



**Crowell, Weedon & Co.**

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**CROWELL WEEDON ASSET MANAGEMENT**  
**MONTECITO INVESTMENT PORTFOLIOS**

January 1, 2014

Dear Fellow Investors,

We've outlined the major topics & takeaways of this year's letter in an easy to follow format. Those sections are:

***Main Message Highlights***

- Stocks have now outperformed "safe" investments during the Great Recession
- Price is the primary factor when determining the "safety" of an investment
- Volatility should be tolerated for the benefit of your financial well being
- Emotions can cloud our judgment
- Stock market returns are driven by new innovations

***Forecasts for 2013*** – As forecasting goes we did pretty well with 9.5 out of 11 correct. A number of the forecasts were absolutely perfect!

***Thoughts & Forecasts for 2014*** – Never learning our lesson we will forecast the future once again!

***Core Forecasts for 2014***

- U.S. Economy expands at an approximate 3% pace
- 10 year treasury drifts higher but stays below 4%
- Federal Reserve's discount rate stays below 50 basis points
- S&P 500 ends 2014 above 2,000 points – up over 10%
- Industrial real estate & manufactured housing lead the real estate sector
- Residential real estate prices increase by 5% or less
- Inflation remains relatively benign at approximately 3%

***Closing Comments and Thanks***

## MAIN MESSAGE FOR 2014 & BEYOND

- **STOCKS HAVE NOW OUTPERFORMED “SAFE” INVESTMENTS THROUGH THE GREAT RECESSION - EVEN THE WORLD’S WORST MARKET TIMERS ARE NOW AHEAD**

The stock market is up substantially from the lows set 5 years ago in March 2009. Some may snicker and say, “Yes, stock market returns from the March 2009 low sound impressive but most people already had a significant portion of their money invested in the market. For those poor people trusting their hard earned dollars to the volatile and unsafe stock market, it will take years and years before they get back to even. Further, I had the vision to see this whole mess coming and pulled all my money out of the stock market and put it into safe investments.” Knowing these thoughts are out there, we decided to run a historical study and compared the performance of three investor scenarios. We will call these: World’s Best Market Timer, World’s Worst Market Timer, & World’s “Safest” Investor.

The World’s Best Market Timer put all their money into the stock market in March 2009 – the bottom of the market. The World’s Worst Market Timer was unlucky enough to invest all their money right at the previous top of the market in October 2007. Keep in mind this was before Bear Stearns, Lehman Bros, Trillion dollar deficits, government bailouts, etc. The World’s “Safest” Investor had the vision to see the entire Great Recession coming and held all cash from October 2007 until now. How did a hypothetical \$100,000 investment fare for these three?

	<i>Best Timer</i>	<i>Worst Timer</i>	<i>“Safest”Investor</i>
Investment Date:	March 2009	October 2007	October 2007
Cumulative Return:	146%	18%	3%
Portfolio Value:	\$245,658	\$118,278	\$103,373

The point of our study was to show an important fact that investors often forget. ***Even poor timing in quality assets over the long-term produces acceptable rates of return.***

- **“SAFETY” OF INVESTMENTS – A FUNCTION OF PRICE**

During these past few years we’ve heard all kinds of pitches on how to keep your money “safe”. Various advertisements can still be heard touting the advantages of gold, real estate, classic cars, fine wines, derivatives, hedge

funds, absolute return funds, etc. to keep your money “safe”. We had a couple of questions regarding this:

***Why is the stock market never mentioned with safety? Now that the stock market has gone up for 4 plus years, is it now a “safe” investment? What determines the safety of an investment?***

Some think safety is related to the asset you’re investing in. Recently we’ve heard, “people will always find gold valuable therefore it is a safe investment.” Others look at real estate and say, “they’re not making any more of it therefore it is a safe investment.” While some of these thought processes seem rational the one thing investors should remember is that investing based on emotions is like shopping for groceries when you’re hungry – rarely are sound decisions made. All these alternatives have gained in popularity because the stock market is perceived to have delivered a poor return during the past decade. Investors went through 2 major declines giving them the perception that stocks aren’t safe. While there are various risks involved in stock investing, investors should remember there is risk involved in every investment!

