Portfolio Action Update

Ron Miller, Managing Director, Investments

IPMG
INVESTMENT PLANNING AND MANAGEMENT GROUP OF
RAYMOND JAMES®

Tactical Asset Allocation Style & Sector Signals

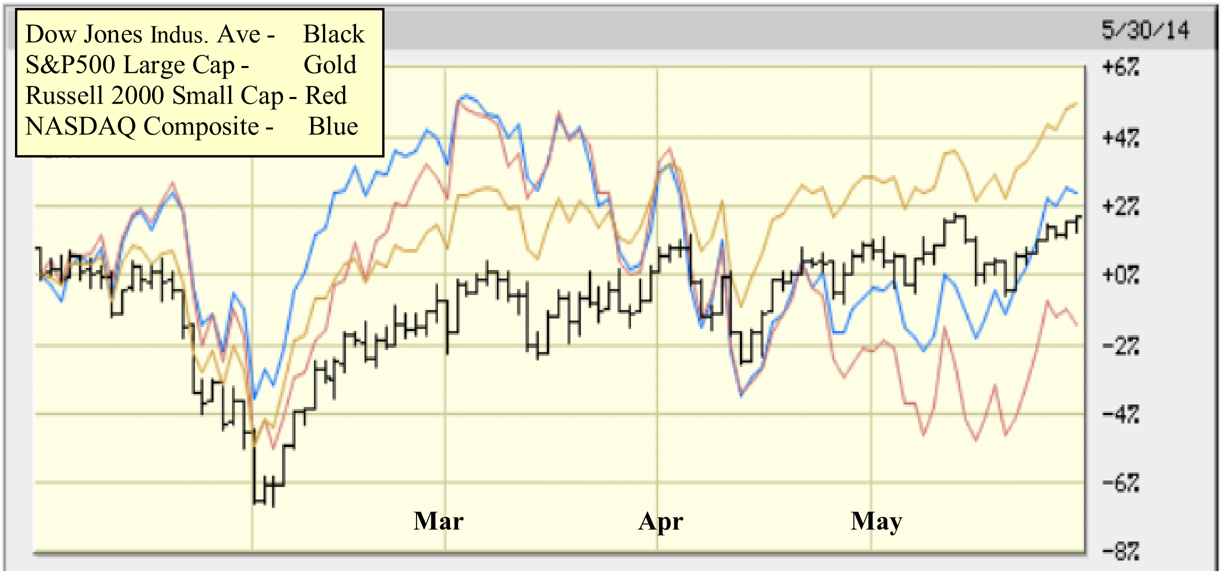
Ratings 60 and Above are a Green Light
Ratings 40 and Below are a Red Light
Ratings 41 to 59 are (Neutral)
Light Green indicates going from Green to Neutral since last Signal Date
Pink indicates going from Red to Neutral since last Signal Date

Styles	Large Cap Growth	Large Cap Value	Mid Cap Growth	Mid Cap Value	Small Cap Growth	Small Cap Value
S - T	4/16/14 (100)	2/13/14 (100)	5/28/14 (60)	4/16/14 (90)	4/11/14 (20)	4/1/14(80)
I - T	2/11/14 (80)	2/18/14 (70)	5/28/14 (75)	7/1/13 (90)	4/11/15 (35)	5/2/14 (80)
Sectors	**Banking**	**Biotech**	**Energy Oil & Gas**	**Financial Services**	**Gold Mining**	**Healthcare**
S - T	5/23/14 (75)	12/16/13 (70)	5/29/14 (70)	5/20/13 (70)	5/1/14 (20)	4/23/14 (90)
I - T	5/23/14 (70)	5/12/14 (50)	3/21/14 (55)	5/27/14 (60)	3/21/14 (0)	4/25/14 (70)
Sectors	**Natural Resource Equities**	**Real Estate**	**Retail**	**Technology**	**Transportation**	**Utility**
S - T	5/8/14 (40)	5/27/14 (60)	5/15/14 (35)	5/12/14 (100)	8/20/13 (75)	2/13/14 (100)
I - T	3/31/14 (45)	1/24/14 (100)	5/7/14 (50)	5/19/14 (90)	11/23/12 (100)	2/13/14 (90)
Foreign	**Emerging Markets**	**China**	**Europe**	**Japan**	**Latin America**	**S.E Asia**
S - T	5/2//14 (50)	5/14/14 (80)	4/14/14 (80)	5/27/14 (70)	5/21/14 (40)	3/28/14 (90)
I - T	3/28/14 (70)	5/19/14 (70)	4/16/14 (40)	5/5/14 (70)	3/20/14 (50)	3/28/13 (80)
Bonds	**Foreign Hedged to $**	**Foreign Non-$hedged**	**Emerging Markets**	**Invest. Grade Corporate**	**High Yield Corporate**	**Long Term Treasury**
I –T	3/30/14 (75)	5/29/14 (90)	3/25/14 (100)	5/21/14 (55)	5/2/14 (80)	5/9/14 (40)
S - T	5/21/14 (88)	2/6/14 (80)	3/19/14 (100)	9/27/13 (75)	5/12/14 (85)	4/11/14 (95)

