Foresight
Capital Management Advisors, Inc.

Newsletter 1Q 2014 and Market Summary

FCMA's Model Portfolios began 2014 out pacing the three benchmarks we compare to by over 1% on average! At March 31, 2014, the FCMA average results for our mutual fund portfolios were:

Conservative Model +2.65%, Moderate Model +2.33%, and Aggressive Model +2.20%.

2014 401(k) and IRA savings limits did not change and remain for 401(k)'s $17,500 and if age 50+ $23,000, and for IRA's $5,500 and if age 50+ $6,500 may be saved each year into the plans.

As our firm continues to grow Foresight has some great news to share with our clients and business acquaintances. Our firm grew about 26% last year and we are now managing over $100 million in assets under management. We thank you for your business and we will continue to work diligently to keep your portfolios on track.

Foresight's Newest Employee! Welcome Mark Forgiel from U of M.

Kyle is currently a Level II CFA candidate. See our website for Kyle's Bio.

Foresight 's New Winter Intern! Jennifer is a student at U of M.

Foresight just completed a white paper on Target Date Funds-The Next Retirement Dilemma. We have entered this in a national investment essay contest. It is full of research related to TDFs and is quite eye opening. Please email us at consultant@fcmadvisors.net if you would like a copy to read.

Laurie will be presenting at the Michigan School Business Officials-MSBO for the public schools management in May at their statewide convention. The topic will be focused on the fiduciary consulting that Foresight has provided for the state school employees regarding their investment selections for their 403(b) plans.

Foresight is now a published advisor on-line at www.feeonlynetwork.com. This is a website to locate fee-only advisors in your communities. Check it out and see a video from the AIF® national conference when Laurie was interviewed about our investment processes at Foresight!

FCMA Model Returns
March 31, 2014 YTD

Conservative Model	+ 2.65%
Moderate Model	+ 2.33%
Aggressive Model	+ 2.20%
Indexes:	
S&P 500 Index	+ 1.30%
MSCI EAFE Foreign	+ 0.00%
10Yr T-Bond Index	- 0.31%

Future performance is not guaranteed; above returns are 2pt actual averages

Foresight's Portfolio Strategies

The Zig Zag of the market, thus far in 2014, has most pondering what is in store for the rest of the year? We have studied carefully the reported earnings for 1Q 2014 and are happy to report that over 76% of the companies who have reported, as of this newsletter, have either met of beat expected earnings! There are three Pillars of the Economy, according to Matt Lloyd of AAM bond management, Households, Corporations, and Banking. Luckily all three pillars are in a positive trajectory for 2014 and the foreseeable future. We expect 2014 to be a good year in the market and investments should reap returns in step with the strength of the economy at large. Thus far the bond tapering has not impacted the economy and the US continues to grow with expectations that GDP will increase to 2.8% or possibly 3% in 2014! Interest rates are expected to stay low for a very long time and will likely not need the Federal Reserve intervention for the next couple of years. Janet Yellen, Fed Reserve Chm, commented in March 2014 that the Feds are not going to raise interest rates based on unemployment statistics. Unemployment remains at 6.7% through March and we expect this to lower close to 6% by yearend. In 2014 the consumer is spending on large ticket items such as housing and automobiles. Industrials are benefiting from these areas of spending. Foresight added this sector to our portfolios in January 2014 and believe we outpaced the market benchmarks due in part to this sector addition. Our research shows that likely 2014 will not have to deal with increases in inflation, labor costs, or energy costs. These factors will all assist with increasing corporate profits nicely in 2014. Although the economy is still fragile we expect a decent rise for the market in 2014.

Foresight remains globally invested and we are happy to have outpaced the three benchmark indexes, S&P 500, EAFE, and 10 Year Treasury Bonds, by +1% in all of our mutual fund Model portfolios YTD. We remain optimistic and have positioned our investment portfolios for diverse investment across the world in 2014. For 2Q 2014 we increased our holdings in industrials, precious metals, and healthcare. Foresight has reduced allocations in floating-rate interest bonds, technology, and merger activity. We are maintaining our overall portfolio strategies for 2014, and expect 2Q 2014 to have decent growth due to healthy corporate earnings releases. We look forward to 2014 being a pleasant surprise for the economy and hope that most companies continue to improve their bottom lines.

