











The Economy

The U.S. economy posted a GDP growth rate of 2.1% in 2012. For those investors concerned that 2.1% growth is too modest to exploit, consider that the average annual GDP growth rate in the U.S. from 1998 to 2012 was the same 2.1%, according to data from the Bureau of Labor Statistics. Over that 15-year period, the S&P 500 posted a cumulative total return of 92.79% – nearly a double. That isn't a bad showing when you factor in that the U.S. fought lengthy multiple wars, endured the fallout from the 9/11 terrorist attacks, experienced two relatively deep bear markets following the popping of the Internet bubble (2000) and the subprime mortgage-induced financial crisis (2008), as well as many more challenges both domestic and foreign.

Consumer Confidence 69.6 (Feb) 58.6 (Jan) 	Crude Oil (Mo.-End) \$92.05 (Feb) \$97.49 (Jan) 	Personal Spending 0.2% (Jan) Dec was 0.2% 	ISM Manufacturing 54.2 (Feb) 53.1 (Jan) 	ISM Non-Manufacturing 56.0 (Feb) 55.2 (Jan) 
Gold (Mo.-End) \$1578.10 (Feb) \$1660.60 (Jan) 	Natural Gas (Mo.-End) \$3.49 (Feb) \$3.34 (Jan) 	Factory Orders -2.0% (Jan) Dec was 1.8% 	New Home Sales 437,000 (Jan) 369,000 (Dec) 	Existing Home Sales 4.92M (Jan) 4.94M (Dec) 

The Stock Market

Indices (Source: Bloomberg)	Feb	12-mo.	Eighty-three out of the 132 subsectors (63%) that comprise the S&P 500 posted a gain in February, down from 121 (92%) last month, according to S&P. Consumer Staples was the top performing sector, up 3.2%. In February, the dividend-payers (406) in the S&P 500 (equal weight) posted a total return of 1.47%, vs. 0.35% for the non-payers (94), according to S&P.Y-T-D, the payers were up 7.67%, vs. a gain of 8.32% for the non-payers. For the 12-month period ended February, payers were up 14.81%, vs. a gain of 13.07% for the non-payers. The number of dividend increases y-t-d totaled 77, up from 68 a year ago. Three dividends were cut, matching the three cuts from a year ago. Data compiled by Bespoke Investment Group/Bloomberg found that short sales in the S&P Composite 1500 Index fell to 5.6% of shares available for trading in Feb., down from a record 12.0% during the financial crisis and the lowest level in the six years they've been tracking it, according to Bloomberg. For each share speculating on losses in U.S. equities, there are 14 betting on gains (close to 5-year high), according to Markit, a London-based research firm. The bull market in U.S. equities is poised to enter its fifth year next week. Nearly \$10 trillion of the losses sustained in the last bear market has been restored. As of 1/22, 61.4% of U.S. companies beat their Q4 earnings estimates and 62.7% beat on revenue, according to Bespoke.
S&P 500	1.4%	13.4%	
DJIA	1.8%	11.5%	
NASDAQ 100	0.5%	5.8%	
S&P 400	1.0%	14.6%	
Russell 2000	1.1%	14.0%	
Russell 3000	1.3%	13.6%	
MSCI World (ex U.S.) (USD)	-0.9%	9.3%	
MSCI Emerging Markets (USD)	-1.3%	0.5%	
Growth/Value (Source: Bloomberg)	Feb	12-mo.	
S&P 500 Growth	1.4%	11.1%	
S&P 500 Value	1.4%	16.3%	
S&P 400 Growth	0.3%	12.6%	
S&P 400 Value	1.7%	17.7%	
Russell 2000 Growth	1.1%	11.2%	
Russell 2000 Value	1.1%	16.9%	