The main factor investors should focus on before they make any investment when talking about safety is **PRICE**. Once you have identified a quality asset, price is the primary factor in determining the amount of risk you’re taking. A couple of examples may help drive this point home:

- Cisco Systems (CSCO) is the leading provider of Internet based networking devices in the world. They’ve participated in the spectacular growth of the internet. Since 2000, Cisco has more than doubled their revenues & quadrupled their earnings! Sounds like a company you would have made a lot of money in, right? If we examine our main factor when determining safety – PRICE – we find some surprising statistics. In 2000 you would have paid \$140 for each \$1 Cisco made. Today, you can pay \$12 for each \$1 Cisco makes. Today, the stock price sits at about 1/4 of what it was back in 2000 making for a lousy 13 year investment because you paid a poor price to own a piece of the company. ***Cisco Systems remained in sound financial shape, continued to grow, & dominates their industry to this day. However, in 2000 it was an extremely unsafe investment because of the astronomical price you were paying for a piece of the business.***
- Residential real estate – Zillow.com is a fascinating tool to find estimated price history for virtually any residence you want to see. Punching up Jarrett’s house shows his 1,700 square foot 3 bed / 2 bath home was worth \$350,000 in October 2006. That equates to \$206 per square foot. Today, the same home is estimated to fetch \$225,000 or

\$132 per square foot. Obviously, buying in October 2006 would have made for a lousy investment. ***The home itself never changed. Still 1700 square feet with 3 bedrooms and 2 bathrooms but the price of the home has changed dramatically.***

***Remember, what you are buying doesn't necessarily determine safety. Therefore, focus on the price you are paying. If an asset you own declines in price it will be perceived as an unsafe investment, if it is a quality asset then that perception is probably incorrect.***

- **VOLATILITY OF INVESTMENTS - NOT TO BE CONFUSED WITH SAFETY OR VALUE**

To quote a great line from one of the market's best historians, Jeremy Siegel, "The stock market is the most volatile asset class in the short-term, but the least volatile asset class in the long-term." Many people fear the stock market because they are afraid to see the value of their investment go down. However, these declines seem to be just about the only thing guaranteed to happen when you invest in the stock market. Below is a graph from our friends at the Capital Group showing just how often these declines happen and the magnitude of these declines.

### **A history of declines (1900–December 2012)**

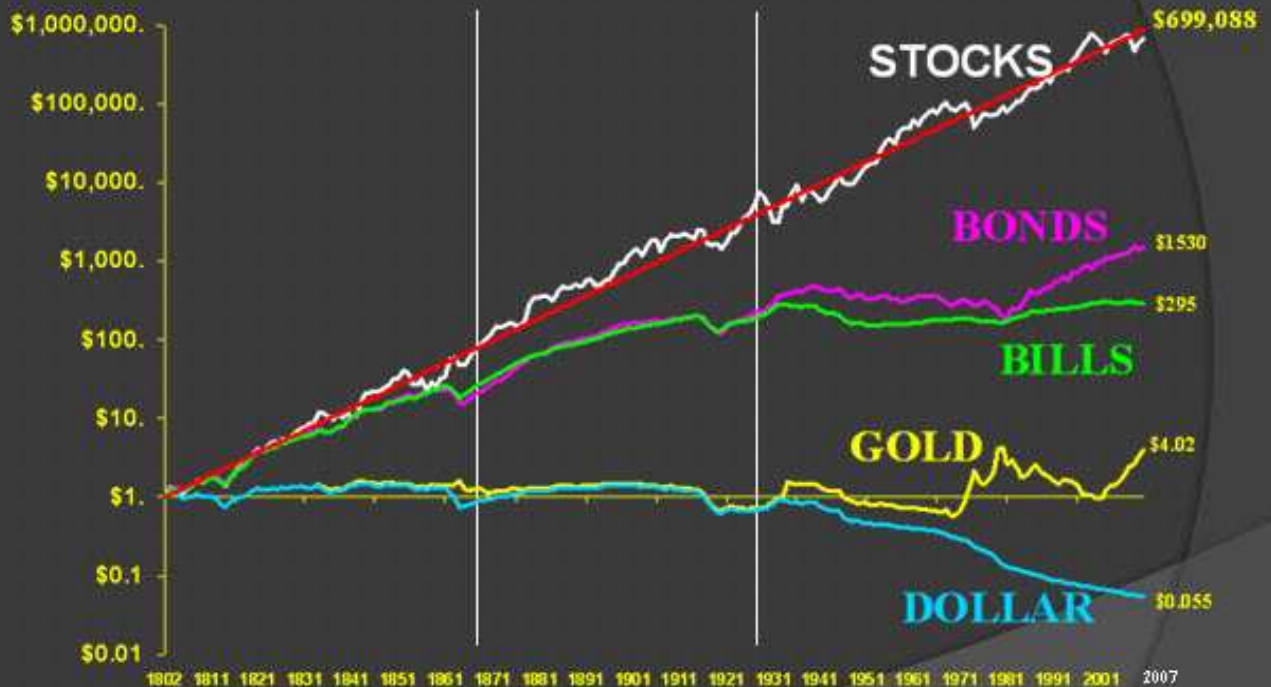
Type of decline	Average frequency	Average length	Last occurrence	Previous occurrence
-5% or more	About 3 times a year	47 days	November 2012	June 2012
-10% or more	About once a year	115 days	October 2011	July 2010
-15% or more	About once every 2 years	216 days	October 2011	March 2009
-20% or more	About once every 3 ½ years	338 days	March 2009	October 2002

