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A Simple, Five-Step Investment Plan for 2013

By Andrew Packer

Above all else, the end of the year is a time for tradition ... and looking forward.

For many, that means making a New Year's resolution, watching football and discussing which teams may make the Super Bowl, and deciding when (or if) the Christmas lights should be taken down.

But as the New Year starts, there's one more family tradition in my household. It's not traditional in the usual holiday sense — it has nothing to do with the nostalgia of the season or time with friends and family. It has to do with the year ahead — but not with New Year's resolutions or the football season.

Right at the end of the year, I sit down with my family and we take a look at the financial year ahead. We start by each bringing a short list of big-picture trends likely to play out in the markets with a full explanation. We end up with a one-page "cheat sheet" summary of our top five investment themes and a few specific investment ideas that will benefit from each theme.

It's a great (and profitable) tradition that gets us focused on what we need to close out at the end of the year, and how we need to invest going forward. It's a tradition you may want to include after the hustle and bustle of the holiday season is over but before life gets back to normal.

In that spirit, I'm going to share with you my full outlook for 2013, along with an asset allocation plan for those who like to "set it and forget it." These allocations should ensure you come out ahead regardless of what events that may occur.

> "Monetary policy is hurting investors on two fronts: It means low interest rates from fixed-income investments and a further-sliding dollar."

Trend #1: Ongoing Devaluation of Paper Currencies

In September 2012, China made its 11th trading agreement to use its own currency when trading and thus bypass the U.S. dollar. This particular deal was signed with resource-rich Russia, from which China imports natural gas, oil, and other valuable commodities.

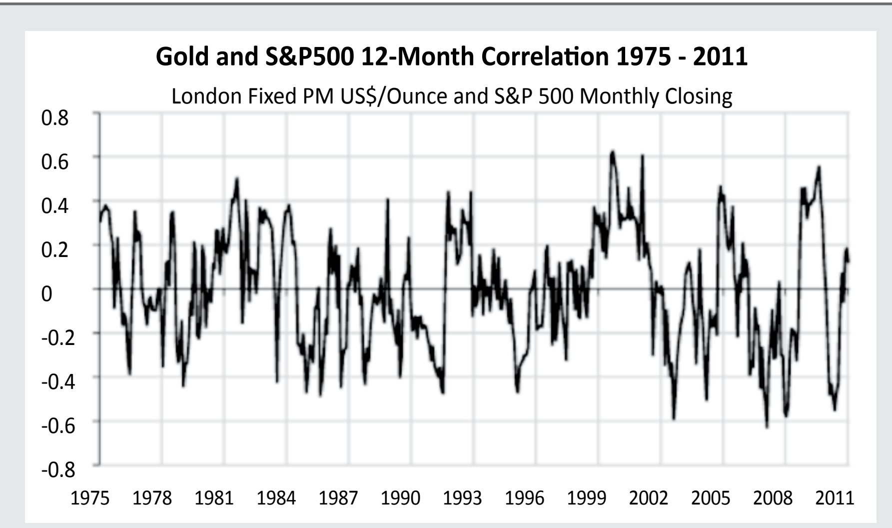
As other countries follow suit and bypass the U.S. dollar for international transactions, the dollar will soon lose its biggest support, namely the fact that it is the world's reserve currency.

China's timing couldn't be better. That same month, the Federal Reserve Bank announced a third round of quantitative easing, a program whereby the Fed buys bonds in exchange for dollars. This is known as "printing money," even though it's all done electronically these days.

Simply put, paper currencies are being flooded into the global economy.

And it's not just the United States. The European Central Bank (ECB) is using the term "uncapped" to describe its monetary policy — which is geared toward keeping Europe's recession from deepening, with poor results so far.

Monetary policy is hurting investors on two



Although gold sometimes exhibits some positive correlation with the S&P 500 Index, it often exhibits negative correlation, indicating that, if anything, bullion just tends to move for its own reasons.

fronts. On the investment front, it means low interest rates from traditional fixed-income investments (more on that later). It also means that, no matter what happens in terms of fiscal policy, the dollar is poised to slide further.

Remember, monetary policy is set by the Federal Reserve. More specifically, it's set by a majority vote of the 12-member Federal Open Market Committee. So ultimately, it only takes seven people to determine what interest rates in the world's largest fixed-income market (Treasurys) should be.

That's scary stuff.

