



# NEW ENGLAND GUILD WEALTH ADVISORS

## INVEST IN CONTEXT

### Market Spotlight

Returns as of 9/30/13

	3 <sup>rd</sup> QTR	YTD	Annual 3 YR	10 YR
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#### Index

S&P 500	5.2%	19.8%	16.3%	7.6%
Russell 2000	10.2%	27.7%	18.3%	9.6%
MSCI AC World xUS	10.1%	10.0%	6.0%	8.8%
MSCI AC World	7.9%	14.4%	10.2%	7.9%
REITs	-2.9%	1.8%	11.2%	8.5%
Barcap Agg. Bond	0.6%	-1.9%	2.9%	4.6%
90 Day T-Bills	0.0%	0.0%	0.1%	1.7%

Equities confronted several threatening headwinds during the third quarter, including a possible military strike in Syria; potential Federal Reserve tapering; a looming government fiscal showdown; fear of contagion from the nation's largest municipal bankruptcy in Detroit; and three hours of Nasdaq going dark because of technical glitches. However, in September, after a military threat was abated and the Fed postponed "tapering" (i.e. no reduction in the \$85 billion monthly bond-purchasing program to help stimulate the economy), risk appetite resumed and stocks managed to climb the proverbial wall of worry. By the end of the quarter, the S&P 500 and the small-cap Russell 2000 had managed to power upward to fresh all-time record levels.

At the same time, the eurozone was emerging from the longest recession in its history and China was showing signs of manufacturing growth. As a result, both developed non-U.S. and emerging market equities significantly outpaced domestic stocks during the quarter. A significant portion of the return differential was the result of the positive impact of non-U.S. currency appreciation.

Despite a rough beginning to the quarter, bonds ended in positive ter-

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### Our Firm's Philosophy: Invest in Context

At New England Guild Wealth Advisors, our philosophy continues to be grounded in the belief that informed advice achieves better results. We put a high priority on understanding our clients' financial lives, and evaluate every client's circumstances in the context of the whole so that we can help you make more informed decisions.

Our approach to providing advice to our clients is collaborative and team-oriented. Our team members bring diverse financial capabilities, backgrounds and an average of 20 years of experience to clients of the firm. It is common for us to work together to provide clients with the best possible solutions, incorporating elements and capabilities not usually offered by other investment management firms.

### Our Investment Philosophy

At the core of our investment philosophy is the belief that every asset exists to satisfy a client's future need for cash. Correspondingly, we define risk as not having the cash the client needs when the client needs it. Informed investing must combine an understanding of the client's future needs with an understanding of the investment markets to create a plan that establishes an acceptable level of risk. Our objective is to achieve an optimal level of long-term return within the risk constraints of the client. Corollaries to our investment philosophy include:

- An Investment Policy Statement (IPS) is the cornerstone of a successful investment plan. The IPS must set clear and specific investment benchmarks and parameters; it also must be understandable and acceptable to the client.
- Many small risks are preferable to a few large risks. Therefore we believe in broad-based diversification within and across capital markets. This will include investment in less traditional asset classes that offer the potential to improve the portfolio's risk/return relationship.
- We have great respect for the efficiency of capital markets, and utilize index and fundamental exchange-traded funds (ETFs). But we also believe that inefficiencies in markets exist and that mutual fund managers with integrity, intelligence and discipline can outperform performance benchmarks.
- We predominantly invest in mutual funds, exchange traded funds and closed-end funds. We believe that careful due diligence can identify superior investment organizations and managers. Our due diligence focuses on an organization's culture (the integrity, intelligence, team orientation of its people), the clarity and financial integrity of its philosophy and decision making process, the past record of success and investment costs.
- We will not invest in an investment strategy we do not understand.
- We pay careful attention to taxes and recognize that investment costs are important considerations to the realizable returns achieved by the client from a portfolio.
- We believe that a well-informed client strengthens the client/manager relationship and enhances the discussion toward goals. Therefore, our investment reports and interactions with clients are informative, timely and transparent in their scope.