<https://www.americanfunds.com/resources/basics/risk-and-volatility/living-with-a-market-decline.html>

Now with the above data you might ask yourself, why does anyone invest in the stock market? If my investment may decline by 10% or more about once every year and decline by 20% or more once every 3 ½ years, aren't I better off just leaving it in something "safe" like cash or gold? What the above table doesn't show is the reason to tolerate the volatility. For that, we turn to Dr. Siegel's historical work on the value of \$1 invested in Stocks, Bonds, Bills, Gold, & Dollars. The results are quite staggering:

# Total Real Return Indexes

January 1802 – December 2010



Source: Siegel, Jeremy, *Stocks for the Long Run* (2008).

To summarize Dr. Siegel's work, \$1 invested in stocks just over 200 years ago returned:

- 457 times more than Treasury Bonds
- 2,370 times more than Treasury Bills
- 173,902 times more than Gold
- 12,710,691 times more than Cash

In our opinion, these are 4 of the most compelling reasons you'll ever find to stomach the inevitable volatility of the stock market!

Dr. Siegel's work isn't without argument. The most relevant being:

- Most people we know don't live 200 years to receive the long-term average return from stocks!
- While the returns look like a relatively smooth line the actual movements can be very substantial as witnessed recently in 2000 – 2003 & 2008 – 2009.

Our response to the first argument is to take a multi-generational look at your portfolio. While we are quite aware most investors haven't discovered the

Fountain of Youth, we are also quite aware that many families survive for generations that can last well beyond 200 years in many cases. You might be a little less inclined to check the month-to-month value of each holding knowing that your portfolio can be left as part of your legacy providing for your family generations after you're gone. And importantly, if you are not spending the principal, but only living off the income, then it truly is a portfolio that is passed from generation to generation. Shouldn't you invest with this thought?

In response to the second argument, while major declines are difficult to stomach, history shows sticking with your investment plan is the smart thing to do. As you may have noticed from the above chart, stocks are the only asset class that you can draw a nice trend line through. Fitting this nice, straight line through the historical returns means stocks are one of the few investments that have produced consistent returns. When the market grows too fast or falls too sharply from these historical returns it corrects itself going forward. This is known as mean-reversion. This concept is not always popular when talking about the stock market. Many feel that market performance is merely random. However, due to the sophisticated market tools at our disposal today, market theories such as mean-reversion have now been validated over longer periods of time. The problem in today's Twitter, short-term oriented world is people tend to forget about these valid long-term concepts.

