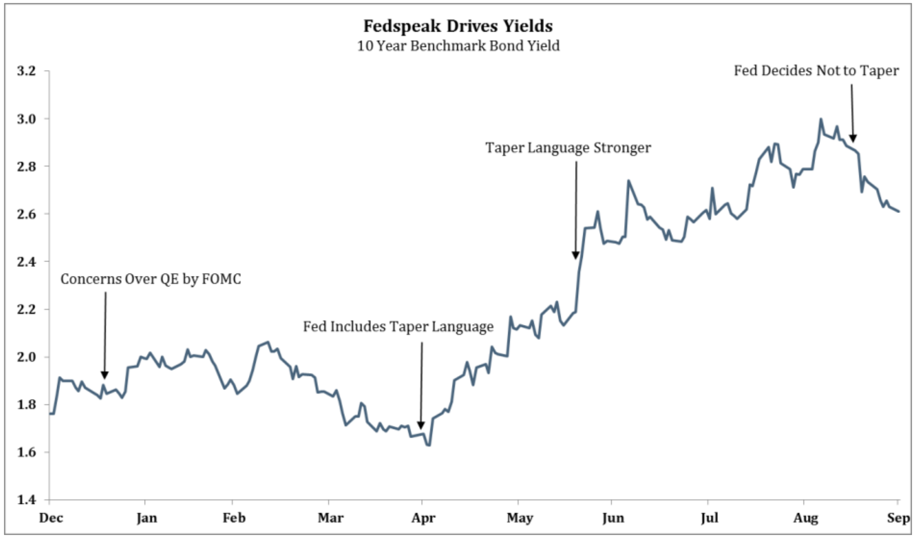
Independence Asset Advisors

Third Quarter 2013 Market Update

Global equities posted strong gains in the third quarter with most major stock indexes participating in the advance. September's news of the Fed would continue its bond buying program at the current level gave a boost to stock prices. Weaker economic news supported the Fed's decision, leading to net positive investor sentiment. Tensions in the Middle East and the approaching deadline for a budget agreement caused markets to weaken towards the end of the period. The second quarter earnings season was much better than expected with companies in the S&P 500 overall beating both revenue and earnings expectations. This takes some pressure off optimistic expectations set for the third and fourth quarters to meet an annual consensus earnings growth rate of 7% for 2013. A higher risk appetite led to small capitalization and growth stocks outperforming large capitalization and value stocks.

Index Name	Sept	3rd Qtr	YTD	One Yr	Three Yr
MSCI EAFE	7.39	11.56	16.14	23.77	8.47
S&P Small Cap 600	6.23	10.73	28.66	31.51	20.68
Russell 1000 Growth	4.46	8.11	20.87	19.27	16.94
S&P Mid Cap 400	5.21	7.54	23.23	27.68	17.45
MSCI Emerging Markets	6.50	5.77	(4.35)	0.98	(0.33)
S&P 500	3.14	5.24	19.79	19.34	16.27
DJ Select Dividend	3.31	4.52	19.00	19.45	16.80
Russell 1000 Value	2.51	3.94	20.47	22.30	16.25
MSCI EM Small Cap	6.47	3.49	(0.21)	4.88	(1.41)
Alerian MLP	2.32	(0.73)	21.18	17.04	16.48

Within equities, the developed markets of Europe and Japan outperformed the U.S.. Large European economies, such as Britain, Germany and France, surpassed expectations by achieving positive growth, thereby boosting investments across the region. Greece posted the highest developed market country return of 33.63% in the quarter, demonstrating the return of investor interest. At the same time, Japanese stocks continued to benefit from new government policies targeting economic growth. Non U.S. developed market equities gained from both the weakening U.S. dollar and local dollar equity market appreciation. Emerging markets also benefited from continued liquidity from central banks, however, they saw little appreciation in their own local currencies and less benefit from the weakening dollar.



Volatility in the bond market can be attributed to both the wording and interpretation of Fed meeting minutes and FOMC governor public statements this year. But so far no measurable action has occurred since QE3 was launched in September of 2012. A year later there is still no end to accommodative monetary policy. The Fed's surprise inaction led to the fall of the 10-year yield from multi year highs while higher yielding sectors such as global bonds and high yield U.S. corporates rallied, offsetting much of the 2nd quarter losses. While Fed action has been delayed, long duration issues are still anticipating the inevitable. U.S. investment grade fixed income securities are on track for the worst annual return since 1994.

Index Name	Sept	3rd Qtr	YTD	One Yr	Three Yr
Global Aggregate x USD	2.82	4.38	(2.38)	(3.39)	1.52
Emerging Market Local Curr Govt	4.17	2.28	(4.02)	(0.18)	3.50
US High Yield - Corporate	0.99	2.28	3.73	7.14	9.19
US Corporate (3-10 Yr)	1.15	1.21	(1.37)	(0.14)	4.65
US High Yield Loans-Variable	0.23	1.17	3.60	5.07	6.05
US Corporate (1-3 Yr)	0.40	0.80	1.11	1.62	2.45
US Government (3-5 Yr)	0.74	0.40	(0.83)	(0.80)	1.75
US Government (1-3 Y)	0.23	0.29	0.30	0.37	0.75
US Corporate - Long	(0.01)	0.05	(7.44)	(6.48)	5.36
US Government - Long	0.41	(2.12)	(9.79)	(10.43)	3.64