Table Data at end of 6/1/14

Rating Table and Technical Analysis Process Explanation at End of Report

Five months of 2014 have come and gone. The Total Return YTD for the Dow Jones Industrial Average is up 1.9%, the S&P500 Index is up 5.0%, the Russell 2000 Small Cap Index is down 2.0% and the NASDAQ Composite Index is up 2.1%, as reported by Raymond James Consulting Services. This 2014 action is depicted in the chart below:



Source: BigCharts.com

The market action, so far, has been inline with typical analysts consensus views after the strong action in 2013. Expectations have been for a modest consolidation followed by a moderate gain in the 10% range for 2014. Of course, that would be inline with the average historical return for the S&P500. Raymond James Chief Investment Strategist, Jeff Saut, expects a general market correction of 10% or so, sometime in 2014. So far, that has not occurred. The January decline in the DJIA of about 6.5% has been the most so far of the Major indices. This was followed by a sharp rally in early February to early March, Since then, the market volatility has subsided and a modest sideways consolidation with a mild advance over the last two weeks of May.

There has been a larger stealth correction in some high momentum sectors of the stock market. Some of these high profile individual market leaders have had 15% to 30% declines that began in early March. I won't name names, but if you follow the stock market, they are very active and highly visible securities. There has been some rebound in May but not up to the early March peaks. I use the word 'stealth' because the major averages as noted above have not seen those kind of declines since the summer of 2011.

High Frequency Trading (HFT) has been in the news again after the book "Flash Boys" by Michael Lewis was published by W. W. Norton & Co. earlier this year. I have been reading the book because HFT has an impact on how the stock market operates. The key driver of HFT is the money that can be made from the increased speed of information transfer. This is not a new phenomena. In historic times, man had to rely on his own speed of running to convey danger or opportunity from one place to another. Smoke signals or waving flags improved that process. Homing pigeons, riding horses (Pony Express), telegraph and then radio/TV/satellites transmission have greatly increased the speed of information transfer. More recently modulated light through fiber optics have added another dimension of speed. Yes, information can travel at close to the speed of light through fiber optic cables (i.e.,186,000 miles a second in a vacuum) . The length of the cable and the straightness of the cable determine the time it takes from point A to point B. I will not try to explain this technology, but the time frame of interest in this technology is measured in milliseconds (thousands of a second). Historically, money has always been made if you can get accurate and important information faster than others.

Like most endeavors, HFT has its Pros and Cons. The Following are my observations on the subject of HFTs and their effect on our portfolio management process. Prior to HFT, Private Specialist firms were allowed to make a market in certain shares of companies listed on stock exchanges. This gave them the right to see and monitor the flow of buy and sell orders. That gave them the ability to make money on the difference between the BID & ASK and flow direction . For this money making opportunity, they were required to try and maintain an orderly market by being a buyer when selling pressure was increasing and being a seller when buying pressure was increasing. This was not a guaranteed profit enterprise, but Specialist firms seemed to prosper. However, as the size of the stock market value increased, the capital needed to run a Specialist firm also increased. The standard BID/ASK spread was 6.25 cents, 12.5 cents, 25 cents or 50 cents depending on the share price and trading activity.