If you have any questions regarding these topics please send us an email to lstegenga@fcmadvisors.net and we will be happy to answer your questions. The Three Pillars of the Economy, Matt Lloyd April 17, 2014.

Contribution Limits

	2013	2014
401(k), 403(b), or 457 deferral limit	**$17,500**	**$17,500**
401(k), 403(b), or 457 max. deferral if age 50+	**$23,000**	**$23,000**
Total Savings deferral, match, and profit sharing	**$51,000**	**$52,000**
IRA deferral limit	**$5,500**	**$5,500**
IRA maximum deferral if age 50+	**$6,500**	**$6,500**
Simple IRA deferral limit	**$12,000**	**$12,000**
Simple IRA maximum deferral if age 50+	**$14,500**	**$14,500**
SEP IRA deferral limit ***(maximum not to exceed 25% of earnings)***	**$51,000**	**$52,000**
SEP IRA wage limit cap	**$255,000**	**$260,000**
Highly Compensated Employee wage limit	**$115,000**	**$115,000**

Foresight Planning Ideas:

Roth IRA Ideas if interested in additional savings ideas consider opening a Non-deductible IRA. This will allow you to save the maximum in your 401(k) and also save an additional $5.5k in a Non-deductible IRA, and $6.5k if age 50+. Then convert the Non-deductible IRA to a Roth IRA! It is a way to obtain Roth IRA funds even if you are not able to save directly into a Roth IRA.

Consider Covered Calls with Stock Portfolios: We offer this strategy for personal investment strategies that have or would like a portfolio of stocks, and add a strategy that helps to reduce the risk and add additional income. This strategy works best in a slightly upward trending market or sideways market. If you are interested in obtaining more information regarding this strategy please email lstegenga@fcmadvisors.net and we will send you a write up on the Covered Call Strategy.

Auto-Enrollment and Auto-Increment Options for Retirement Plans: Please consider adding both or one of these important options to your company's retirement plan. They allow every employee who is eligible to be automatically enrolled at the beginning of the year, and if Auto-increment is added the company can increase the savings of each employee by 1% each year. The employee has the ability to opt out of the "Auto", but history has shown few do. Therefore the company has accomplished something good for the employee by automatically setting up savings for their retirement! Please contact us if you are interested in pursuing these features. They are very inexpensive to amend and add to your current company plan. We recommend adding them by October 2014 to implement by January 2015.

Renewable Secured Debentures: there is a new debt instrument coming to market and are expected to be available at TD Ameritrade and Schwab soon. The concept is universal life insurance policies are being sold back to insurance companies because elderly insureds cannot afford to pay the premiums and really do not need the UL life policy because the risk they once covered with the policy does not exist anymore. They can sell the policy back and receive a "life settlement" in lieu of owning the life policy. These life policies are kept active by the life settlement company continuing to pay the premiums as the new owner of the policy. Then the life policies are securitized into a Renewable Secured Debenture. The Renewable Secured Debenture is an investment that can be invested in with terms that resemble a CD in that is has terms of 6 months to 7 years. They currently pay interest ranging from 4.75% to 9.5%, are securitized by the life insurance policies, and have risk associated with the ability of the life insurance company to make its claims payments. These investments are not guaranteed but do have a history of paying off since they are associated with UL policies of elderly insureds that are laddered based on the life expectancy of the original insureds. If you are interested in more information regarding these investments please contact us a Foresight.

Alert DOL ERISA Audits and Timing of Payroll Deposits: The Department of Labor recently implemented a new way to efficiently audit ERISA plans for timeliness of payroll deposits. They are on a mission to send letters to companies that might have sent in payroll deposits past the 15th of the following month rule of thumb. That is the bad news, however the good news is they will send a letter and let you calculate your own penalty and interest. If you pay the amount it might prevent a field audit from the DOL. Please let us know if you receive one of these letters and we can assist with the calculation.