While it is nice to see the long-term performance of the various asset classes there are still a few questions we feel should be asked in pursuit of our financial well-being:

- Why do stocks fluctuate so wildly in the short-term?
- Why do stocks produce this long-term stable return?

We believe the answer has to do with some pretty simple, yet powerful concepts – Emotions & Innovations.

- **EMOTIONS: THE ENEMY OF YOUR FINANCES**

Most investors have seen the emotions of the market graph, yet so few recognize where they are on it. For those of you that haven't, we've included one of our favorite takes on it below:



The hard part is deciphering where we currently stand on the graph. If we were to take our best guess at it we would note the following:

- Citigroup's recent survey of their private bank clients (which you need \$25 million to qualify as) showed that on average they hold 39% of their assets in cash, 25% in stocks, 17% in bonds, & 19% in alternatives.  
**DISBELIEF TO HOPE**
- Morning radio show host Glenn Beck continues to tell listeners to buy gold & not trust your hard earned retirement to the stock market.  
**ANGER & DEPRESSION**
- Many individuals & market professionals think the recent performance of the stock market is the work of the Fed's Quantitative Easing program. **DISBELIEF**
- Many market prognosticators see a steady, plow-horse economy.  
**OPTIMISM**
- Many clients are reticent to buy new positions at these prices.  
**DISBELIEF**
- Many clients are asking if principal can be spent. In other words, is this appreciation repeatable & sustainable. **OPTIMISM TO BELIEF**

Taking these items into consideration leads us to believe there is still a great deal of **DISBELIEF** in the marketplace but we also see **HOPE & OPTIMISM**. This is good for the near-term prospects of the stock market but we'll touch more on that in our forecasting section. The main point we wanted to show is

human emotion determines short-term pricing of investments. Sometimes good and sometimes bad.

- **INNOVATION: DRIVING LONG-TERM RETURNS**

We love business because it is one of the purest forms of competition. Businesses open up to earn profits. When profits are earned competitors look for ways to get in on the action. This competition leads to lower profits which eventually spurs new ideas & innovations to try and regain those shrinking profits. The cycle is simple to understand yet easy to forget. Companies that do not innovate go by the wayside. Of the original Dow Jones Industrial Average only 1 company is in the index – General Electric. Other companies have been replaced by new companies bringing new ideas & innovation to the market.

To see how powerful this cycle is let's go back in time 100 years and think about what a person has seen take place over their lifetime:

Electricity	Telephone	Household Appliances
Automobile	Air Conditioning & Refrigeration	Health Care Advancements
Airplane	Highways	Nuclear Energy
Radio & Television	Spacecraft	Petroleum Advancements
Mechanized Agriculture	Internet	Laser & Fiber Optics
Computers	Imaging	Materials Science

These technological advancements truly changed our way of life. What does the next 100 years have in store? While there is no way to know what the next 20 – 30 years holds, if we look around us today we see some very exciting new technologies that seemed like science fiction just a few years ago. These technological advancements have the potential to create new industries and improve existing technologies:

Regenerative Medicine	Drones	Renewable Fuel Sources
3D Printing	Advanced Robotics	Nanotechnology

Many of these new technologies are so exciting that our words can't do them justice. Instead, below are several links to videos showcasing the powerful potential each one of them represents:

- <http://vimeo.com/79179138> (inform – Interactive Shape display)
- <http://www.amazon.com/b?node=8037720011> (Amazon – Prime Air)
- <http://store.makerbot.com/replicator2> (Makerbot – 3D Printing)
- <http://vimeo.com/19498784> (MEKA – Compliant Robotic Hand)
- <http://www.youtube.com/watch?v=W1czBcnX1Ww> (Boston Dynamics - Big Dog Robot)
- <http://www.youtube.com/watch?v=l0SXlkrmzyw> (GE Additive Manufacturing)
- <http://vimeo.com/51871444> (Regenerative Medicine – 3D Printing organs)

***When you recognize the amazing advancements humans have made over the past century you get a better understanding of why the stock market has outperformed all other investments and why Dr. Siegel called stocks the least volatile investment in the long-run.***

## **FORECASTS**

This is the section of the annual letter that most readers turn to first – that foolish section where we actually make forecasts for the future! We enjoy this process of using “What If” in our thought process as it allows us to think outside of the box and challenge our (and your) assumptions. Much like our health, checkups are single points in time and we may have to adjust things in the future if we get sick in between check-ups, these forecasts are our thoughts as of the writing of this annual letter.

