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Mr. Stirling was my history teacher my senior year of high school. I recall that he was serious about teaching his subject matter and did not give out A's very easily. There were a couple of students in class that had a way of really annoying him over the course of the school year. Whenever they felt the timing was right to see the blood rush to his face they would tactfully whisper to each other at just the right volume that he could barely hear them. Their commentary went something like "why do we waste so much time in this class looking at the past? Why should anyone in high school care about Plato or George Washington or Martin Luther King......they are all dead!" His face would get red and he would slowly, deliberately proclaim his wisdom, stretching out each word while speaking with clenched teeth; "we learn about history so we can understand our future." Or "It will matter when you get there to know why you headed in that direction in the first place." To Mr. Stirling, history is the pretty voice of his navigation system, not the sights in his rear view mirror. He totally believed understanding our past gave us confidence to face our future.

Some investors are fearful of the past market hiccups and drive with a foot on the brake staring in the rear view mirror. They fear the winding roads, icy conditions, numerous potholes and poorly marked signage of pending financial uncertainty. Others drive turbo-charged convertibles racing at above average speeds swerving aggressively to navigate safely around road hazards or slower traffic. My office does not work so well with the turbo-charged convertible drivers permanently living in the far left lane because we have seen the devastation within their investment portfolio when they don't navigate well and hit even a minor bump. This damage can be disastrous to their long term financial health. Our preference is to travel together with a planned destination (mapped out with multiple routes). We are OK riding along just above the speed limit with good tires, new brakes, and our seat belts fastened.

Volatility has always been a part of investing. Recalling the opening of the old ABC Wide World of Sports TV show, many of us experienced the thrill of victory (equity returns in 1998, 1999, 2013) and the agony of defeat (2001, 2008). Looking back over the last 88 years, the S&P 500 Index returned a positive return in 60 of the 84 years - 71% of the time. (See chart). But if we extend our view of market performance over rolling 10 year periods, the percentage of positive periods jumps to 95%. That's a history lesson that should give us confidence for the long haul!

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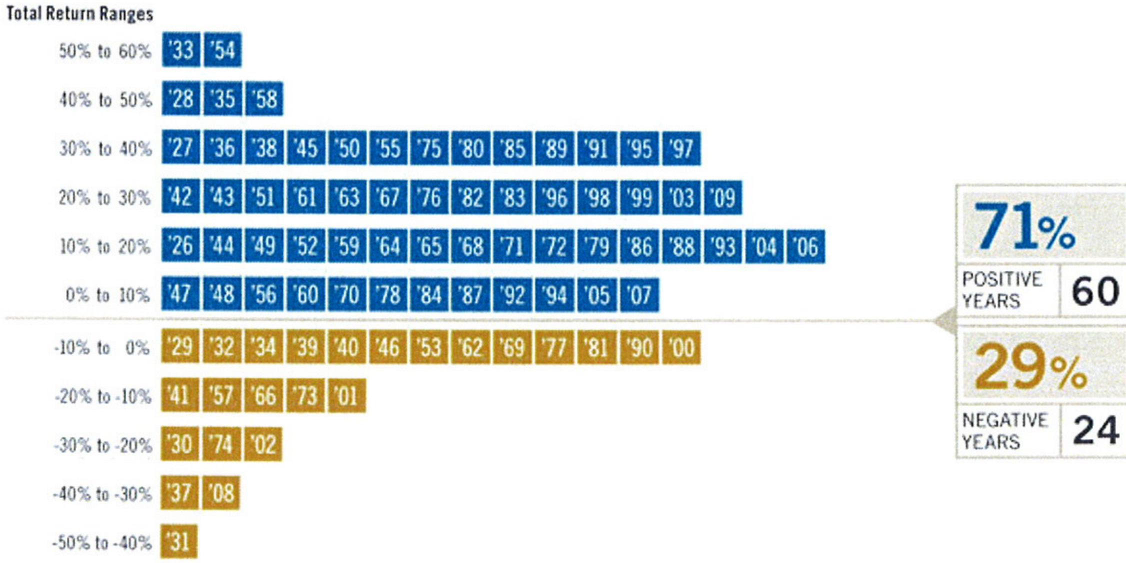

Chart is for illustrative purposes only and does not reflect the performance of any specific mutual fund. Source: ©2010 Morningstar. Indexes are unmanaged, and one cannot invest directly in an index. **Past performance does not guarantee future results.**

We don't know what the rest of 2014 will bring but if history is any guide there will be favorable weeks and challenging days just like we've experienced before. The technology bubble, real estate sell-off, great recession of 2008-2009 and concerns of political and fiscal instability around the globe provided dramatic reminders that all investments involve risk. There are, however, encouraging signs that longer term returns will continue to be positive:

1. The world is getting more prosperous (and smaller) – All nations are economically integrated and becoming more so. Developing nations are growing wealthier as a result of their exports which helps raise the standards for their middle class. This eager group of consumers demand goods which helps push demand for global consumption, improves world trade, produces investment opportunities and drives stock market values. U.S. companies like McDonalds, Pfizer, Hewlett Packard and Apple generate over 60% of their revenue from overseas customers. It took Columbus months to sail from Spain to the new world in 1492. Ships were still the primary means for transcontinental travel in 1942 but with sails being replaced by diesel engines. Today you can deliver a package (or person) to Europe for a reasonable cost overnight!

2. Innovation will propel businesses forward - This may be a new business model, technological advancement, medical discovery, new business model or transforming idea. I thought I was so cool when I bought my first 8-track tape player never anticipating I could have hundreds of songs in iTunes to be played from a variety of devices at any time. And my smartphone is a whole lot smarter than the IBM computer I bought in 1985 (and much less expensive!) Green energy, Nanotechnology, Gene Therapy, Cloud computing, Robotics, 3D printing are all examples of how innovation is changing our lives.
3. We are in an energy revolution - The known reserves identified in the US will impact all aspects of our economy for at least the next 50 years. The impact of significant oil and natural gas reserves found in the Bakken fields in the Dakotas and Eagle Ford in West Texas have experts predicting that the US will become energy independent in 2020. Some predict we could be the world's largest energy exporter in less than 20 years!
4. Manufacturing is coming back to the US - Because of our declining energy costs, skilled labor and advanced technology we are seeing companies like ATIC, General Motors, Ford, Mars Chocolate and Mondelez spend over $14 billion to create new manufacturing facilities. These new facilities will require workers which helps fuel GDP. Foreign operators are also making a commitment to develop a foothold in the US by making their first investment here putting down roots in TN, TX, OH, SC and PA.

Keep your eyes and ears open for the good news that is happening here in the US and around the globe. Markets will weave and shift with the day-to-day headlines but the historical trend for equity prices over time is higher. Mr. Stirling taught us to trust the lessons of previous generations and market cycles. Maintaining a diversified portfolio that is focused on the long term trends will get us safely to your destination (without deploying the airbag!).

Enclosed is your current Asset Allocation Summary Report. Please review and feel free to contact our office if you have any questions or concerns.

Sincerely,

Michael Matson