Although the FOMC is required to testify before Congress, only seven FOMC members are appointed by the president and approved by Congress. The remaining five are presidents of regional Federal Reserve banks.

Fixed-income markets aren't the only markets that move based on FOMC decisions. When the FOMC lowers interest rates, the stock market tends to jump, based on the idea that lower rates spur borrowing, which in turn stimulates the economy. When the Fed raises rates, the stock market tends to take an immediate dive.

There's one investment that easily allows investors to sit out the ongoing devaluation of paper currencies: gold.

Unlike the FOMC, millions of people buy and sell gold every day. When it comes to determining the true price of something, millions of people making decisions are better than a dozen who meet in secret and proclaim what the price of something should be.

Yes, gold's been on the rise for more than 12 years. But part of gold's rise is simply reflecting the decline of purchasing power in the U.S. dollar and other currencies. Gold is the ultimate way to "opt out" of a paper-based monetary system. So as long as the growth of new currency outweighs the increase in global economic growth, there's the prospect of higher rates of inflation in the future. That's good for gold.

More importantly, gold tends to follow its own path. While stocks and bonds tend to trade inversely, gold has very little correlation to both, although at times the correlation is stronger than at others.

Correlation measures how closely two different assets trade with each other. A correlation of 1 means that the two assets move in tandem, and a correlation of -1 means that they trade in the opposite direction of each other at all times.

Right now, there's a slight positive correlation between gold and stocks around 0.3. This low correlation may have more to do with the impact of money printing on the stock market and gold than any fundamental value between the two.

Andrew Packer has been an avid investor since childhood. Starting with bullion and collectible coins, he expanded into stocks as a teenager. He has since added options, real estate, and bonds to his personal portfolio. His investment approach is based on value, growth at a reasonable price, special situations, and any other opportunities presented by the market. After earning a BA in economics, Andrew honed his analytical skills while working at various companies, including real estate research and private equity firms. Andrew has written investment services on small-cap value investing, shorting, and contributed big-cap value investments to a monthly publication.

The Dossier Online

Highlights this month on the FBA website:

• **Braintrust Expert Call:** On Friday, Jan. 4, check out our monthly Braintrust call, in which financial experts from around the globe debate the latest economic issues and offer stock picks. The audio will be posted on fbtalliance.com, in the afternoon, with the written transcript to follow on Jan. 7.

• **Exclusive Articles:** Check back to the "Home" screen on www.fbtalliance.com daily for new blog posts and video interviews from our experts.

• **Video Interviews:** The Financial Braintrust's own David Nelson, chief strategist for Belpointe Asset Management in Greenwich, Conn., conducts weekly interviews with Wall Street insiders. You can catch them on the F.B.A. "Home" page and in his section under the "Experts" tab.

• **Portfolio Updates:** Every Wednesday, we update both our Core and Extended Portfolios, including price, yield and total return, as well as our latest "buy" price and stop loss recommendations for each holding. See it under the "Portfolio" tab.

> Trend #1 Allocation Recommendations

For avoiding the negative effects of a fiat currency world, I recommend an allocation of 20 percent to gold investments as follows:

• Half, or 10 percent of your total "set it and forget it" portfolio, should be comprised of gold bullion. This can be either physical metals owned or via a tracking ETF, such as the **SPDR Gold Shares ETF** (**GLD**). While the ETF tracks the price of gold, you won't personally be able to trade in your shares for bullion. But, in return, you'll be able to buy and sell with lower premiums and much more quickly than with physical bullion.

• The second half of your 20 percent allocation to gold should go to gold-mining stocks. Unlike gold bullion, the mining stocks have been struggling. Although the rising price of gold should be a slam-dunk verdict for the mining companies, that's just not the case. Rising costs of extracting bullion have weighed on the shares of gold mining companies over the past few years.

So why does that make gold-mining companies a buy?

For starters, a lot of the bad news about gold stocks is already priced in. The problems with rising mining costs are known, and many companies have already made the painful decision to shut down marginally performing mines.

Next, the big players in the mining industry are paying dividends. And despite their financial struggles, they've even managed to increase their dividends over the past few years. Although no mining company has a huge yield, most of the biggest firms have yields in the 1-2 percent range, which compares pretty favorably with 10-year Treasury bonds and their yield of 1.65 percent.

Within our existing Alliance portfolios, we have solid exposure to the gold sector via GLD and **Newmont Mining** (**NEM**).