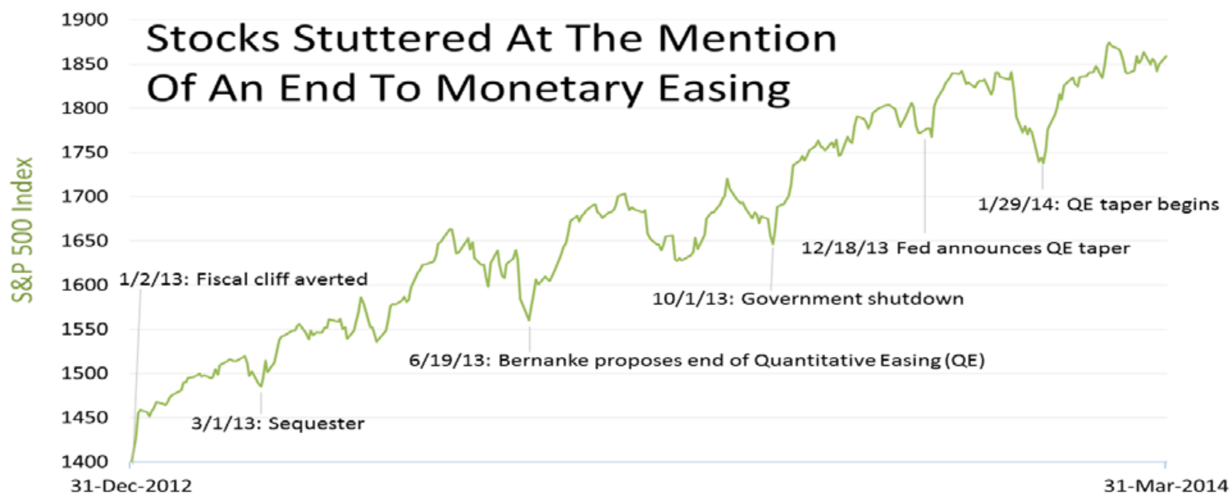
IRA with an Annuity: Is a concept that some retirees are considering for a portion of their wealth because of the guaranteed income protection. Foresight remains the advisor for your asset allocation throughout your retirement even if you choose this style of an IRA with an Annuity. Annual income from the portfolio is approximately 4.0% to 4.5% of the covered asset pool in the IRA. However, the annuity is attached to your IRA and if your IRA depletes during your lifetime or your spouse's then the annuity begins to pay your coverage amount for the rest of your life. If assets are left over in your account your heirs receive them. Annuity fees are charged based on asset allocation and range from 1.00% - 1.75%.

Portfolio Risk Measures - Alpha, Beta, and Now Gamma! Risk is something we all worry about with investments but when risk is properly adjusted portfolios react to market shifts with reduced risk. Foresight focuses on proper risk reduction by tracking the Alpha, Beta, and now will be working on Gamma in your portfolios. Gamma is a new risk parameter that approaches this process in a holistic way. A Gamma optimized retirement income plan can potentially create more income for a retiree. Gamma optimized portfolios create value by focusing on; total wealth asset allocation, annuity allocation, dynamic withdrawal strategy, liability relative optimization, asset location, and withdrawal sourcing. Foresight will be writing a white paper on Gamma soon to describe this risk measure more clearly. Stay tuned for its release.

Foresight's New WebPortal Reporting: Are you getting your quarterly reporting from us? If not please let us know so we can help you access it online through our web portal or send you a copy in the mail. We want our communication to be timely and beneficial to you. If you have any access issues please call or email us at 1-877-429-4690 or mgallagher@fcmadvisors.net. Soon we will be sending you a survey to get feedback on the use of the WebPortal.

On-line Access each year we encourage everyone to test your on-line access to your account(s) at the custodian or third party administrator for your plan. Please visit **Journeyrps.com, ExpertPlan.com** or **Noblepension.com** if a retirement participant. For individual clients at TD Ameritrade access **Advisorclient.com** for Schwab Institutional Clients access **Schwaballiance.com.** If you have any difficulty accessing your account, please email or contact us for assistance.