We remind everyone our portfolios are managed substantially from the bottom up – meaning, we look at individual investments themselves and the long-term value they represent, knowing that quality companies at the right price represent value. With this reminder out of the way lets review our forecasts from 2013’s annual letter and make some new and bold (and perhaps foolish given our longer term perspective) forecasts for 2014.

First lets check and see how we did last year.

## **2013 FORECASTS**

- ***U.S. Economy:*** Slowing growth in the first half of the year with businesses beginning to make investment in longer-term projects in the second half of the year. With government still too large a percentage of GDP we see headwinds to robust economic growth. Full year GDP growth anticipated to be 3% or less.
  - ***Although 4Q 2013 numbers haven’t been released yet, the first 3 quarters of 2013 did see GDP accelerate in the latter part of 2013. However, even with this acceleration the final tally should be below 3% - we’ll assume a full point here.***
- ***European Situation:*** Continued pressure on the Euro, as France becomes the next weak link in the chain. By the end of the year speculation will emerge about a new Pan-European agreement that gives sovereignty over fiscal matters to a centralized European body. It will not happen and nationalism will once again fracture any chance at a United European Government. Germany will continue to benefit from the declining standard of living of the peripheral countries. (Is Germany

taking over Europe with Euros instead of guns this time?) We forecast the Euro limps through another year without defections.

- ***The Euro has survived the year without defections and there is no Pan-European Agreement, and Germany remains the strongest economy in the Euro. – Full Point***
- ***Middle East:*** Syrian President Assad is no longer in power and by the end of the year another Islamic Fundamentalist democracy will be in place.
  - ***President Assad showed a remarkable ability to survive.*** The potential crisis that could have led to his ouster passed as he deftly backtracked and allowed Russia to expand its influence in the area and become his protector in International diplomatic circles. We missed on this one and get **no point** – but are glad that chemical weapons have been destroyed (but are not naive enough to believe there aren't some remaining.)
- ***Japan:*** The Yen begins a devaluation slide that will not end for many years. An aging population that will start cashing in their postal savings accounts to live on, a new generation that does not save as much, government debt that is unsustainable (too large relative to GDP), and a culture that cannot admit failure. The government will do many unpopular moves to impact the balance of payments – including reopening many of the nuclear plants to cut down on imported energy.
  - ***The Yen did decline substantially (a decline of over 20% versus the US Dollar) Prime minister Abe started an unprecedented stimulus plan that has pushed the debt levels to what we consider to be extreme levels in order to try to stimulate inflation. It is the fiscal equivalent of the nuclear option as the government has gone “all in” with its fiscal policy – Full point***
- ***U.S. Equity Market:*** Will be driven by corporate issuance of debt to fund significant equity buybacks leading to greater than expected earnings per share growth in 2013. The lack of real revenue growth during most of the year will cause some PE compression in the first half of the year followed by forward looking optimism at the end of the year. We forecast a net result of another year of up over 10%.
  - ***A record year of corporate debt issuance, major buybacks of stocks and increased productivity.*** With the S&P 500 up over 32% during 2013 how can we not take **a full point here** – certainly was more than 10%.
- ***Fixed Income:*** Short-Term Interest Rates will continue to be held down by the Federal Reserve for all of 2013. The employment rate will not

get below the Fed target of 6.5%; if it does the Fed will site U6 Unemployment as still being too high. In reality the Fed will want easy money around as Obama-care hits the economy in 2014.