The advent of decimal pricing of stocks on the NYSE on January 26, 2001 was a game changer. Initially, BID/ASK spreads were slow to compress. However NASDAQ and other exchanges also started trading stocks that were listed on the NYSE. This elimination of the exclusivity of listings on the NYSE and allowed competition that eventually began to narrow the BID/ASK spread. Consequently the profit that the Specialist firms had enjoyed for many decades faded away. The increased number of market makers from other exchanges tried to take up the slack but also learned that the market was now so big that the capital risk to provide a stabilization function was too great. Consequently, the share size of BID and ASK were not being maintained. That is, a stock may show a BID to Buy 1,000 shares at $50.00 and an ASK to Sell 1,000 shares at $50.25. However, if you tried to Buy 1,000 shares at 50.25 you might only Buy 100 or 200 shares and then the price would change.

I personally saw this fading of BID/ASK size happening many times before HFTs existed I complained but the response was “that is just what the market is now”. You can’t make a ‘market maker’ trade (they are not Specialist) if they don’t want to take the risk even though a BID/ASK offer was shown, they were only obligated to trade 100 shares at the price shown. That is, the risk capital needed in market making in larger blocks became too great. Big blocks began trading in the private market between buyers and sellers directly in prearranged transactions. If you wanted to sell 100,000 shares of a stock, it would be shopped around to the street until some organization that wanted that stock would take the block at a prearranged price between the buyer and seller at the institutional level. This secondary market was active but often not very timely.

Then, HFT firms arrived. This was only made feasible with the advent and advancement of fiber optics, very fast computers and the ability to place these computers very close to the exchanges to have shorter fiber optic lines that decrease transfer times even more. These many 'new exchanges' (really just powerful computer servers with sophisticated algorithms) are linked with HFT firms so that the time delays in the transfer of trading information from one exchange to another exchange is very, very, very small, measured in milliseconds.

As I understand it, this is how HFT firms operate, in layman terms. A HTF firm is linked to Exchange A through its fiber optic connection and is able to see the order flow coming to Exchange A a few milliseconds before Exchange A receives it by probing the order flow to Exchange A with literally thousands of order that are continually put on and taken off before they can be executed. Say, HFT sees an order to buy stock XYZ a few millisecond or so before it gets to Exchange A and goes out and buys the block of XYZ shares from other exchanges that it is also linked to. It then tacks on a penny or so and sells the block to the buyer whose order has now reached Exchange A. All of this occurs in a few milliseconds. In essence, this is a form of 'Front Running' which is a controversial feature of the HFT process. There is not much capital at risk for HFT firms since HTFs are buying and selling the XYZ block in just a few milliseconds. Humans can't act in milliseconds, but computers can.

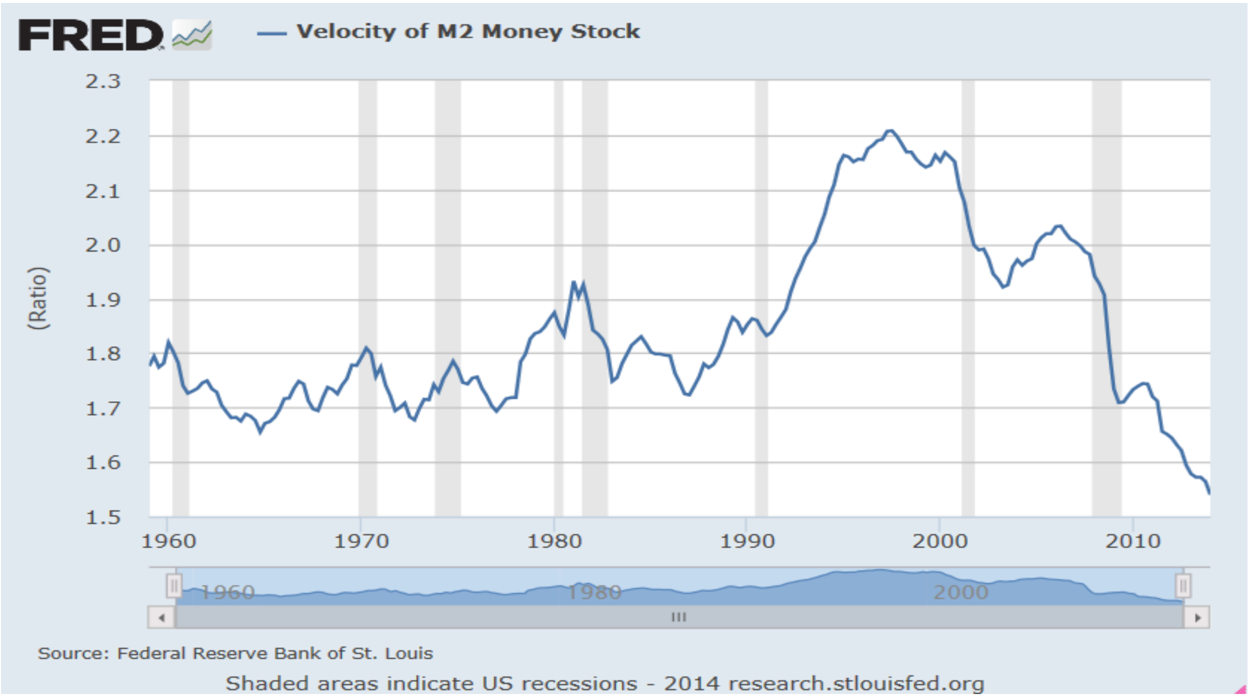
As I see it, the *PRO* aspect of the HFT concept is that it provides market liquidity to a very large marketplace with total capital of about $19.7 Trillion in the United States alone. The HFT is probing the market without having to risk a prohibitive amount of capital. It may cost substantial money to setup and run an HFT operation, but once the mostly fixed cost are covered, it is a money machine. Nevertheless, this liquidity function is a very valuable capability for portfolio managers. The BID/Ask spread is now a penny or two in most cases rather than 12.5 cents or 25 cents per share in the old days with the Specialist system, along with the ability to transact large blocks without the BID or ASK size fading away. This is also a big benefit to investors, in my judgment.