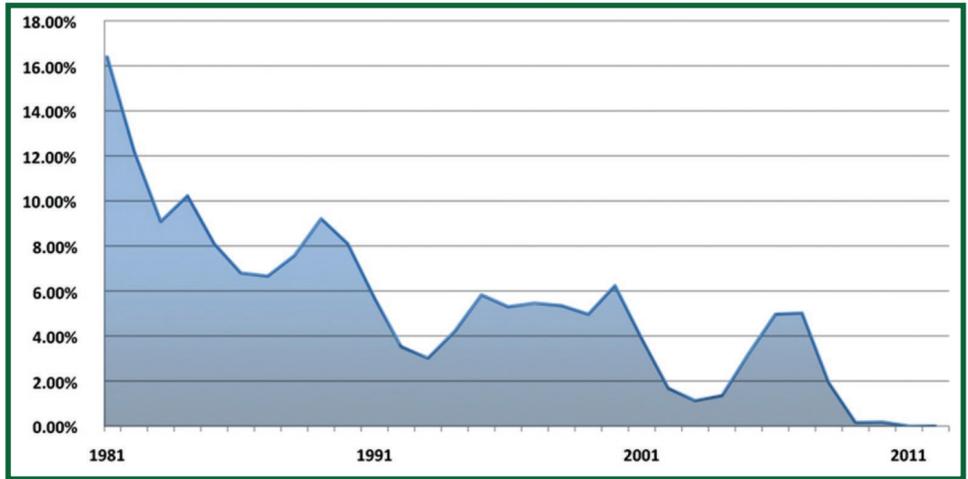


ritory. As September's highly anticipated Fed monetary policy meeting drew closer, the benchmark 10-year Treasury yield soared towards 3%, a level not seen in more than two years. Since bond prices move in the opposite direction from yields, bond markets generally suffered. That was particularly true for muni bonds, which also were hit by spillover anxiety after Detroit's July bankruptcy declaration. However, once it became clear that the Fed would not slow the pace of its bond-buying activities, the yield on the 10 year Treasury dropped to 2.6%. This allowed bond prices to recover and the broad bond market, as measured by the Barclays Aggregate Index, produced positive returns for the quarter.

Fed anticipation also pushed the dollar to three-year highs against a basket of six foreign currencies. However, that rally reversed course after the Fed's announcement, costing the dollar roughly 4% for the quarter. Gold benefited from dollar weakness, gaining roughly 6% to end near \$1,330 an ounce, though it remains down roughly 20% for the year. Concern about the Middle East helped push oil prices above \$100 a barrel for the first time since May 2012. And US REITs extended their decline following a Fed announcement that caused an indiscriminate sell off in interest-rate-sensitive assets.

While several factors instilled investors with confidence in September, risk and uncertainty surrounding domestic fiscal policies and a government shutdown were heightened as the month came to a close, threatening equity gains once again.

### Graph: Interest Rates 1981-2012



This graph represents the federal funds effective interest rate (the average rate at which banks lend to one another overnight), which has generally declined to historic lows over the 30-year period represented. Investment returns, as well as interest rates on bank loans and other fixed-income instruments, could potentially be affected when this rate rises.

Source: Board of Governors of the Federal Reserve System ([www.federalreserve.gov](http://www.federalreserve.gov)), July 17, 2013

*"Suppose you were an idiot, and suppose you were a member of Congress, but I repeat myself."*  
Mark Twain

### Excursion: Lost Acres Orchard and Vineyards

The Vineyard and Orchard are but a mile away from one another off Route 189 in North Granby, CT. So if you are looking for hot cider, pumpkins, apples, homemade pies and soups or a delicious outdoor lunch before you take a wagon ride through the orchard - Lost Acres Orchard is the place to go! Both the orchard



Bill, Sue and Patrick

and the farm stand have been around for many years - and the kitchen is open all year. Top off a beautiful fall afternoon by continuing down the road to the Lost Acres Vineyard for a sampling of wines in their tasting rooms. Enjoy with antipasto or a cheese plate or take a bottle to Lost Acres Orchard to have with lunch! Dress warmly.

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[www.lostacresvineyard.com](http://www.lostacresvineyard.com) 80 Lost Acres Road North Granby, CT 860.324.9481

### OUR FIRM CONTINUES TO GROW BY REFERRALS FROM OUR CLIENTS. THANK YOU FOR RECOMMENDING US.

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