- ***The Fed Funds rate stayed unchanged at extremely low levels all year long. Full Point***
- ***Fixed Income:*** Long-Term Interest Rates will start to rise in 2013 – with the ten-year US Treasury yield rising above 3% by year-end. (Yes this is the same direction as last year and we will continue to believe this will happen, it is just a matter of when. Not paying attention to this risk could potentially be the most devastating event to impact investments in the foreseeable future)
  - ***Probably our most important forecast for 2013 as it is the lynchpin to so many other policy and business decisions.*** We nailed it and in the days after Christmas the rate did indeed hit 3% after being close to 1.6% in the summer. The 10 year Treasury finished the year at 3.02% – **Full Point here!**
- ***Inflation:*** Inflation to remain benign and in control by the Fed – but with corporations coming in a big way to the bond market in the second half of the year, Money Supply will become a talking point by yearend.
  - ***Inflation was indeed benign all year long – Full point here.***
- ***Commercial Real Estate:*** Absorption will continue to be the focus in offices – but surprisingly industrial space will see some strength as a new shift of bringing some manufacturing back to America starts to materialize.
  - ***Perfect call – Full Point***
- ***Residential Real Estate:*** Investors have helped define a bottom in residential Real Estate. The bottom end of the housing market will continue to do well, but the top end will continue to suffer as high income earners are squeezed by higher taxes and a desire to downsize – the baby boomers are becoming empty nesters and just don't need McMansions any more!
  - ***Perfect call – Full point***
- And in keeping in our theme of the last quarterly letter, and being a California based firm, a sports forecast. With two of the biggest payrolls in baseball, and for the first time since 2009, both the Dodgers and the Angels will make the playoffs. (Not quite the lay-up prediction as the Mayan calendar last year!)
  - Well the Dodgers made it and the Angels didn't – **Half Point**

## **THOUGHTS & FORECASTS FOR 2014**

- **US Economy** – Obamacare adjustment pains, midterm elections, and debt ceiling debates impact consumer confidence. Tapering takes some liquidity that was driving economic momentum – **GDP for full year positive +/- 3% range**
- **Fixed Income** – Long-term bottom established in 2013 at sub 2% on the 10 year Treasury. As the Fed tapers their purchases of bonds and the economy has some positive growth and corporations come to market with yet another record issuance to lock in these rates, **we see the 10 year Treasury drifting to higher yields but do not expect it to end above 4%**. Although if it does it means the economy is doing better than we anticipated.
- **Federal Reserve Discount Rate will stay below 50 basis points** as the stimulative bond buying needs to be completely undone before they raise rates again. Last year's \$85 Billion a month buying rate will be tapered back but we think with the adjustments to the economy mandated by the gridlock in Washington and economic adjustments to the realities of Obama Care, we feel it will take the full year to possibly back away from the stimulative buying completely.
- **US Equity Markets** – The trend of corporate balance sheet restructuring with buybacks of stock funded by debt issuance at low rates will continue. The non-financial companies in the S&P 500 have over \$1.5 Trillion dollars on their balance sheets that can be used to enhance shareholder returns. At year end the dividend payout of the S&P 500 was close to 33% versus a normal 50% over the long term. The trend of activist shareholders looking to restructure balance sheets will continue into 2014. At the end of 2014 the market will be selling on 2015 expected earnings that consensus presently has at \$133. If it sells at the present multiple of 15 times forward earnings then it would imply an upside target of 1,995. With an expanding economy the psychological perception of value will allow for some PE expansion. **So we are looking for a target in excess of 2,000 for the S&P 500 for year end 2014 – up over 10% for the year.**
- **Commercial Real Estate – Industrial space will continue to be the leading space.** Apartments are ending the year 2013 at very high prices and could see some under-performance relative to other commercial sectors. **Manufactured housing communities outperform** as their low cost of entry makes sense when compared to paying after tax rent.

