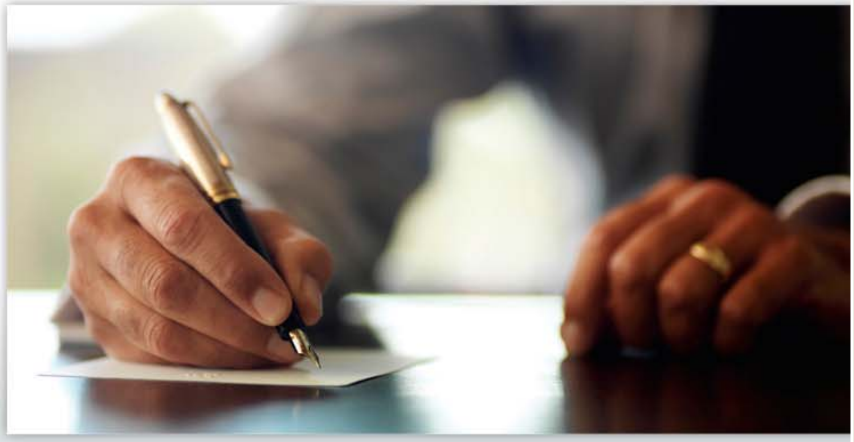
OPTIVEST WEALTH MANAGEMENT

Turning Success into Peace of Mind.

SECOND QUARTER 2014

April 9, 2014



by Mark Van Mourick, CEO

To Our Investors:

It has been a very busy and productive first quarter at Optivest: asset allocation and manager changes with SageView, a breakfast meeting with Mohamed El-Erian (departing CEO at PIMCO), interviews with the Wall Street Journal and Forbes, high level real estate discussions with large local owners including Rick Caruso, launching a Retirement Strategies department, joining Tiger 21 and meeting with 8 New York investment bankers conducting due diligence on our nearly $1 billion REIT.

Overview by Mark Van Mourick

US Economy

After a vigorous 3rd quarter in 2013, the economy has fallen back to 6 months of slow growth and uncertainty as the new Fed Chairman, Janet Yellen, continues tapering the artificial support of the monetary system. The year has started exactly as we forecasted in our last newsletter – with a wobbly/sideways stock market and virtually every other asset class (see below) showing only slight gains of 1-3% which are the opposite of 2013. Interest rates have dropped slightly and are holding for now, but Mrs. Yellen has signaled that she expects short-term rates will rise to 3% by the end of 2015 and 4% by the end of 2016. This would only happen if the economy actually picks up organically after the Fed has stopped current stimulus.

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Wall Street vs. Main Street

So far, Wall Street (America's largest public business) has achieved new all-time highs in net profits and profit ratios the easy way: share buy backs, refinancing at ultra-low interest rates, accretive acquisitions that add immediate profits and squeezing more productivity out of its existing work force. All but the last of these is only available on Wall Street. These big companies also hold a vast sum of cash on their books, yet have not felt enough confidence in the economy or public policies (forced Obamacare, increased minimum wage, tax rates, etc.) so they have set aside implementation of 3 – 5 year contracts for plant/facility expansion and equipment upgrades. These large-scale organic expansions are the most beneficial to Main Street as multiple smaller vendors and their work forces are used, adding significant new revenue to local economies. This is why the majority of Americans feel the economy is still in a recession while Wall Street is enjoying record high prices.

However, Wall Street has used most of their bag of tricks already. Time will tell if they will resume the "animal spirits" of the 90's and early 2000's to spend their cash on building new top-line growth or they will remain timid, satisfied with slow growth and dependency on continued (or renewed) Fed stimulus. This crossroad is rapidly approaching and producing an anxiety amidst an already fully priced stock market.

Therefore, we are taking Mohamed El-Erian's recent advice. Since we cannot know the future, the winners will watch carefully and be prepared for either outcome with well thought out plans and execution strategies based on predetermined milestones. In this environment, broadly diversified portfolios, balancing stronger and weaker potential future economy possibilities, should produce better returns and less volatility than simple stock/bond allocations.

Portfolio Management by Leslie Calhoun

Our first quarter meeting with our SageView counterparts resulted in some modifications to the Schwab account holdings. We began rebalancing all our portfolios at the end of Q1 and expect to finish this rebalancing during Q2. It is imperative that we have current information on your goals, liquidity needs and risk tolerances to complete your rebalance. If you are contacted by us to update surveys, please do so and feel free to contact us if you would like to discuss what we currently have on file for you.

The highlights of the changes are that in anticipation of not seeing a repeat of the extraordinary 2013 S&P 500 (equity) returns, but instead a flatter stock market performance, we are reducing US Equity exposure from over 30% of portfolios to just over 25%. Our opinion of International Developed Market (Europe) equities is more hopeful than last year so we are slightly increasing our exposure. Emerging Market equity exposure remains about the same but we are utilizing all new fund managers in this area. The new models also eliminate allocations to TIPS funds (Treasury Inflation Protection Securities) due to their underperformance and that cash instead gets deployed to Merger and Acquisition funds to take advantage of the accretive acquisitions that are still occurring on Wall Street. Exposure to managed futures funds gets reduced by close to 6% as an underperforming manager was eliminated from our universe.

Additionally, in an effort to be more nimble and tactical, we at Optivest have made a couple of substitutions to the SageView models. As a replacement for core fixed income and to protect against higher interest rates, we have decided to override all intermediate and long-term municipal bond allocations in SageView models and have substituted unconstrained bond funds that are managed to increase or decrease duration of debt relative to forecasts, can invest in any country via government or municipal bonds and currency (long or short), and can increase or decrease exposure to corporate or securitized credit depending on where they see potential for greatest return. We are using a fund which seeks to avoid losses and produce returns uncorrelated to the overall bond market, currently at a negative duration which will add value when rates rise. We have also purchased a Large Cap Equity fund that is focused on maximizing income and total return in place of a Large Cap Blend fund in SageView model, hoping to increase returns to our investors through a focus on high dividend and income in the face of what we see as lackluster equity market returns.

Summary

Our mantra remains that it is both prudent and wise to create and hold broadly diversified portfolios that are ambivalent to strong or weak market environments and focus on protection of capital during rising volatility and interest rates. We are watching the horizon and making choices that should result in peace of mind.

Until next time,

Mark VanMourick

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