industrial sectors on the Rating Table, we have increased our equity exposure since mid-November to the levels shown below. Most of our portfolio allocation adjustments are in the Swing holdings in ETFs. The Core strategy holdings are more stable holdings. This is the essence of our Flexible Portfolio Method. Investor Sentiment metrics (AAII Investor Sentiment, Investors Intelligence Sentiment, etc.) are at high bullish levels that often precede corrections. However, trading volume is still at modest levels. The S&P500 and Dow Jones Industrial indexes are approaching the highs of October 2007. Consequently, a market correction can occur at any time. The technical evidence, at least for now, doesn't indicate more than a potential normal 3% to 7% type correction. However, that can always change.

I detect a growing chorus of opinions that maybe there will be a melt-up in equity values as current cash and bond holders become aggressive equity buyers. We remain alert to the possibility of a melt-up, or a renewed cyclical bear market in the range of the 2000 and 2007 market highs. It is always interesting to see how the future unfolds. So it is best to remain nimble and not dogmatic about what the future will be, in my judgment.

The current approximate net market exposure is shown below for each strategy: Note that cash levels in some strategies may seem higher than the net computed market exposure would indicate as a result of the use of leveraged bullish investments.

Growth Portfolio Plus - GPP = 106%

Equity Growth Plus - EGP = 104%

Focus List Plus - FLP = 103%
Equity Income Portfolio Plus - EIPP = 89%

Equity Income Plus ERISA - EIPE = 79%

Portfolio Income Plus - PIP = 75%

Energy/Defense/Resources - EDRP = 73%

Natural Resource Plus - NRP = 61%

Precious Metals Plus - PMP = 74%

International Equity Growth - IEG = 75%

Global Opportunity Plus - GOP = 101%

Global InDe-flation Plus - GIP = 95%

Diversified Income Taxable Plus - DITP = 71% Long Multi-Sector / 8% 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.

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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.

Rating Table and 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 show 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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