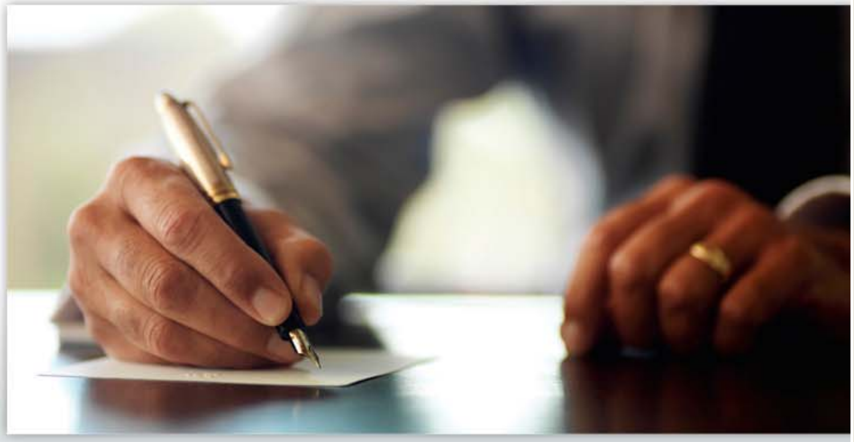
OPTIVEST
WEALTH MANAGEMENT

Turning Success into Peace of Mind.

THIRD QUARTER 2013

July 15, 2013



by Mark Van Mourick, CEO

To Our Investors:

IN THIS REPORT

CONTACT US:

24901 Dana Point
Harbor Drive, Suite 230
Dana Point, CA 92629
949-363-8686
Reports@optivestinc.com
www.optivestinc.com

US & World Economy

US consumers have kept the American economy slowly moving forward despite the weakness in our exports and the "sequester and tax" policies. Job growth has finally resumed, giving hope for a stronger second-half of the year economy. China's slow down in growth (particularly in infrastructure and real estate) has contributed to a drop in commodities. Europe is emerging from its "double dip" recession after choosing austerity vs. US-style stimulus and remains vulnerable to set-backs as their unemployment remains at record levels.

But the recent sharp rise in interest rates deserves the most attention. Simply the hint that the Fed will ease monetary stimulus – and only if the economy continues to improve – caused a dramatic shift in the financial markets. The move from May 2, 2013 to early July 2013 on the 10-year Treasury of 1.63% - 2.72% (a 66% increase in 2 months) was one of the sharpest gains I could find on any historic interest rate chart. Once it broke through 2% on May 22, 2013, a dramatic "risk off" attitude developed and all 23 asset allocation categories that we follow dropped until June 24, 2013 – a rare occurrence. Since then, the financial markets have been sorting out the impact of a future heading toward normalized interest rates (without artificial Fed support). However, interest rates can only go so high without a push from inflation, which remains stubbornly low at 1.4% for the last 12 months ending May 2013 according to the Department of Labor.

US Stocks

US stock indexes rose 15-18% in the first-half of 2013, beating every other major market except Japan (+34%). Europe was up about 4.5% overall and China dropped 11% (according to the Wall Street Journal). However, the US stock gain came at the expense of virtually every other financial investment such as commodities, alternatives and bonds. The Dow Jones Index crossed under 15,000 on June 20, 2013 and then rebounded to new highs on July 11, 2013, but the sharp rally that lasted from November 2012 until May 2013 has certainly taken a well-deserved pause. Because P/E ratios are still below their 25-year average, we expect the Dow Jones to only wobble between 14,000 and 16,000 for the remainder of the year and not sell off into a correction.

Fixed Income

As we discussed in our last quarterly newsletter, we have taken an early defensive position with bonds and shortened most maturities, which has paid off during the recent rise in interest rates. However, a dramatic upward move in interest rates affects all fixed income and even our conservative strategies were impacted somewhat. We expect this sharp rise to moderate, which will benefit our positions in the quarters ahead.

Gold

We were flat out wrong about gold (GLD) over the past year. It has dropped steadily as the US Dollar and stock market gained. We were stopped out of half of this minor position on the way down, and believe the correction may have ended on June 27, 2013 with GLD at $114.7 ($1,200/ounce).

Real Estate

Home prices across the country have risen nicely since mid-2011 (according to the Case-Shiller 20 City Index) and have recovered about half of the drop since 2007. In addition, the percentage of underwater mortgages has receded from 32% down to 20% over the last year (according to the Wall Street Journal). While this improvement will probably slow with rising new mortgage interest rates, it is a healthy sign for the country.

Long-Term Investing

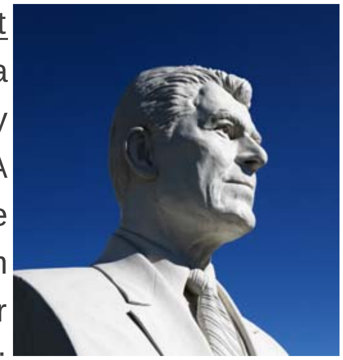
History has shown that despite average annual drops of 14.7% per year in the stock market (JP Morgan) and even larger cyclical drops in real estate, these two asset classes (and their siblings commodities and private businesses) hit new highs every few years on average, and move dramatically higher over most decades. A "perfect timing" model to avoid the drops in between peaks would be great, but until one exists, we will continue to make only small, tactical moves like rebalancing portfolios when they get out of line. This forces us to sell asset classes that have over-performed and add classes that have under-performed, resulting in dollar-cost averaging.

Our SageView institutional research partner has impressive rolling 3/5/10/15-year performance results that show the value of sticking with a well-balanced portfolio over multi-year time frames. Daily news and market volatility are the enemy of rational investing and tug at our emotions and desires to predict the future. Give yourself ample short-term cash for your near-term needs and let the rest run.

Summary

Our US economic recovery continues to move slowly forward, but without much help from the rest of the world. After a sharp increase in stock prices in the first half of 2013, we expect a couple of quarters of mostly sideways movement until predictions of a healthier second-half emerge (or foreign demand resumes). The drastic rise in interest rates and the potential move toward normalize monetary policies will probably continue to accompany our recovery and are part of a return to a healthy economy.

Optivest News



Ronald Reagan's Presidential Library visit Friday, September 27th: We are taking a group of clients to the Reagan Library and Museum in Simi Valley for the day. A bus, lunch and private guided tour of the library and special exhibit on Abraham Lincoln will be included. Please call or email Shannon if you'd like to join us: Shannon@optivestinc.com or 949-363-8686.

Optivest Properties

Please see the attached news release from Marketwire about Optivest Properties' new REIT.

Until next time,

Mark Van Mourick

Optivest Inc. | 24901 Dana Point Harbor Drive, Suite 230 | Dana Point, CA 92629 | 949-363-8686 | www.optivestinc.com