Trend #2: Low Investment Returns via Dividends and Income

While the Federal Reserve's monetary policy may be designed to get the economy going again, it does so at the expense of income investors, particularly fixed-income investors.

Income has always been the key to making money in investments throughout history. That hasn't changed. If you're relying on capital appreciation, you're expecting others to come along willing to bid up the price of the stocks you bought.

And for those close to retirement, the important thing isn't the accumulation of new wealth as much as preserving existing capital — something that's a huge risk if you're just investing for capital gains.

Personally, for investors at least a decade away from retirement, I prefer to invest for income via stocks with a long history of increasing their dividend payout year after year. The list of companies able to accomplish such a feat over decades is small, and usually reserved for

well-known global leaders.

But even that has its drawbacks, especially over the short term. Investing in dividend-growth companies works out great over time, but for more of a medium-term period, like the next 12-to-18 months, a few carefully selected ultra-high-income investments can offset the low yields of today's bond markets.

One such investment that offers fat yields — in this case 13.6 percent — is already in our Extended Portfolio. It's **Annaly Mortgage** (**NLY**).

Annaly is a mortgage REIT, often described as an mREIT. It borrows at today's rock-bottom interest rates, and uses them to buy government-backed mortgage debt yielding higher rates.

The company makes a profit on the "spread." So if Annaly borrows at, say, 2 percent overall, and can invest at 6 percent overall, it makes 4 percent without really having to put up any money.

That's a pretty sweet deal. If you could go to one bank in your town, borrow money at 2 percent, then deposit it in a bank across town at 6 percent, wouldn't you?

Of course, Annaly, and mortgage REITs in general, are no slam-dunk. Although the Fed has promised to keep interest rates low through at least 2014, those same low rates are leading to mortgage refinancing. That's great for homeowners, who can save hundreds of dollars each month paying only 3 or 4 percent interest instead of 6 or 7 percent. But it's bad for Annaly's spread.

Over the past few months, that concern has started eating into Annaly's share price. It may have to cut its dividend in the future. It's done so before. But typically dividend cuts are less than 20 percent. Investors buying Annaly would still be locking in low-double-digit yields even at today's prices.

A small investment allocation to a high-yielding mortgage REIT like Annaly will go a long way to ensuring that you generate some income in 2013, even with low rates.

Another area that has ample income opportunities for investors is preferred stocks. These offer the high yields of corporate bonds, but also have some upside potential for capital gains like common stock.

Preferred shareholders have to get paid before common shareholders as well, making them first in line for dividend payments.

I like preferred shares when it comes to financial companies. Unlike the common stock of banks that saw huge losses in 2008 during the credit crunch and slashed dividends, the preferred shares continued to make payments. The Dodd-Frank legislation has moved preferred shares away from being considered part of a bank's Tier-1 capital, leading to many financial institutions calling in their preferred shares.

One of our portfolio holdings, the **iShares U.S. Preferred Stock ETF** (**PFF**), invests in a basket of preferred stocks, including many foreign banks that don't face the same financial reform as U.S. banks. Top holdings also include non-bank preferred shares, such as General Motors.

Finally in the income space, make room for municipal bonds. Unlike mortgage REITs or preferred stocks, muni bonds are a pure income play. They currently offer higher yields than Treasurys, and, more importantly, offer some tax benefits that other investments don't have. No matter what the final outcome of the fiscal cliff is, investment tax rates are set to increase, making the ever-important "after-tax" yield of a municipal bond more attractive than ever.

Since the benefits of municipal bonds vary from state to state, the optimal muni bond investment will vary from investor to investor. Unlike U.S. Treasurys, muni bonds are also capable of default, making selection much more important.

For investments in municipal bonds, I suggest looking into the municipal bond funds available from providers such as Blackrock and Nuveen. This provides a basket of muni funds, lowering the risk of a major loss from any one muni bond going bankrupt.

> *Trend #2 Allocation Recommendations*

When it comes to the income section of your portfolio, I'd suggest an even split between high-yielding stocks/preferred stocks, and municipal bonds — 10 percent to each. This should bring in some safe, high levels of income to your portfolio regardless of what stocks or commodities do in 2013. The cushion that muni bonds offer from potentially changing tax rates is a good mix as well.

As long as we're discussing fixed income, there's

one asset you may own where you should reduce your holdings. That's U.S. Treasurys.

Prices are at record highs, and yields at record lows. Any uptick in interest rates could send prices down. And, any substantial changes in inflation expectations in the market may lead to demand for higher interest rates which will result in lower bond prices.