- ***Residential Real Estate*** will face two headwinds during the year. The first is mortgage rates ticking up a bit. The Federal Reserve's bond buying program has been centered in the mortgage-backed space. As they are no longer absorbing as many securitized mortgages, rates may need to increase a bit to find other investors. Second we believe that the shadow inventory of bank held properties and delayed foreclosures will continue to make their way into the market creating supply. The record settlements the large banks have been making with regulators are clearing some of the last hurdles to their more aggressive cleansing of their loan portfolios. We see the millennial's and echo boomers providing the demand for housing, but at the lower price points. ***Low-end Residential Real Estate may rise by 5% in 2014.***
- ***Inflation*** will remain benign in 2014. The Federal Reserve is sending a message that the deflation battle may be won for the moment, or else they would continue with the stimulative bond buying and the expansion of the money supply that is its byproduct. The economy will be coming to grips with higher medical insurance costs and expected higher interest rates into the future and we certainly could see pricing increases attempted in many industries this year. As inflation generally is like a supertanker that cannot change direction very quickly, we see 2014 as a year where inflation may become a topic of discussion, but not an economic reality. ***Inflation in the 3% range for the year.***

Now the fun begins – the out of the box thinking trying to identify something that no one is talking about now that might happen in the next year. We have gone overseas in past years for some of these with varying degrees of success. We even ventured into sports this last year. The idea is to have some fun and show that there are things that can come out of left field that can influence our short-term attention, but may in reality not impact our long-term investment principals.

- ***Antarctica will see the largest ice flow in history break away and global warming will become a forefront issue once again.***
- ***The Keystone Pipeline will finally get approval and start being built***
- ***For the first year in many years the Chinese Yuan will not appreciate versus the US Dollar***

## ***CLOSING COMMENTS & THANKS***

Today's investor faces a difficult challenge. The long-standing belief has been to invest heavily in the stock market during the early part of your working life, gradually shifting towards "safe" investments such as bonds as you reach your retirement years. However, due to our low interest rate environment bonds are not producing enough cashflow for investors to live on. Rather than commit capital back to the stock market, many investors are sacrificing credit quality & interest rate risk in search of yield.

We understand the fear that two major market declines within the same decade can leave in investor's minds. Throw in uncertainty related to central bank policies (Quantitative Easing) and we have a recipe for investor complacency. However, we feel investors can overcome this complacency & fear by putting a few simple concepts into perspective:

- ***More*** - There is an undeniable trend on planet Earth, there are more and more people than ever before. Some forecasts have our planet adding 2 Billion people over the next 20 years! More people equals more demand and upward pressure on prices. This means more houses, more food, more clothing, more ideas, more innovation, etc. Owning quality businesses that supply & create more will be rewarded.
- ***Human Ingenuity*** - In a 1965 paper, Gordon Moore (co-founder of Intel), predicted computing power would follow an exponential growth rate doubling approximately every 2 years. His prediction has proven correct. It is hard to grasp what this has meant in our lives but remember that just about 5 years ago smartphones didn't even exist! Now, it is hard to imagine life without one.

Traditional financial planning rules may not apply to today's investor. Cashflow needs can be met via high-quality corporations increasing their dividends on a consistent basis. These high-quality corporations will participate in the innovation cycle we envision and offer substantial long-term investment opportunities. We continue to urge investors to look beyond the day-to-day doom & gloom headlines and recognize these exciting long-term trends. Your financial well-being will thank you for it.

As always, we welcome your comments & feedback.

Sincerely,

Blake Todd, AIF®  
Portfolio Manager

Jarrett Perez, CFA  
Associate Portfolio Manager

## **DISCLOSURES**

This Annual letter expresses the personal views of the author and Montecito Investment Portfolios on the current and future economic and investment landscape, at this date. It is subject to change and is not necessarily the opinion of Crowell, Weedon & Co.

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Real estate investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including but not limited to declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The Standard & Poor's 500 is a capitalization weighted index comprised of 500 widely-held stocks on US stock exchanges.

S&P 500 Total Return Index is a measure of the price movement of The Standard & Poor's 500 index and including the dividends paid by the companies in the index.

The MSCI US Reit Total Return Index is an index that broadly represents the price and income movement of the equity REIT universe in the United States. The Index represents approximately 85% of the US REIT universe.

The Barclay's Aggregate Bond Index – includes government securities, mortgage-backed securities, asset-backed securities and corporate securities to simulate the universe of bonds in the market. The maturities of the bonds in the index are more than one year.

P/E Ratio is a valuation ratio of the company's current share price compared to its per-share earnings.