U.S. Dollar Index (DXY) 3.5% (Feb) 2.7% (YTD) \$ was down 0.5% in '12 	CBOE Total Equity Options (# of contracts in millions) Feb: 29.4 (-9.8%)  Jan: 32.6 (+16.8%) Record 7/08: 67.2 million	Short Interest (NYSE) Feb 15: 13.1B (+2.3%)  Jan 15: 12.8B (-6.6%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 15.51 (2/28)  14.28 (1/31) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)	Feb	12-mo.	Yield	The yield on the benchmark 10-Year T-Note fell 11 bps. to 1.88% in February. There appears to be a shift in sentiment concerning how long the Fed should keep rates artificially low via its bond-buying initiatives. A recent survey by the National Association for Business Economics revealed that 44% of its members now believe the Fed's monetary policy is "too stimulative," up from 26% in September 2012, according to the <i>Los Angeles Times</i> . Two-thirds of those polled said the Fed should terminate its bond-buying program this year. Investors may appear to be acting on this shift in sentiment. Net inflows to leveraged loan funds (senior loans) totaled \$9.1 billion in the first two months of 2013, according to Lipper data and <i>Barron's</i> . This group took in \$14.9 billion in 2012, according to Morningstar.
U.S. Treasury: Intermediate	0.42%	1.69%	0.61%	
GNMA 30 Year	0.27%	1.77%	2.62%	
Municipal Bond (22+)	0.28%	8.09%	3.25%	
U.S. Aggregate	0.50%	3.12%	1.84%	
Intermediate Corporate	0.70%	6.05%	2.04%	
U.S. Corporate High Yield	0.51%	11.83%	5.78%	
Global Aggregate	-0.95%	0.77%	1.75%	
Global Emerging Markets	-0.63%	10.89%	4.50%	