The *CON* aspects are that the HFT firms are not required to provide a stabilization function to the stock market as the Specialist firms of the past were. In fact, HFTs tend to provide same direction liquidity to sellers or buyers which can exasperate the down or up price action in the direction of the pressure. We see this almost daily in sharp short term up or down price action moves in the stock market. I don't believe this type of volatility would occur without the existence of HFTs. The other major **CON** is that HFTs are computers as mentioned before. They are not humans in an operational sense. They are also vulnerable to cyber attacks and technical breakdowns.

Bottom line, HFT firms developed to fulfill a real liquidity need in the financial markets. There are many HFTs, so competition keeps the BID/ASK spreads narrow. If a better regulated HFT model is needed, it will evolve over time.

MARKET COMMENTS JUNE 1, 2014

M2V - M2 Money Velocity



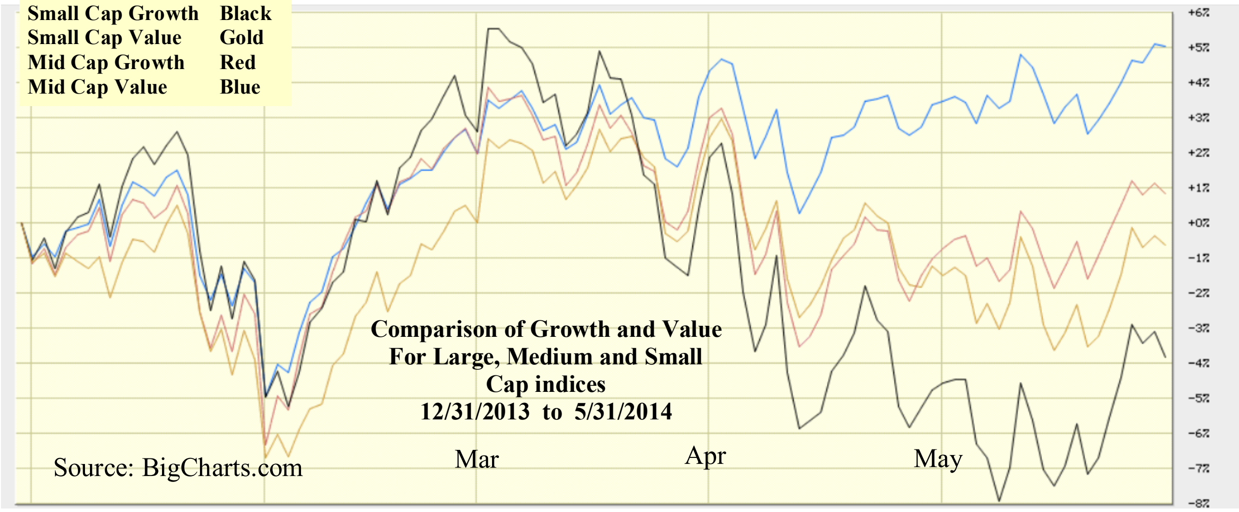
The chart above shows that the M2 Velocity of money, as of 5/29/14, has still failed to turn the corner and indicate an improvement in consumer spending bias and confidence in the economy. Historically, the turnover (velocity) of M2 money in the economy increases during stock market rallies as investors have a better outlook and are willing to spend money. Despite the strong stock market rally in recent years, the M2V has actually continued to decline. I believe this is an indication that the public at large are not impressed with the economic/employment outlook.

