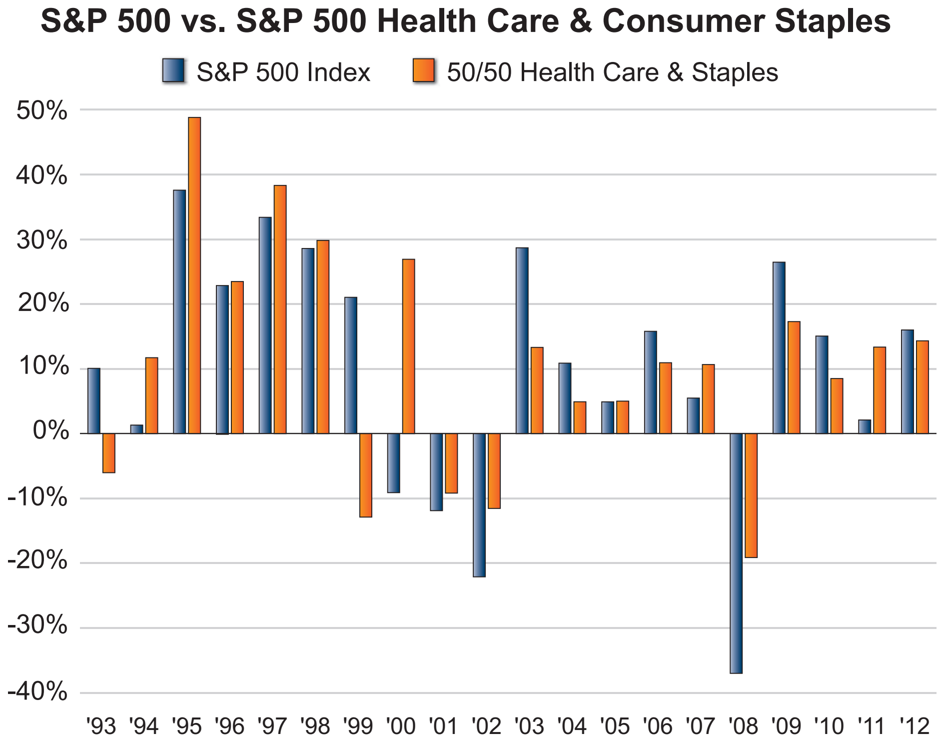
This 50/50 Sector Combo Has Captured Upside While Mitigating Much Of The Downside



Source: Bloomberg. Past performance is no guarantee of future results.

View from the Observation Deck

1. Today's blog post is an equity investment idea targeting those investors who are as concerned about the risks associated with owning common stocks over time as the potential gains that can be generated.
2. From 1993 through 2012, a 50/50 split between the S&P 500 Health Care Index and the S&P 500 Consumer Staples Index posted a simple average total return of 10.93%, compared to 10.01% for the S&P 500, according to Bloomberg.
3. Health Care and Consumer Staples are often characterized as "defensive" sectors, based largely on the premise that demand for their goods and services tends to be far less cyclical than most other major sectors.
4. We chose to exclude Utilities, also considered by many to be defensive in nature, because, unlike the other two sectors, they are inherently vulnerable to interest rate fluctuations due to an emphasis on dividend distributions.
5. In the period depicted in the chart, the 50/50 split between the S&P 500 Health Care Index and S&P 500 Consumer Staples Index outperformed the S&P 500 in 12 out of the 20 calendar years, or 60% of the time.
6. It is also performing well in 2013. Y-T-D through October, the 50/50 split between the S&P 500 Health Care Index and the S&P 500 Consumer Staples Index posted a total return of 28.72%, compared to 25.30% for the S&P 500.
7. History shows that investors can employ a defensive bias in the stock market and still grow their capital.

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