DANDA TROUVÉ
INVESTMENT MANAGEMENT
Money Managers You Can Trust

**October 2013 How to Stay on Track When Markets Are Volatile**

Before beginning our regular quarterly market comments, we'd like to share some news about Jan Gates, our friend, receptionist, and bookkeeper. Early in September, we learned that Jan had two brain tumors. Last week she underwent surgery and the largest tumor was successfully removed. She is now at home recovering and will begin a treatment plan for the related cancer in a few weeks. Please join us in keeping Jan and her family in our thoughts and prayers.

Now, back to our investments: How to Stay on Track When Markets Are Volatile

Economic uncertainty, political dysfunction, and unexpected "black swan" events affect market stability. We understand how this can be unsettling, but investors with diversified portfolios and proper asset allocation shouldn't be alarmed. In fact, volatile markets highlight why our commitment to asset allocation is so important.

The Federal Reserve's near-zero interest rate policy and extended market intervention via quantitative easing (QE) have led to a strong year for the equity markets. However, the gains haven't been distributed equally across all market sectors. In fact, the health care and technology sectors have significantly outperformed other sectors and our equity portfolios have profited in these areas.

The fixed income markets have experienced volatility since May 17th when the Federal Reserve hinted that it was looking to scale down their QE program. The 10 year US Treasury yield went from 1.63% to nearly 3%. The Federal Reserve subsequently surprised financial markets as it decided to keep the magnitude of their QE program intact. As a result, the 10 Year Treasury yield receded to 2.6%, giving some relief to the battered bond market. As a reminder, when rates go up, prices go down. We experienced some pain in June as our fixed income holding's prices declined in the face of fast-rising interest rates. However, our total return approach and commitment to income focused strategies allowed us to stay the course and the prices of our investments healed when rates reversed back down.

Our precious metals have also had a roller-coaster year. They started the year with losses due to a technical selloff. We are strong believers in this asset class as hard assets act as portfolio insurance during times of unexpected volatility, as witnessed during this quarter's geopolitical tensions with Syria. During the last DC debt ceiling debacle in the summer of 2011, gold served investors well, and will likely do so again if risk continues to materialize out of DC.

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With this year-to-date information in mind, the following lists what we are doing to help protect your holdings and stay on track for the long-term, even during periods of market volatility.

1. Diversification is essentially spreading your investments and your risk around. All of our portfolios are diversified within asset classes and across asset classes. Rebalancing is a way of adjusting a portfolio to keep the risk in line with your objectives. The appreciation or depreciation of investments can shift your allocation. Over the month of September we sold a fairly significant amount of equities taking profits off the table where large gains had been made.

2. Proper asset allocation is important not only to reduce investment risk, it is essential to achieving long term goals. Since the market meltdown of 2008 our annual return expectations for the equity markets have been around 3-5%. To enhance performance, we focused part of our equity allocation on income generating equities and did quite well. Although we don't necessarily believe the economy is good, we do believe that it is getting better and we will shift our equities back towards a US dividend growth focus. We plan to redeploy the cash we have raised once the political risk subsides in Washington. We do feel that some type of last minute compromise will be made and America will not default on her debt. We are very comfortable holding a substantial amount of cash right now as we see the politics play out. We will look for any pullback to buy stocks at attractive values.

3. Just as stocks can't go up forever, they also can't go down forever. Periods of heightened volatility come and go, but are generally relatively short-lived. Most important of all, remember that investing is a long-term endeavor and we should not let short-term market volatility distract you from your long-terms goals.

You will notice that we have enclosed a new set of reports that include your longer term portfolio performance. We believe that the long view is really the best way to judge how your investments are supporting your goals, particularly during periods of volatility such as the one we are currently experiencing. We hope this information helps add context to the bigger picture of how your investments have, in fact, achieved your goals over the long run.

As always, we remain dedicated to you and your investments. We invite you to call, write, or stop by anytime with any questions or comments you may have.

Michelle