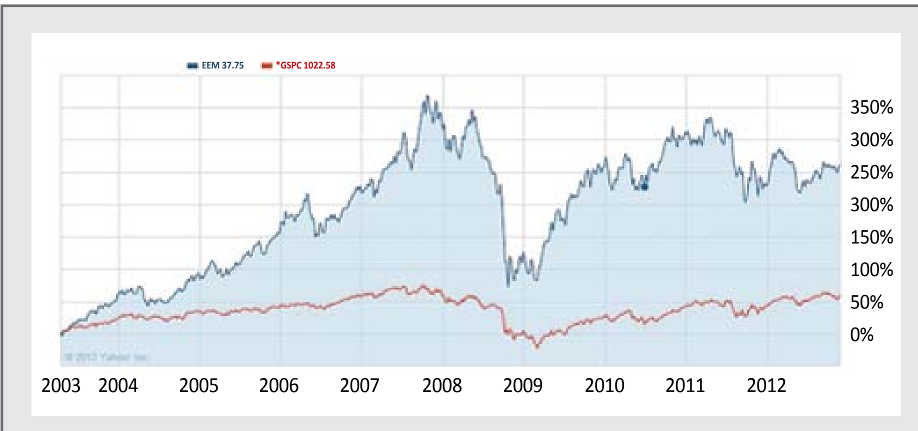
Trend #3: Global Growth Advances Unevenly

Over the past 10 years, the S&P 500 has returned about 50 percent. That doesn't sound so bad.

But, had you simply invested in the MSCI Emerging Markets Index — a basket of stocks in countries like Brazil, Russia, India, and China — cashing out in 2009, even after the phenomenal crash, would have still led to gains of about 100 percent. If you'd invested there at the start of 2003 and were still invested today, you'd be up 250 percent. And that's on a basket of stocks — some companies have done far better, and many have done far worse.

This is just the start of a long-term trend. Emerging markets, namely countries that are less developed than the United States, Europe, and Japan, offer growth.

That's in stark contrast to the aforementioned areas, which are dealing with budget crises, ultra-low interest rates, and weak fundamental economies backed by aging populations.



While the S&P 500 has eked out a 50 percent gain in the past decade, the MSCI Emerging Markets Index has returned 250 percent — five times better, albeit with more risk.

Meanwhile, emerging markets are starting from lower standards of living, less infrastructure, and the like. They're able to grow much more quickly as they build their economies out, akin to the fast growth in the United States when we built the railroads. Over time emerging market growth will slow. But it's a long way off.

The best opportunities for emerging markets include India, Singapore, and Australia. You can buy local, or you can buy multinational firms, which may be headquartered in one country, but offer services worldwide. Besides a more diverse geographic footprint, another thing I like about multinationals headquartered in developed countries is that they often have better defined accounting standards, which makes it easier to analyze investment opportunities.

In our existing portfolio, **Vodafone** (**VOD**) fits the bill. Telephone services are an easy-to-understand business, and Vodafone has been rapidly expanding into emerging market countries like India and Brazil. Looking forward in 2013, we'll likely be adding in a few more international opportunities directly in emerging markets.

While we're looking across the globe for the best investment opportunities, China remains the most misunderstood. Many analysts are worried about the country's slowing economic growth. The country only grew at 7.5 percent in 2012. But that's three times as much growth as the 2.5 percent in the United States in 2012.

The Chinese stock market has been struggling as well — on average, stocks are back to their 2009 lows there. For the long term, that's likely a big opportunity. But for the next few months at least, it may be better to hold off on investing in China until the selling has stopped.

China is hugely dependent on foreign investment, which has been scaled back thanks to their slowing growth. Over time, I have no doubt that China will be able to grow, thanks to surging domestic demand without the need for foreign investment. But it's not quite there yet.

So while many say avoid China and others are permanently optimistic about the Middle Kingdom, the best position to right now is cautious, but optimistic. China watchers are showing keen interest in the recent transition to new leaders and how that will affect policy going forward.

China may prove a good investment opportunity by the second half of 2013. We'll know better by then. Either China's stock market will be lower or it will be on the start of an uptrend showing that the current rout is over.

Don't Count Out Developed Markets

Although growth is definitely on the side of emerging markets, developed markets offer some opportunities as well. One such area is Europe.