There was a significant income tax increase this year that also has had a negative impact on upper middle class spending, in my opinion. The top tax bracket rose from 35% to 39.6%, That is not just an increase of 4.6%, that is an increase of 13.14%. (39.6/35). Long Term Capital Gains taxes rose from 15% to 20%, that is an increase of 33.33% (20/15). New regulatory rules on the medical profession including the increase in the number of codes used in defining the diagnosis and care needed is emblematic of the regulatory drag in the economy. One surgeon I talked with this year said that the number of codes is increasing by a factor of 10. If there is a wrong code on their filings, they don't get paid. Consequently, he said that his group will hire another person to check claim filings to make sure that all coding is correct. That creates another job, which is good for employment numbers, but increases the cost of running a medical practice.

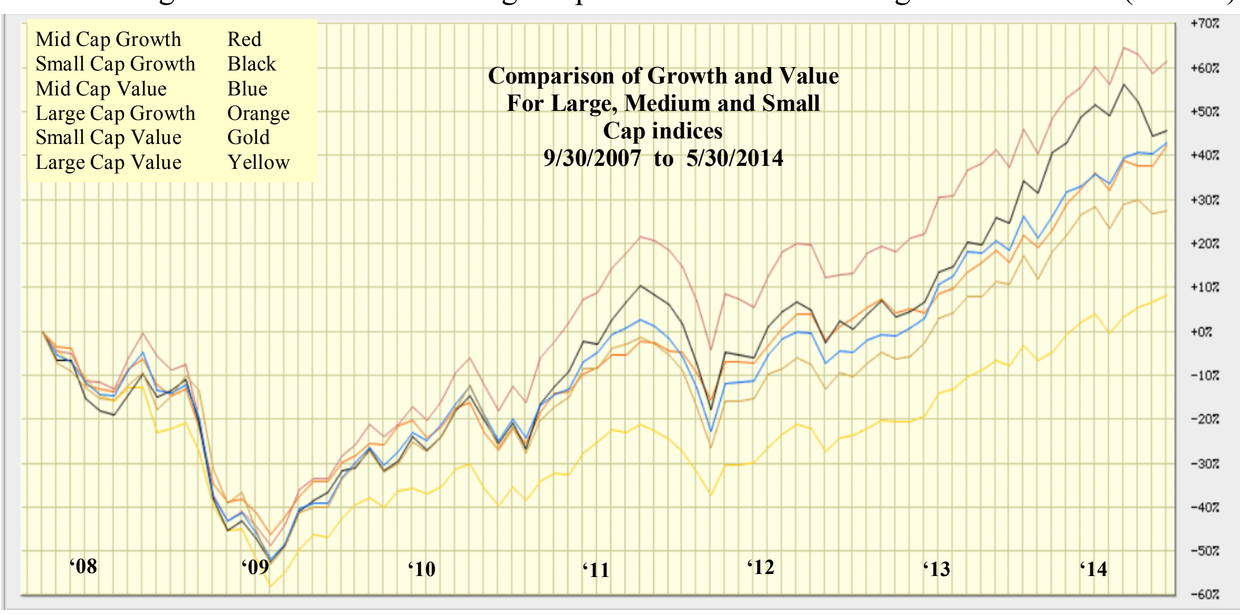
The advance in the stock market since the low in March of 2009 and especially the successful retest low in October of 2011, along with the Federal Reserve's aggressive monetary stimulus, has led some stock market observers to call this a new secular bull market. I would be more comfortable with that outlook if M2V began a consistent upturn. This persistent M2V decline is problematic and a reflection of the squeeze on middle class workers, in my judgment.

