Kalorama Wealth Strategies, LLC

2136 12th Place, N.W., Suite 100
Washington, D.C. 20009-7507

Phone: 202.550.7262
Fax: 480.247.5620

www.kaloramawealth.com

First-Quarter 2014 Market Review

Stocks Inch Ahead

April 2014 - Stocks eked out low single-digit returns for the opening quarter of 2014, while bonds recovered some or all of their losses from 2013. January provided the worst start of the year for stocks since 2009, as a lackluster December employment report and turmoil in emerging markets sent equities lower. There was a rebound in February with the Standard & Poor's 500-Stock index hitting an all-time record high in the final week. The S&P 500 continued to set new records at the outset of March, but stocks were sent into a tailspin with concerns about the Ukraine/Russia conflagration and a weak China economy. Stocks rallied on the final day of the quarter after the Federal Reserve chair said that extraordinary measures to stimulate the economy would need to continue for some time due to weak employment.

By quarter-end, the S&P 500-Stock total return index managed to inch ahead 1.8%, while the Nasdaq Composite Index added 0.5% and the Dow Jones Industrial Average slipped 0.7%.

Notwithstanding the Fed's stance to maintain a stimulative monetary posture, the central bank continued to reduce its quantitative easing after its January and March meetings by tapering securities purchases by an additional $10 billion beginning in both February and April. The monthly purchases of Treasury and mortgage-backed securities now stand at $55 billion, down from the $85 billion when the program began in September 2012. The Fed expects to unwind the program over the course of 2014, although the timeframe is dependent on the health of the economic recovery.

Meanwhile, based on forecasts, short-term rates are not expected to increase until sometime in 2015 at the earliest.

Despite the outlook for higher interest rates, bond yields were little changed for shorter-term maturities and actually down at the intermediate to long end. As a result, all major bond barometers rose in the first quarter. Municipals jumped 3.3%, wiping out last year's drop of 2.6%, while U.S. Corporate High Yield climbed nearly 3.0%, International Emerging Markets improved 2.8%, and U.S. Treasury TIPs added 2.0%.

At quarter-end, the yield on the 10-year Treasury note was 2.72%, down 31 basis points (the yield as of April 17th was 2.72%).

On the next page are rates of return for selected market indices for the first quarter of 2014, full-year 2013, and the three, five, and 10-year compound annual returns as of December 31, 2013.

KALORAMA Wealth Strategies
A Beautiful View To Your Financial Future℠

	1Q:2014	2013	3-Year	5-Year	10-Year
Equity (Stock) Indices					
Domestic					
Russell 1000 - Large Cap	2.05%	33.11%	16.30%	18.59%	7.78%
Russell Midcap	3.53%	34.76%	15.88%	22.36%	10.22%
Russell 2000 - Small Cap	1.12%	38.82%	15.67%	20.08%	9.07%
Real Estate (FTSE EPRA/NAREIT Global)	3.99%	2.24%	6.84%	15.64%	NA
Commodity (Dow Jones - UBS)	6.98%	-9.58%	-8.17%	1.41%	-0.72%
International					
MSCI EAFE Developed Large Cap	0.77%	23.29%	8.66%	12.96%	7.39%
MSCI EAFE Developed Small Cap	3.44%	29.69%	9.62%	18.89%	9.85%
MSCI Emerging Markets	-0.37%	-2.27%	-1.74%	15.15%	11.52%
Global - MSCI All Country IMI	1.45%	24.17%	10.40%	16.22%	8.13%
Fixed-Income (Bond) Indices					
Barclays Capital					
Global Aggregate	2.40%	-2.60%	3.14%	4.42%	4.72%
U.S. Aggregate	1.84%	-2.02%	3.92%	4.84%	4.75%
U.S. Treasury TIPs	1.95%	-8.61%	5.98%	7.11%	5.58%
U.S. Corporate High Yield	2.98%	7.44%	7.99%	18.06%	8.22%
Municipal	3.32%	-2.55%	5.85%	6.51%	4.59%
International Emerging Markets	2.82%	-4.12%	8.48%	14.10%	9.13%

Source: russell.com, reit.com, djindexes.com, msci.com, barcap.com

Please feel free to forward this newsletter to friends and colleagues who can benefit from information about investing and financial planning. As always, if I can be of any assistance to you or anyone you know, please do not hesitate to contact me. It would be my privilege to assist with your investment and financial planning needs. For more information, please see our web site at www.kaloramawealth.com.

KALORAMA Wealth Strategies
A Beautiful View To Your Financial Future℠

Fee-Only Investment Advisory And Financial Planning

David M. Taube, CFA, CFP®
2136 12th Place, N.W., Suite 100, Washington, D.C. 20009
Phone: (202) 550-7262 Fax: (480) 247-5620
dtaube@kaloramawealth.com www.kaloramawealth.com