Although the European debt crisis has taken a back seat in the news lately to the woes of the U.S. fiscal cliff, the expectations for these countries are so low at this point that markets could take off on *any* growth.

We've already seen this a little bit since the EU crisis went onto the back burner. Greek stocks, which had fallen over 95 percent over the past three years, bounced over 70 percent in the second half of 2012. This still puts them substantially below their all-time highs, and at valuations that indicate fire-sale prices in Europe. We profited on this by buying Hellenic Telecom back in July, and sold in October for a gain of more than 61 percent.

Currently, our portfolio includes the **iShares MSCI Italy Index** (**EWI**) for a bounce in European equities from their multiyear lows. That position is up already, and there's still more room to go.

> Trend #3 Allocation Recommendations

As I've oulined in the pie chart on Page 9, I'd recommend 20 percent of a "set-it-and-forget-it" portfolio be in the international sector. Half should be in fast-growing emerging market opportunities. In this area, a basket of stocks is the best way to gain exposure while managing risk. China, the perennial favorite of the emerging market cheerleaders, is sending mixed signals right now, so for the moment look elsewhere. As far as the official "Core" and "Extended" portfolios, we will be looking to add some specific emerging market plays in this area in 2013.

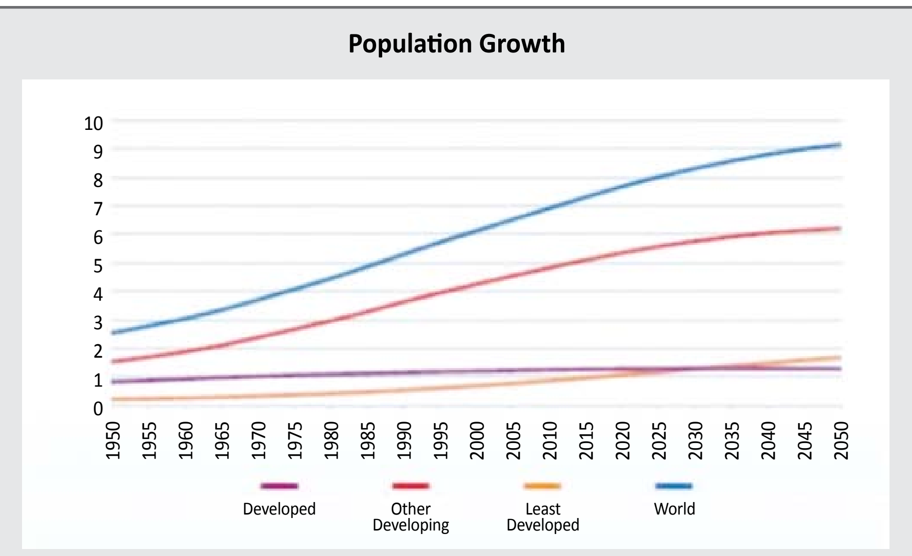
Half of your international exposure should come from oversold developed markets. Although they might not be facing fast growth rates, expectations are so low right now that many multinational companies are trading at multiyear lows. There's a lot less volatility in the multinationals and even some modest dividend payments along the way to smooth out the ride.

This includes multinational firms already in our portfolio, such as **ExxonMobil** (**XOM**), **Microsoft** (**MSFT**), and funds such as the iShares MSCI Italy Index.

Trend #4: Population Growth and Demographic Trends

The International Monetary Fund projects a world population increase to 9.1 billion by 2050. Despite the increase, population growth is slowing. By 2030, it's expected that developed countries like the U.S., the European Union countries, and Japan will all have negative growth rates.

In short, the new number of people being born won't be enough to offset those who die off



While the population of developed countries will flatline through 2050, emerging markets like China and India will fuel an increase in the world population.

in those developed countries. Absent significant immigration, this powerful trend will affect developed nations for decades.

It's far easier from an investment standpoint to invest in countries that are growing. Countries that are continuing to grow their populations have an urgent need to grow their economies to provide for their people.

That's why emerging markets should continue to offer fantastic investment opportunities. But it's also a reason to look beyond stocks. Simply put, a growing world population needs more "stuff" to live, like shelter, food, water, and energy. This "stuff" is nothing more than commodities.

Let's start with the most important commodities — namely, the agricultural ones. This group includes grains like wheat, soybeans, and rice. It includes flavorful items like coffee, cocoa, and sugar. It includes meats like live cattle and lean hogs. It's a pretty diverse group of commodities.