Quarterly Market Summary 1Q 2014

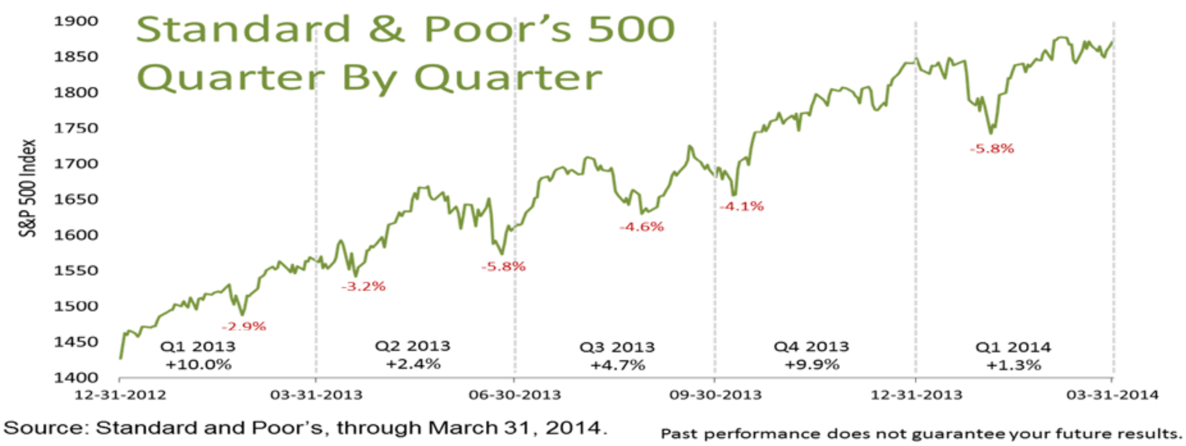


Source: Standard and Poor's, through March 31, 2014. Past performance does not guarantee of future results.

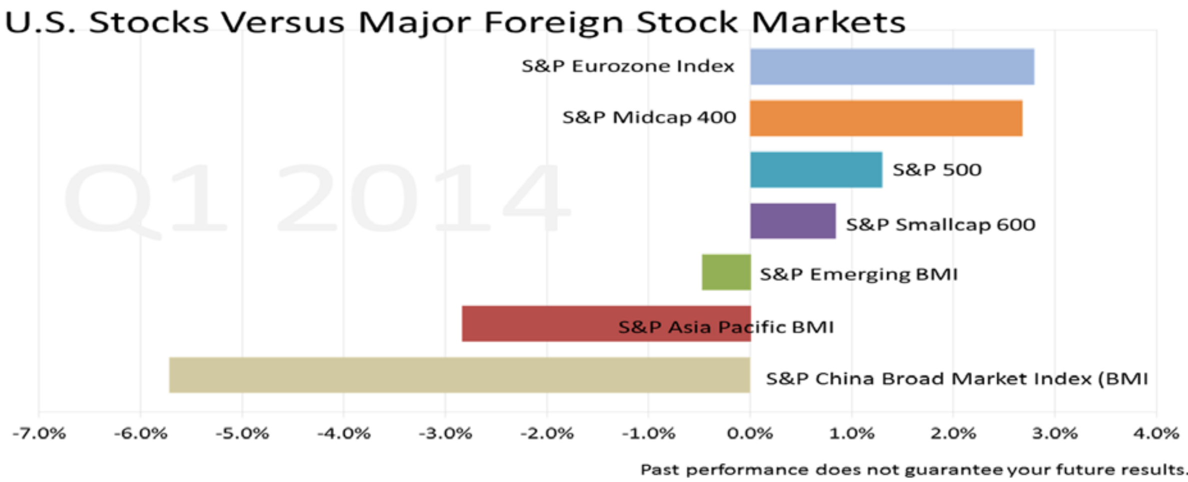
For the past five quarters – in fact, for the past five years – stocks have trended relentlessly higher with only minor interruptions.

Most recently, those brief stock market corrections have been tied to the Federal Reserve's talk of "taper" – the winding down of its quantitative easing (QE) program. Under QE, the Fed has systematically purchased $3 trillion of U.S. Treasury and Agency bonds, pushing bond yields down to stimulate the housing market, principally, and the economy more broadly.

