NORTHVIEW ASSET MANAGEMENT

First Quarter 2013 Market Review

As we predicted in our last report, equities lead the way in the first quarter. Energized by the U.S. Congress decision to make permanent the Bush tax cuts, the infamous 'fiscal cliff" scheduled for January 1, 2013 was avoided. The DOW recorded a healthy gain of 11.9%, the S&P 500 10.61% and the NASDAQ composite was up 8.21%. To put this in perspective, the chart below reflects returns over time:

Index	1Q 2013	One Year	Five Years (annualized)	Ten Years (annualized)
Dow Jones Industrial Average	11.93%	13.37%	6.50%	8.94%
S&P 500 Index	10.61%	13.96%	5.81%	8.53%
NASDAQ Composite Index	8.21%	5.69%	7.47%	9.31%

*** Source: Morningstar Direct**

All the while in Europe, troubles continued. Fitch, a U.S. rating agency, downgraded Italy from A- to BBB, and put the country on negative credit watch. And the real country du jour to join the list of those in financial straits was Cyprus. Their investment in Greek sovereign debt required a $10 billion bailout from the European Union and the International Monetary Fund. This makes the total number of European countries needing assistance to five. The famous acronym for those countries in trouble, "PIGS" (Portugal, Italy, Greece, and Spain), will have to be revisited.

On March 20, the FED elected to continue buying $85 billion of bonds with a target of reducing unemployment to below 6.5% or when inflation reaches 2.5%.

With an improving economy, we saw bonds yields rise. The 10-year Treasury moved from 1.78% in December 2012 to 1.87% at the end of March. With rising yields and growing confidence in corporate profits, corporate bonds outperformed Treasuries. However, for companies relying on yield, four factors make investing a challenge: lower current returns, higher regulations, shrinking U.S. clout, and anticipated higher rates.

OUTLOOK

With the backdrop of positive news in the first quarter, we still view the market going forward as ambiguous. As one report I read said, "it would be wise for investors to tune out the noise created by financial news outlets and focus on maintaining a solid investment plan that focuses long-term objectives, risk tolerance, and time horizon." We will follow that logic and continue to reduce duration, and improve quality until we see a clearer market direction.