Growing emerging markets need food. Their people are in the same place that many Americans were only four or five generations ago; they're simple sustenance farmers who don't have a traditional job.

More importantly, as emerging markets grow into developed ones, their populations go from a sustenance diet into a richer one with fewer staples like beans and rice and more expensive items like meat.

Food production is expected to rise another 70 percent by 2050 to feed the new world population (largely centered in fast-growing emerging markets). While that isn't a theme we're exploring for the first time in the F.B.T. Dossier, it's a theme we'll cover more in 2013.

Over time, it will become an increasingly interesting investment opportunity. It's a great theme because it stands apart from monetary policy, tax rates, and other factors that typically influence the price of an investment.

Even with hungry mouths to feed, for countries like the United States, with a food supply that far exceeds demand, there's another use for food. That's as a fuel.

We've vastly stepped up corn production in the U.S. for use as ethanol. It's currently not energy efficient. It takes more energy to grow corn and convert it into ethanol than the energy that ethanol generates.

So why do we do it anyway? Because other, more conventional forms of energy look to be on the rise over the long term as well.

Energy a Likely Big Winner in 2013

Just like the argument for food, it's clear that the world still faces a growing need for oil, natural gas, and other sources of energy.

Why? Well, just as people in emerging economies start eating more and richer food, so they also start building roads and driving on them.

In the United States, more than 90 percent of the population of driving age owns a car. In densely populated Europe, it's closer to 60 percent. But car owners in Russia and Brazil make up less than 25 percent of the population. In China and India, it's less than 10 percent.

There's huge room for growth here, and the big winner won't be highly cyclical automotive manufacturers so much as oil and gas exploration and development companies. That's partly why our existing portfolio is loaded with energy companies, like **Petrobras** (**PBR**), the **Market Vectors Coal ETF** (**KOL**), **Legacy Reserves** (**LGCY**), **Exxon Mobil** (**XOM**), and **US Oil** (**USO**).

> Trend #4 Allocation Recommendations

Right now, energy should be the better short-term commodities performer. Seventy-five percent of this allocation, or 15 percent of your overall investments in commodities, should focus on energy.

Oil had a tough year in 2012, hobbled by fears of a weak global economy. Natural gas hit a bottom, and looks like it could rebound. Coal is near its lows, and could start coming back later in the year.

Five percent of your overall investments, or 25 percent of this allocation to commodities, should go to investments in agricultural commodities.

Trend #5: Be Prepared for the Unexpected

Every investment idea that has been covered so far has dealt with known opportunities and problems. Higher tax rates will likely surface in

one way or another. Western nations will continue to devalue their paper currencies. A growing third world is rapidly catching up.

But there's always the unknown. After all, if we all could state with certainty anything with regards to investing, any special opportunity would immediately be reflected in a change of price and outperforming the market would be impossible.

So, to be prepared for the unexpected, we turn to the last part of our "set it and forget it" portfolio for 2013. This is the category I call "special situations," encompassing 20 percent of the portfolio.

It should start with cash for now. If there's a big selloff in equity markets, having some cash gives you first and foremost the opportunity to take advantage of being able to buy at lower prices. There are many opportunities out there, but there are also enough risks to justify having some cash on the sideline.

This area can include hedging positions. With markets trading sideways over the fiscal cliff, it makes sense to sell call options against stock positions to generate some extra income. You can also use options to build new positions by selling put options, and getting decent premiums in the process should you follow the methods I outline in the options video series available on the Alliance website.

Finally, use some part of this section for pure speculation. Maybe you've been eyeing a small-cap company, think some latest tech product is going to take off, or want to profit in ways that haven't been covered elsewhere in this issue.