Capitalization Styles

There are double Green lights on all but the Small Cap Growth Style on the Rating Table. Last year, Growth led the bullish parade. This year, Value has been the leader as shown in the chart below for the S&P Mid-Cap400/Barra Growth & Value Indices and Russell2000 Small-Cap Growth & Value Indices: As a correction began in March, the volatility and the spread between Value and Growth has increased. I think this Value relative strength may not last throughout



the year. Growth indices are weighted more towards technology type companies that historical have had greater earnings growth trends during bullish economic periods. Value tends to do better during corrections and especially for the periods when Growth has gotten over extended, like last year. The chart below shows the relative performance for Growth and Value for the Large Cap, Mid Cap and Small Cap indices since the beginning of October, 2007, the month when the market peaked just before the credit crisis that was coming. I have listed the index colors in the ranking from best to worst on the chart. We see that Mid Cap Growth (Red) is the best with a gain of about 62% and Large Cap Value is the worst at a gain of about 8% (Yellow).



Source: BigCharts.com

Industrial Sectors

We generated renewed double Green lights for the Banking sector on 5/23/14, Technology sector on 5/12&19/14 (S-T & I-T), Financial sector on 5/20&27/14, along with renewed S-T Green lights for Energy and Real Estate during May. The only S-T Red lights generated in May were Gold Mining, Natural Resource Equities, and Retail. Of the 12 sectors shown on the Rating Table, 9 were up for the month of May. Gold Mining, Natural Resource Equities and Retail were the only down sectors for May. So much for the "sell in May and go away". Of course, this sell in May strategy works sometimes and not sometimes. Since the bottom 5 years ago in March, there have been 6 Mays. There have been 3 positive Mays and 3 negative Mays for the S&P500 Large Cap Index. According to my math that is 50% of the time. When a stock market strategy becomes well publicized, it tends to loose some of its effectiveness.

One of the nine sectors that we follow and use in our Equity Income strategies is the Business Development Companies sector (BDC). You can look at Wikipedia.org for a full definition of BDCs. Basically they are finance companies for small to medium size companies. Their uniqueness is that they usually have some form of equity kicker in their loan agreements. This sector (not shown on the Rating Table) has been under pressure since late February as indicated by the Wells Fargo Business Development Company Index weakness after the peak (2/24/14) shown on the chart below:

Source: OmniTrader Software:OmniData

Raymond James has a strong market outlook for several companies in this sector based on their fundamental analysis in a recent research report. The typical yield for this sector is in the 7.5% range. The caveat is that this trading pattern is a bearish technical formation. The 200 day moving average (dma) is flattened out and the price of the index has moved below the 200 dma. Also, a recent bounce hit resistance at the declining 50 dma. Nevertheless, our outlook is based on the bullish fundamental research opinion from Raymond James' research analysts for the BDC companies that they follow, and our belief that the selling pressure has been from exogenous forces and not because of declining business results. We are looking for an opportunity to increase our exposure to this sector over the near term, probably on a retest of the recent low.