While stocks have briefly stuttered at the Fed's periodic mention of, and now the execution of, the taper, stock market investors have quickly moved right back into buying mode as the economic data have been pointing to the likelihood of improving growth even as the Fed allows bond yields to float higher.

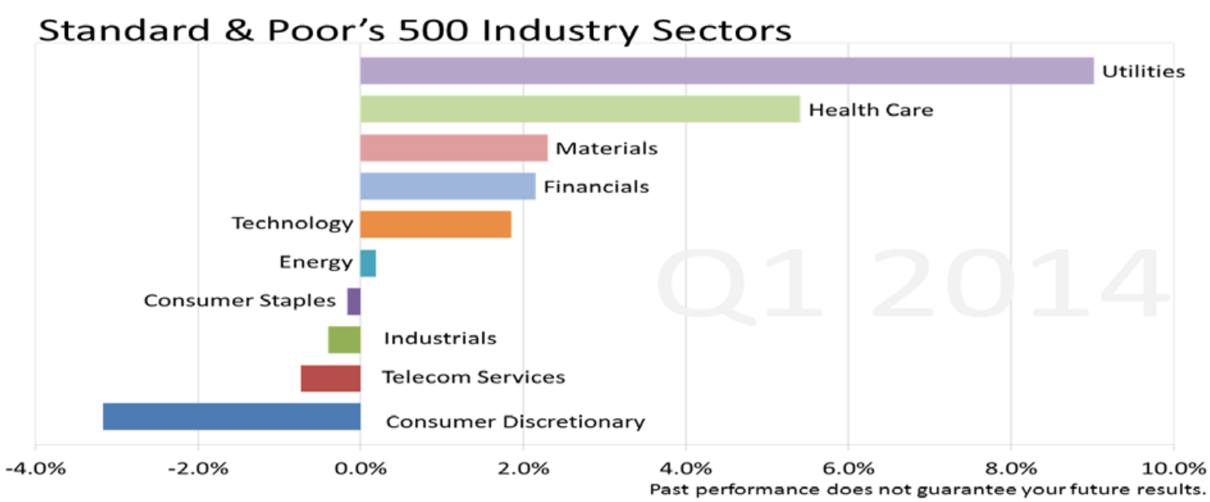


The S&P 500 gained 1.3% in the first quarter of 2014, despite January's 5.8% correction that came with the Fed's move to taper QE. For the year ended March 31, 2014, the S&P 500 gained 19.3%. The stock market hasn't experienced even a 10% correction in three years.