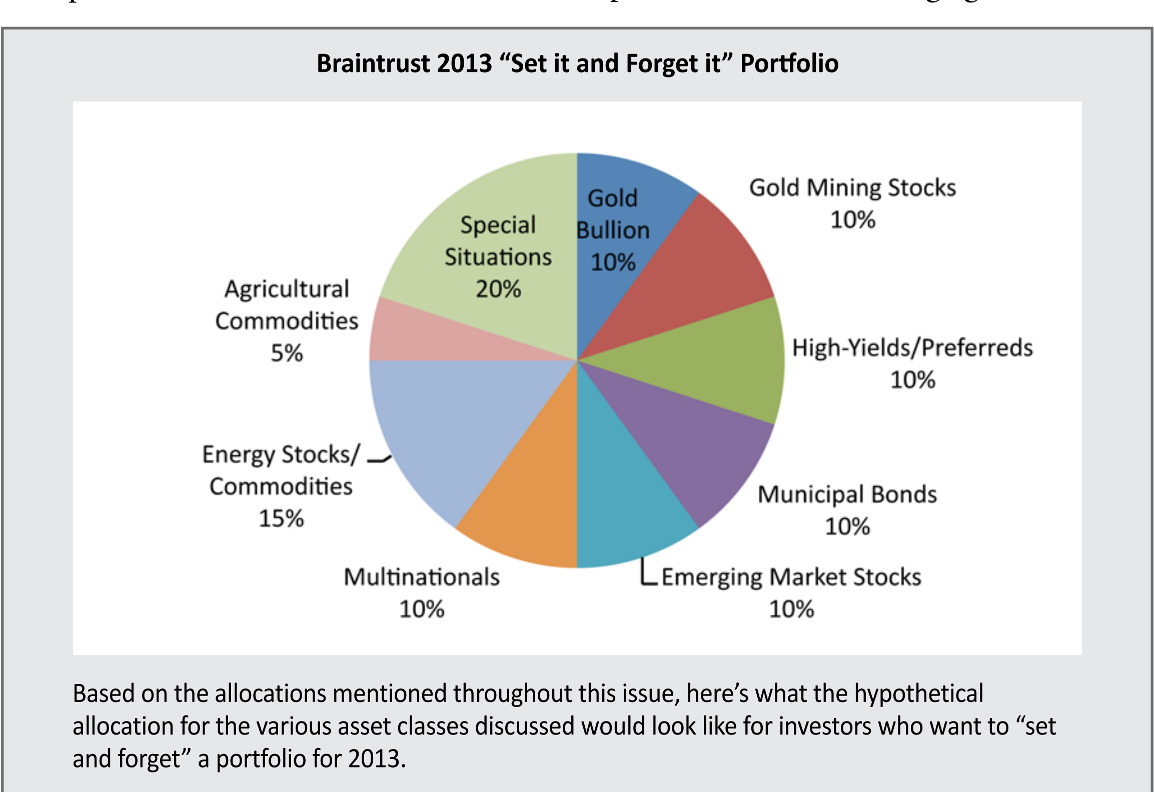
There's nothing wrong with trading or speculating, but the important thing is to only do so with a tiny part of your portfolio. If you "set and forget" the rest, this is the place where you can have some fun, make some short-term trades, or otherwise invest outside the areas and big themes outlined here.

> *Trend #5 Allocation Recommendations*

This 20 percent of your holdings should start with cash, to be gradually invested when opportunities present themselves. This can include areas where you like to speculate, options trades to build new positions, and new recommendations from the Dossier throughout the year that may not fit in the above categories.

Portfolio Review

This month, we're not adding anything new to the Alliance portfolio per se. Many of our existing positions fit into the large global trends likely



Based on the allocations mentioned throughout this issue, here's what the hypothetical allocation for the various asset classes discussed would look like for investors who want to "set and forget" a portfolio for 2013.

to play out in 2013 (and beyond). For areas that don't, we'll be adding new investment ideas and opportunities throughout the year to tap into these themes and other, shorter themes that may develop as events warrant.

CORE PORTFOLIO

RECOMMENDATION	Ticker	Exchange	Entry Date	Entry Price	Recent Price	Dividend Yield	Div. Paid Since Entry	Total Return	Buy at or Under	Stop Loss
Bank of America	BAC	NYSE	6/12/2012	$7.28	$9.91	0.55%	$0.01	36.23%	$8.00	$7.73
Rio Tinto	RIO	NYSE	7/13/2012	$46.26	$50.29	3.54%	$0.73	10.45%	$51.00	$37.01
iShares MSCI Italy Index	EWI	NYSE	8/13/2012	$11.19	$13.01	3.74%	$0.00	16.26%	$12.00	$9.88
Newmont Mining	NEM	NYSE	9/14/2012	$56.96	$45.09	2.46%	$0.00	-20.84%	$63.00	$45.57
Market Vectors Coal ETF	KOL	NYSE	10/19/2012	$25.56	$23.34	N/A	$0.00	-8.69%	$28.00	$20.45
Microsoft	MSFT	NYSE	11/15/2012	$26.92	$26.37	3.42%	$0.00	-2.04%	$29.00	$21.54