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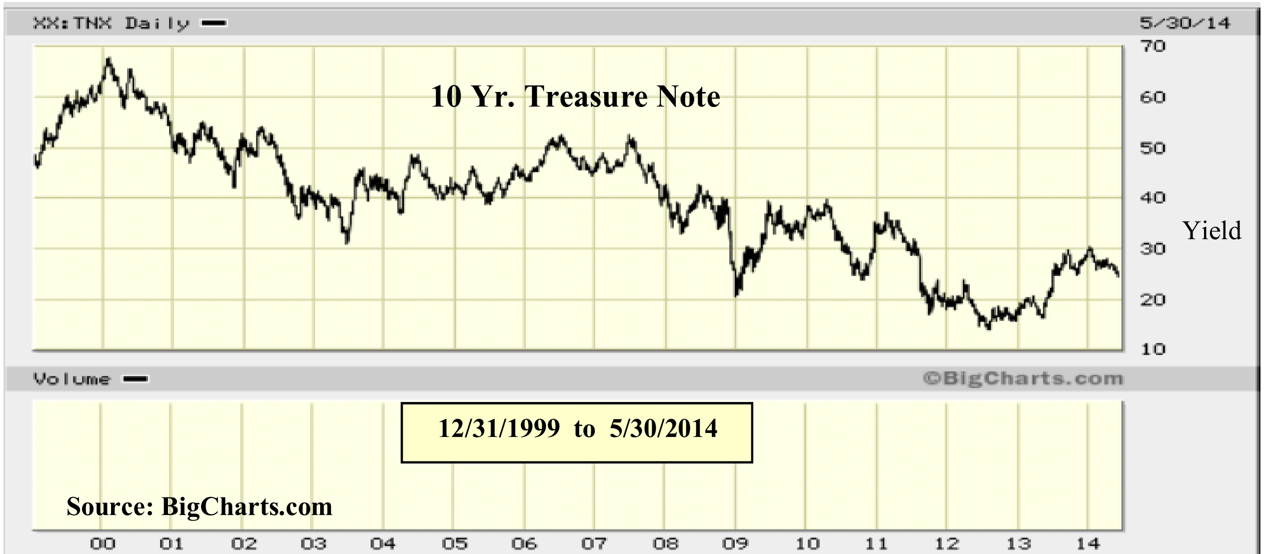
Bond Markets

Green lights for the Bond sectors on the Rating Table except Long Term Treasures which generated a Short Term Red light, declining bond price, on 5/9/14. In general, interest rates have remained lower for a longer period of time over the past couple of years than I thought they would. Declining interest rates means rising bond prices. Short Term rates have been pegged at close to zero by the Federal Reserve. This Federal Reserve policy along with low Core CPI reported numbers and declining M2V money velocity, discussed earlier, has kept interest rates relatively low. The expected normalization of Treasury rates to higher levels seems to get pushed out in time on a regular basis. The chart below shows the 10 year Yield since 1999.



The 10 Year Treasure Note Yield bottomed on July 24, 2012 at 1.40%, So far, it has not been able to close above the closing high of 3.026 on 12/31/2013. It closed at the end of May at 2.457%. The big question is when are interest rates going to normalize to more historical rates. A look at the chart above would indicate that the 10 year Treasury would look more normal around the 4% to 4.5% range.

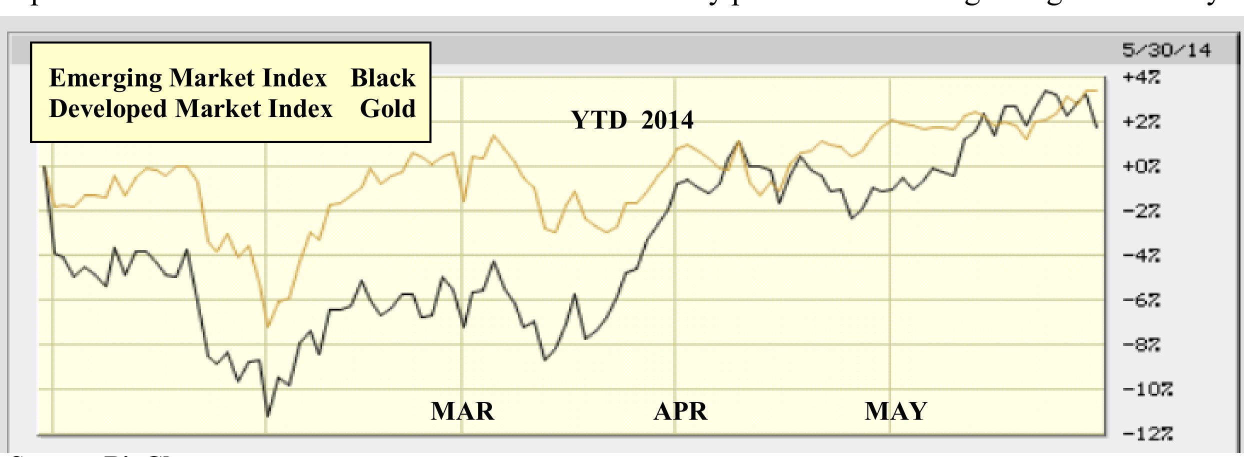
Inflation is one driver of interest rates. The Federal Reserve has announced a target inflation rate of 2%. The one year CPI rate ending April 2014, reported by the BLS, was 1.95% which is already inline with their 2% target. Historically the 10 year Treasury has traded around a 1.5% to 2% premium over the inflation rate. That would generate a 3.5% to 4.0% range for the 10 Year Note. Therefore, the 10 Year rate should move to at least a 3.5% rate before long.

