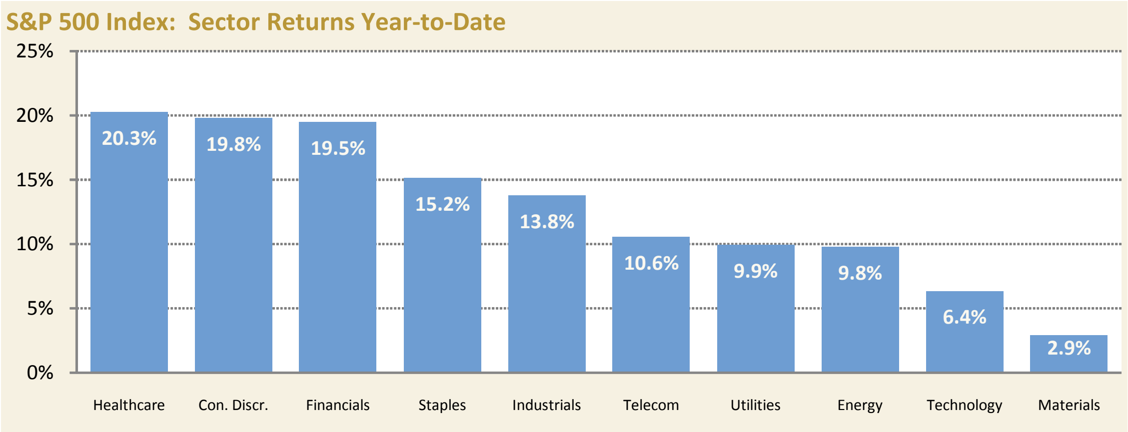
Capital Markets Commentary: June 2013

- Stocks posted solid results in the 2nd quarter, adding to the strong gains from the 1st quarter of the year. The resulting 13.8% return for the S&P 500 in the first six months of the year marked the best 1st half for the index since 1998. A combination of rising stock prices and an improving housing market helped consumer confidence reach levels not seen since 2008 and the improved investor confidence led to more flows into the stock market.

- Bonds suffered through a dismal 2nd quarter as interest rates moved higher on fears the Federal Reserve would begin slowing its bond purchase program that has helped keep rates low. The yield on the 10-year Treasury note moved from 1.85% at the beginning of the quarter to 2.49% at the end of the quarter. Bond prices suffered from the rise in rates, with the Barclays Aggregate Bond index posting a loss of (-2.3%) for the quarter.

- Financials were the best performing sector in the stock market during the 2nd quarter on hopes that higher interest rates would help banks earn more interest income from loan portfolios. Higher yielding stocks underperformed during the quarter with the rise in bond yields, causing the utility sector to give up some of its strong 1st quarter gain.

- Looking ahead, we still believe stocks offer attractive long term returns at current levels. While valuations have moved higher with strong performance, we view this as a move from an undervalued market to a more fairly valued market. Current valuations are in-line to slightly below historic averages and still well below past peak levels.



Source: Morningstar