* Denotes recommendation not yet purchased

As of close December 4, 2012

EXTENDED PORTFOLIO

RECOMMENDATION	Ticker	Exchange	Entry Date	Entry Price	Recent Price	Dividend Yield	Div. Paid Since Entry	Total Return	Buy at or Under	Stop Loss
iShares U.S. Pref Stock	PFF	NYSE	6/12/2012	$37.75	$39.64	5.56%	$1.02	7.91%	$41.00	$31.86
Annaly Mortgage	NLY	NYSE	6/12/2012	$16.63	$14.42	13.05%	$1.05	-7.45%	$17.00	$13.30
SPDR Gold Shares ETF	GLD	NYSE	6/12/2012	$155.36	$164.42	0.00%	$0.00	5.83%	$170.00	$134.97
Petrobras	PBR	NYSE	7/13/2012	$19.58	$18.03	0.69%	$0.00	-7.92%	$21.00	$15.66
Exxon Mobil	XOM	NYSE	8/13/2012	$88.14	$87.19	2.59%	$0.57	-0.43%	$90.00	$70.51
Legacy Reserves	LGCY	NASDAQ	8/13/2012	$26.65	$24.34	8.37%	$0.56	-6.71%	$27.00	$21.32
FX Capital Management	FXCM	NYSE	8/13/2012	$9.65	$10.02	2.49%	$0.06	4.48%	$9.75	$8.07
iShares Barclay TIPS Bond	TIP	NYSE	9/14/2012	$121.82	$122.83	1.96%	$0.49	1.23%	$124.00	$97.46
SPDR Financial Select	XLF	NYSE	10/19/2012	$16.25	$15.66	1.62%	$0.00	-3.63%	$16.50	$13.00
Vodafone	VOD	NASDAQ	10/19/2012	$28.00	$25.74	4.06%	$0.52	-6.33%	$28.00	$22.40
United States Oil	USO	NASDAQ	11/15/2012	$31.89	$32.40	N/A	$0.00	1.60%	$43.00	$25.51

* Denotes recommendation not yet purchased.
The "Total Return" column includes all reinvested dividends at concurrent recommended buy prices. Returns calculated based on a purchase of $1,000 of the security on the listed entry date and price. The "Dividend Yield" column reflects the yield investors receive assuming they bought at the entry price and followed all subsequent recommendations.

As of close December 4, 2012

SOLD POSITIONS

RECOMMENDATION	Ticker	Portfolio	Entry Date	Entry Price	Total Return	Exit Date	Sell Price			
Hellenic Telecom	HLTOY	Extended	7/13/2012	$1.49	61.07%	10/19/2012	$2.40			
B.P. Prudhoe Bay Royalty	BPT	Extended	7/13/2012	$116.92	-24.14%	10/19/2012	$86.88			

* Denotes recommendation not yet purchased

As of close December 4, 2012

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Financial Braintrust Alliance Dossier

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Closing Thoughts

There are plenty of short-term concerns weighing on the markets. Likewise, there are plenty of long-term opportunities.

For most investors, the middle term, that is to say a period of 12-18 months, tends to offer the best opportunity.

In this issue, we've looked at five trends likely to play out over 2013 — and beyond. Gold provides a non-correlating asset that can boost returns to an investment portfolio while also lowering volatility. Selected high-income investments can provide a meaningful return in a low-yield world. Global growth offers investment opportunities well outside traditional markets for American investors. Commodities play off global growth and basic human needs.

Finally, even with all these likely outcomes, it's best to stay prepared for the unexpected.

For each of those trends, there are a wide variety of investment opportunities, many of which are in our existing FBTA Dossier portfolio, and many more that will be added as we progress through the year.

Here's to a safe and profitable 2013.

Andrew Packer

Actions to Take Now

Action No. 1: Take this end-of-the-year opportunity to revisit all of your investment holdings, inside and outside of your retirement accounts. Determine whether you're invested according to your risk tolerance, and if anything needs to be trimmed, added to or sold altogether.

Also calculate your rate of return: This will help you decide whether you're on track in beating the S&P 500 and the real inflation rate (currently around 6%), or if you need to recalibrate your investing approach.

Action No. 2: In this issue, we suggest a "set it and forget it" approach to investing. Keep in mind, this is merely one idea we wanted to present — it is not reflective of our approach to the F.B.A.'s Core and Extended portfolios, in which we will continue to provide new picks, and also selling advice when conditions call for it.

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