

**Portfolio Insight: Floating over the Cliff...with a well insulated portfolio:**

Despite the nasty sell off in stocks, the portfolios are holding up quite well because they are designed and managed to ride through market volatility. Diversification across low correlating global asset classes insulates each portfolio, and income producing assets allow the portfolio to generate return even in choppy markets. Though the markets are 'falling', the portfolios are 'floating' over the cliff.

The decline since the election is a reflection of the market pricing in the certainty of the fiscal cliff and the uncertainty over the resolution. Investors' attitude of 'take profits now before the tax rate hike' combined with a recognition of 4 more years of fiscal stagnation, is prompting any profitable positions to be liquidated. Indeed, major indices have dropped as much as 4-5% in one week and are likely to remain very choppy thru year end as the a steady flow of unpleasant budget negotiations hit the news wire.

**But as an investor, we must look beyond the immediate time frame AND beyond the US borders at the global markets.** In that regard, the news is 'less bad'. Looking out into 2013, the best thing going for the US economy is the recovering housing market and exceptionally easy monetary policy. These two factors are a significant support to all other asset prices. Looking abroad, the credit crises in European has been stayed, allowing politicians and their economies time to make adjustments. Additionally, recent data out China is confirming a bottoming and slight rebound in their economy.

The fact is, any cash that is raised through selling stocks has to go somewhere and it is doubtful it will settle for long in a money market fund earning no return. In that regard, there are opportunities globally. Specifically, here in the US, Large Blend dividend paying, Mid Cap Growth, Health Care, and Real Estate are sectors that money will continue to flow into. Outside of US, Global bonds offer good income and buffer to market volatility and selective equity exposure in Europe and Asia provide long term growth. It is through proper weighting of these asset classes that bring stability and consistent return over the long run.

The water is rough but the ship is sturdy! As always, please contact me with any questions or concerns.

May the blessing of family,home and the freedom of our Country be enjoyed.

*Happy Thanksgiving!*

Barbara