Geoffrey Lenk 508-428-1645

John Ladner 508-420-1684

LENK LADNER
Investment Solutions

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Dow Jones Industrial Avg.	**16,457.66**	**Standard and Poor's 500**	**1872.34**
2014(YTD) -0.7%	1st Qtr. -0.7%	2014(YTD) +1.3%	1st Qtr. +1.3%

Reinventing America – "If you wanted to see the economy go wild, just cut all the regulations in half. We're in a society where we think all risk can be regulated out. There are just unending interpretations, revisions, legal fees to the sky – when you're focused on that, you're not focused on growing and getting new customers." Sam Zell, well known real estate tycoon (Forbes – May 5, 2014)

It appears investors have been lulled into a sense of complacency by the plodding economy and the gradual advance of equity prices, which has accompanied it. Be aware the bulls (optimists) and the bears (pessimists) are struggling for control of investors' minds and dollars. The financial media is clearly in the bulls' camp. They have gone to great lengths to point out how often the Dow Jones Industrials and the Standard and Poor's 500 have achieved new all-time highs, even if it was by the smallest of margins. A cursory examination of both graphs indicates the advances hit a plateau in early February, so that defines the ground being contested by the bulls and bears. First quarter earnings reports were expected to provide the justification for a move higher, yet the results failed to provide a convincing signal so the direction remains unclear.

Politics and the Economy – One uncertainty has been resolved. It is the changing of the guard at the Federal Reserve and its impact on the stock and bond markets. The markets have embraced the new FED Chair Janet Yellen as a suitable successor to former Chair Ben Bernanke. She has expressed a determination to support a continuation of the current low interest rate policies until unemployment declines to a more acceptable level and the economy registers a more satisfactory level of growth. By reaffirming Mr. Bernanke's policies she was able to sooth the nerves of investors. As a result, the bulls maintain the upper hand.

Standing in the way of a better growth trajectory for the economy is the true culprit – government at all levels. The burdens they impose are ever increasing. To some it is regulations; to others it is tax policy; and to others it is the granddaddy of them all, government intrusiveness. Sam Zell's quote provides a quick glimpse of the mindset of business owners big and small. The country's growth has been stunted by a government dead set on control. In order to reinvigorate the economy and allow growth to return to a more attractive level, government must come to the realization its current course of over-regulation has had a deleterious effect on business creation and economic growth. By reducing the restraints which are implicit in burdensome and costly regulations, business will have more incentive to expand. What accompanies such expansion? More revenue, more profits, more investment, and ultimately more jobs, and oh yes, more tax revenue. There is a catch, however, and it is the need for the powers-that-be in the nation's capitol to achieve détente, a tall order to be sure. It is hard to imagine many investors or business leaders holding their breath waiting for that to happen.

The second critical ingredient needed to produce a successful outcome is a change in the attitudes of big business as reflected in the policies promulgated by company chairmen, CEOs, and boards of directors. Although many in those groups will regard this simple change in philosophy as heretical, the message is simple, "Share the wealth." It is easy to understand why corporate executive pay policies as presented in corporate proxy material are encountering increased resistance from investors. Finally an influential institutional investor, Warren Buffett, served notice that it is time to reassess excessive executive pay packages by voicing his disapproval of the package Coca-Cola submitted for shareholder approval. Other institutional investors should consider following his lead. A cynic might suggest the reason companies have been

providing a record level of dividend increases over the past year is to placate investors, who have exhibited disapproval of these practices. Is it possible the largest corporations could achieve greater growth of revenues and earnings, if the excessive compensation being showered on a few top executives was spread across the organization? One of the major impediments to a continuation of the bull market, which has followed the Great Recession, has been the lack of revenue and productivity growth. The government's ever increasing intrusion into the conduct of commerce has had a sclerotic effect in that it impedes the willingness of businesses to invest or hire. Lacking these ingredients of growth, the economy continues to advance in fits and starts with no clear path to accelerated growth.

Limited Investment Options – Although common stocks remain the most attractive investment option, they are much less attractive than they were at the end of the recession or even a year ago. Nevertheless the bulls still claim stocks are reasonably valued, in part based on anticipated resumption of growth they anticipate occurring during the second half of the year. Other investors are less sanguine and point to price/earnings ratios that are above long-term averages, and the ability to sustain growth remains problematic. While the leading indexes have registered slight gains this year, a slew of well-known highfliers have been knocked off their pedestals. Some examples are Amazon, Twitter, Whole Foods, Facebook, and Panera Bread. The majority of the tumbles were in the 20-40% range, while Twitter's topped 50%. Some bears point to these stocks as evidence of the general vulnerability of the market.

Continued stock market strength has enabled investors with at least a moderate position in equities to supplement their earned income with an assist from capital gains. This approach, however, presents the proverbial double-edged sword, in that it can provide a benefit one year and a penalty the next year. It requires an investor to be more alert to sudden changes in the direction of stock and bond prices. Such changes in sentiment can require switching the emphasis from enhancing income to protecting principal. It is far too easy to be dazzled by the prospect of big gains and forget they are usually accompanied by the undesirable alternative, large losses. Know how much risk you can tolerate and construct your portfolio with those limits in mind.

Fixed income investments continue to offer paltry returns, and there is no sign of relief on the horizon. In fact, the FED's position is to continue its easy money policy in support of low interest rates. Retirees who had expected their investment portfolio to help supplement their retirement income have found it necessary to reassess their income needs. Often this leads to a review of their asset allocation with the goal of identifying alternative ways to increase income. They quickly discover there are no magic solutions. Every possibility carries with it increased risk. Usually the income gained does not provide sufficient compensation for the added risks assumed. Depending on the mix of investments employed, the blended income rate likely will fall in the two-three percent range. Many retirees are finding it necessary to either trim their expenses or spend some principal. If this quandary has a familiar ring, please call to make an appointment so we can help explore the options available to you.

Spring Has Arrived! After an especially harsh winter, many clients are feeling a sense of relief. They have been cooped up too long, and feel the urge to splurge, at least a little. Our advice – do it! All too often, we see individuals who have experienced good results in the market over a long period of time, yet they never can bring themselves to take advantage of their good fortune. Why not take that trip you have dreamed about? Or buy that new car you have been eyeing? Or make a gift to your children, grandchildren, or favorite charity? You have earned it; enjoy it while you can.

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