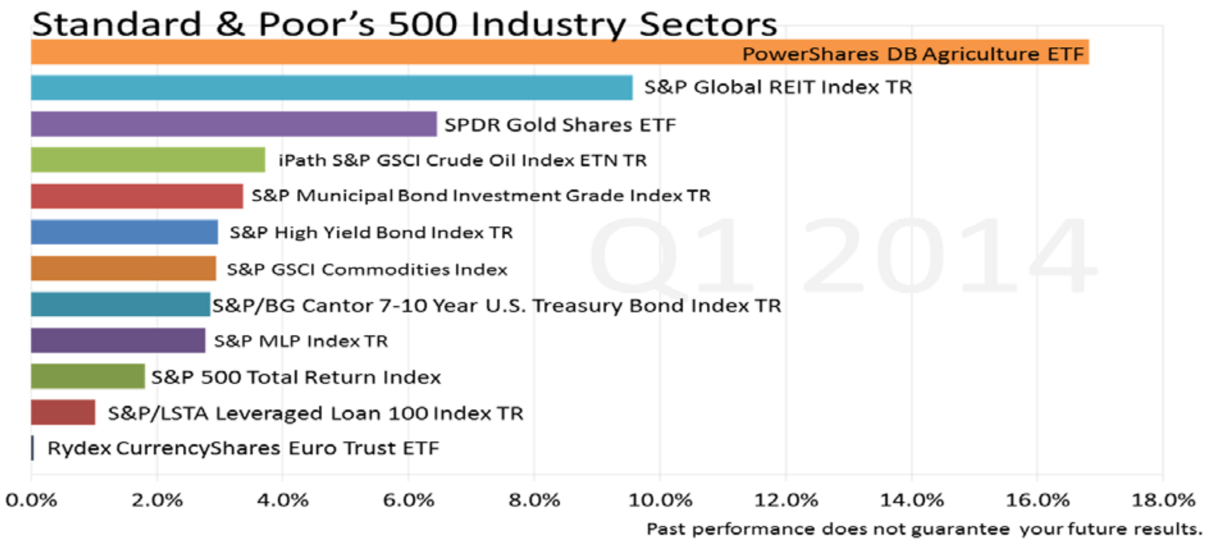


Among global stock markets, for the first time in years, the Eurozone index led, with a first quarter gain of 2.8% compared to the S&P 500's 1.3% gain; whereas Asia Pacific and China trailed the U.S. with losses of 2.8% and 5.7%, respectively.

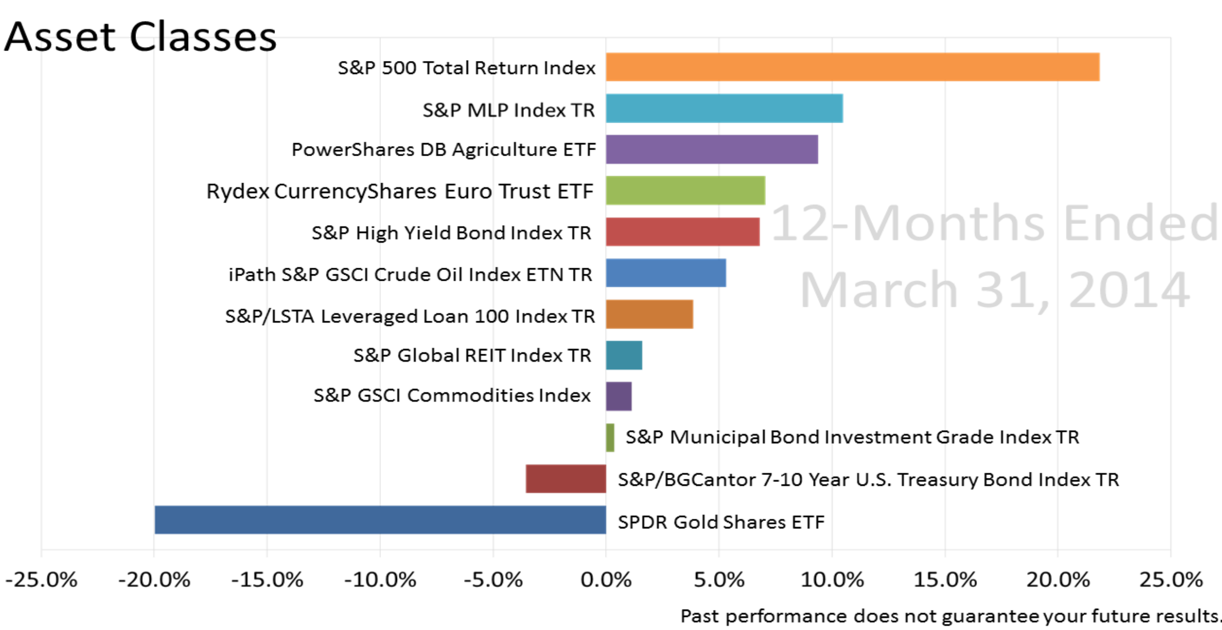
Within the U.S. market, mid-caps stood out, with a first quarter gain of 2.7%, beating the S&P 500 which is heavily weighted toward large-caps. Small-caps, meanwhile, trailed the S&P 500 with a gain of less than 1%.



Among the S&P 500's 10 sectors, first quarter 2014 returns showed utilities in first place with a gain of 9.0%, vs. consumer discretionary stocks in last place with a loss of 3.2%. Utilities' strong showing came as a big surprise, as the consensus among Wall Street strategists is for the sector to do poorly this year with the expected rise in bond yields.



Comparing first quarter 2014 returns among a broad range of asset classes, it was agricultural commodities and global REITs that led the pack with whopping gains of 16.8% and 9.6%, respectively, compared to the S&P 500's total return (including dividends) of just 1.8% – another illustration of how portfolio diversification can be so beneficial inasmuch as it's impossible to predict the various asset classes' relative performance.