Key Rates as of February 28 Fed Funds 0-0.25% 2-Yr. T-Note 0.24% 10-Yr. T-Bond 1.88% 30-Yr. Mortgage 3.61% Bond Buyer 40 4.03% (Source: Bloomberg)	Key Yield Spread The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 467 basis points on 2/28/13, up from 453 on 1/31/13. It was 562 on 2/29/12. (Source: Bloomberg)	2013 Debt Issuance Through January (Source: Thomson Reuters) <table border="1"> <thead> <tr> <th>Debt Category</th> <th>\$ Amount</th> <th>% change over '12</th> </tr> </thead> <tbody> <tr> <td>Treasury</td> <td>\$180.0 Billion</td> <td>-37.7%</td> </tr> <tr> <td>Corporate</td> <td>\$150.4 Billion</td> <td>+39.6%</td> </tr> <tr> <td>Convertible</td> <td>\$1.4 Billion</td> <td>+244.7%</td> </tr> <tr> <td>Asset-Backed</td> <td>\$14.7 Billion</td> <td>+20.1%</td> </tr> <tr> <td>Municipal</td> <td>\$26.4 Billion</td> <td>+51.8%</td> </tr> </tbody> </table>	Debt Category	\$ Amount	% change over '12	Treasury	\$180.0 Billion	-37.7%	Corporate	\$150.4 Billion	+39.6%	Convertible	\$1.4 Billion	+244.7%	Asset-Backed	\$14.7 Billion	+20.1%	Municipal	\$26.4 Billion	+51.8%
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Equity funds reported net *inflows* totaling \$37.9 billion in 1/13, vs. \$30.7 billion of net *outflows* in 12/12, according to the Investment Company Institute. Bond funds reported net *inflows* totaling \$32.8 billion, vs. \$7.3 billion of net *inflows* in 12/12. Money Market fund net *outflows* totaled \$10.7 billion, vs. \$76.5 billion of net *inflows* in 12/12. In 2012, equity funds reported net *outflows* totaling \$152.9 billion, vs. \$303.8 billion of net *inflows* for bond funds (municipals had net *inflows* totaling \$49.6B) and \$1.2 billion of net *outflows* for MMFs.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	1565.15	10/09/07	676.53	03/09/09	1514.68	-3.22%	6.61%	2.16%
S&P 500 Growth	808.17	02/19/13	363.99	03/09/09	799.64	-1.06%	5.35%	1.83%
S&P 500 Value	836.19	07/13/07	307.16	03/09/09	706.38	-15.52%	7.95%	2.52%
S&P 400	1123.74	02/19/13	385.18	03/12/03	1102.64	-1.88%	8.27%	1.80%
S&P 400 Growth	505.54	02/19/13	166.30	03/12/03	497.20	-1.65%	7.38%	1.24%
S&P 400 Value	392.77	02/19/13	141.27	03/12/03	384.49	-2.11%	9.22%	2.38%
S&P 100	729.79	10/09/07	322.13	03/09/09	682.53	-6.48%	6.04%	2.31%
DJIA	14164.53	10/09/07	6547.05	03/09/09	14054.49	-0.78%	7.77%	2.51%
NASDAQ 100	2864.03	09/19/12	958.82	03/11/03	2738.58	-4.38%	3.17%	1.45%
Russell 2000	932.00	02/19/13	343.26	03/09/09	911.11	-2.24%	7.43%	1.93%
Russell 2000 Growth	531.52	02/19/13	182.25	03/12/03	520.12	-2.14%	7.71%	1.26%
Russell 2000 Value	1276.63	06/04/07	469.32	03/09/09	1209.59	-5.25%	7.17%	2.56%
Russell 3000	912.36	02/19/13	389.61	03/09/09	901.62	-1.18%	6.89%	2.13%
MSCI World x U.S. (USD)	5379.90	10/31/07	1636.59	03/12/03	4426.12	-17.73%	3.87%	N/A
MSCI Emerging Markets (USD)	473.35	10/29/07	84.92	03/11/03	421.91	-10.87%	0.11%	N/A
Bovespa/Brazil (USD)	44638.24	05/19/08	2892.10	03/05/03	29077.06	-34.86%	-2.54%	4.70%
RTS/Russia (USD)	2487.92	05/19/08	360.33	03/31/03	1534.41	-38.33%	0.49%	3.83%
Bombay SE 500/India (USD)	226.04	01/07/08	22.28	04/25/03	137.23	-39.29%	-4.32%	1.52%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	380.22	-53.07%	4.40%	2.40%
KOSPI/South Korea (USD)	2.29	10/31/07	0.41	03/17/03	1.87	-18.37%	0.32%	1.06%
Hang Seng (USD)	4082.25	10/30/07	1078.13	04/25/03	2968.40	-27.29%	1.56%	3.09%
MSCI Euro (USD)	1988.53	10/31/07	598.84	03/12/03	1096.55	-44.86%	0.50%	4.15%
S&P Consumer Discretionary	405.31	02/19/13	125.72	03/09/09	401.16	-1.02%	6.90%	1.59%
S&P Consumer Staples	394.67	02/22/13	182.72	03/10/03	392.78	-0.48%	9.23%	2.98%
S&P Energy	668.81	05/20/08	177.85	03/12/03	573.39	-14.27%	8.09%	2.17%
S&P Utilities	223.91	12/10/07	88.06	03/11/03	189.00	-15.59%	7.21%	4.08%
S&P Financials	509.55	02/20/07	81.74	03/06/09	236.67	-53.55%	7.31%	1.84%
S&P Banks	414.38	02/20/07	49.02	03/05/09	165.18	-60.14%	4.96%	2.49%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	537.76	-20.51%	4.94%	3.31%
S&P Health Care	505.51	02/19/13	252.84	03/05/09	502.10	-0.67%	8.86%	2.02%
S&P Pharmaceuticals	407.54	02/19/13	214.50	03/03/09	405.07	-0.61%	9.26%	2.94%
NYSE Arca Biotechnology	1702.36	02/28/13	311.69	03/11/03	1702.36	0.00%	10.07%	0.08%
S&P Information Technology	507.31	09/17/12	198.51	11/20/08	471.86	-6.99%	2.05%	1.53%
Philadelphia Semiconductor	560.65	01/12/04	171.32	11/20/08	426.63	-23.90%	11.43%	1.66%
S&P Telecom Services	181.06	05/31/07	84.18	03/11/03	153.05	-15.47%	5.87%	4.56%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	354.41	-7.02%	8.30%	2.30%
S&P Materials	285.91	05/16/08	105.98	03/11/03	242.27	-15.26%	2.30%	2.57%
Philadelphia Gold & Silver	228.95	04/08/11	62.21	03/27/03	134.24	-41.37%	-18.75%	2.04%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	292.95	-38.13%	-0.70%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	191.86	-3.03%	2.15%	5.96%
Merrill Lynch High Yield Master II	321.17	01/28/13	122.93	03/03/03	320.71	-0.14%	1.85%	6.55%