What is missing is a pick up in the economy and employment that would increase consumer confidence and the Velocity of M2 money. Fed Chairperson Janet Yellen, in a recent congressional hearing, mentioned that they were considering lowering the Federal Funds rate, maybe to zero, to incentivize the banking industry to put more of their excess cash reserves into loans. That is, they now earn 0.25% with no risk with their excess reserves. If the regulatory constraints on business loans and home mortgages were eased some, with lower down payments, but still verifiable income by borrowers. This would likely increase sales and borrowing demand and consequently upward pressure on interest rates. If the economy doesn't continue to improve, all bets are off the table on Treasury yields normalizing this year, in my opinion.

International Markets

The chart below shows the MSCI Emerging Market index and the MSCI EAFE Developed Market index. These International indices peaked on 10/31/07. They are still about 20% below the 2007 peak. The action in International markets has been frustrating, especially since the middle of 2011. The Emerging Market index has traded in a fairly narrow sideways channel since then. The Developed Market index has been advancing since the middle of 2012, but is still about 18% below its October 2007 peak. Of course International markets have had a variety of issues emanating from the 2008/2009 global credit crisis. Their central banking systems have taken the Keynesian approach and created more debt to keep from defaults and trying to stimulate their economies after a relative brief attempt at austerity policies. An all clear for the long term solution to the Developed economies problems is still in question, in my judgment.

Is it time for the International Emerging Markets to breakout of their slump and follow the U.S. bullish action? Maybe. As indicated on the chart above, the International Emerging Market index is nearing the top of the trading channel since 2012. Our Rating Table currently has a Neutral Green light and a Green Intermediate Term light. The price action has been sideways over the last two weeks of May (see chart below), but has not broken below the peak in early April. I think the odds favor a continuation of the rally phase since the beginning of February.



Source: BigCharts.com

Portfolio Action Update 6/1/14

The stock market action YTD has been labored but with a modest bullish bias. We have increased our market exposure some in May from the more defensive posture in the March to May correction period, as noted in the table below. We have still kept moderate cash allocations for if the market has a further correction in the near term. There are still concerns about the sluggish economic growth and employment numbers. The corrections this year have remained modest for the major stock market indices while some high momentum type sectors and individual company stocks had 15% to 30% type declines in the March to May period.

The Federal Reserve has continued its Tapering of Treasury and Mortgage Backed securities with the current level now at $45 Billion per month, down from $85 Billion at the end of 2013. Nevertheless, I believe that the Federal Reserve and the U.S. Treasury are actively engaged in Financial market interventions to provide support for the financial markets at critical times through the use of the Exchange Stabilization Fund (ESF). The ESF is a part of the U.S. Treasury department (search: Wikipedia.org/ or www.treasury.gov/resource_center/esf) for a discussion of the ESF. There is an old stock market adage that says "don't fight the Fed". Since the credit crisis, it might be extended to include the "Fed and the Treasury". Consequently, as long as our technical analysis indicates that the stock market is in a bullish mode, we will maintain reasonable exposure with our Flexible Portfolio Method (FPM), a combination of Core and Swing security allocations for our various investment strategies. The FPM concept is discuss on our web site, www.ipmgAtlanta.com. Current net market exposures are shown below:

Growth Portfolio Plus (GPP) = 75%
Focus List Plus (FLP) = 78%
Global Opportunity Plus (GOP) = 86%
Power Pak Managers (PPM) = 80%
Equity Income Portfolio Plus (EIPP) = 77%
Equity Income Plus - ERISA (EIPE) = 78%
Portfolio Income Plus (PIP) = 76%
Energy/Defense/Resources (EDRP) = 83%
Natural Resource Plus (NRP) = 71%
Precious Metals Plus (PMP) = 74%
International Equity Growth (IEG) = 95%
Global InDe-flation Plus (GIP) = 85%
Diversified Income Taxable Plus (DITP) = 67% 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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