That same comparison among a broad range of asset classes over the one-year period ended March 31, 2014, shows the S&P 500 and master limited partnerships (MLPs) leading with gains of 21.9% and 11.2%, respectively, while Gold lost 20.0% and Bonds lost 3.5%.

Source: Standard and Poor's, through April 7, 2014 Past performance does not guarantee your future results.

The first quarter of 2014 marked the bull market's fifth anniversary.

From the S&P 500's intraday low of 666 on March 9, 2009, stocks are just 7% short of *tripling* in the last five years.

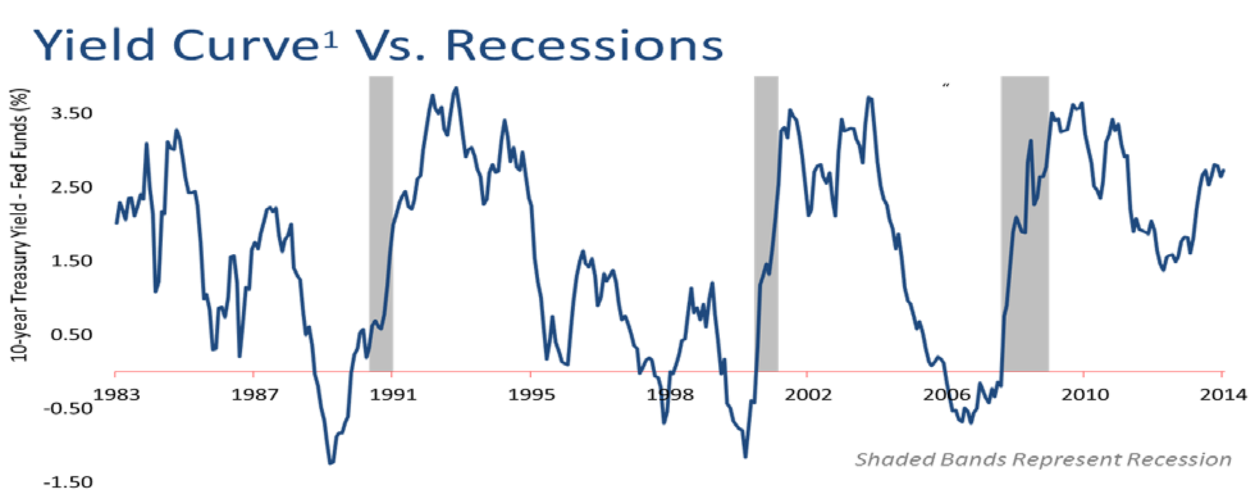
The bull's five-year anniversary spawned headline stories across the media, many questioning how much longer the good times can last. Only three of the 23 bull markets since 1900 have lasted six years.

In addition, the median bull market gain is 86%, compared with a 179% gain in this bull market.

However, keep in mind the *context* of this current bull market. Stocks had plunged to valuation levels not seen in decades.

Moreover, the S&P 500 is up just 21% from its pre-meltdown high of 1565 in 2007, just before the financial crisis set off the bear market.

It's anybody's guess when the next 20% market swoon will come – 20% being the definition of a bear market correction. However, there is little evidence today of the conditions that have accompanied bear markets in the past.



[1]The differential between the interest rate on Fed Funds (short term) and the 10-year Treasury bond (long term).
Sources: NBER; Federal Reserve Data through April 2, 2014.

Turning our attention from stocks to bonds, the big question as the new quarter began was not so much whether interest rates would rise, but by how much.

And there is a widely-held misconception about the effect of rising yields that is important for investors who want to stay broadly diversified to remember.

It is a myth that rising bond yields are bad for stocks. The notion that investors are attracted away from stocks to bonds for their higher yields may sound plausible, but it's not the reality of what has happened in the past.

Consider this statement from E.S. Browning, one of *The Wall Street Journal's* most esteemed reporters, in the March 24th edition of the venerable newspaper: *"Rising yields push up market rates, hurting businesses, banks and investors who use borrowed money. Higher yields are bad for both stock and bond prices."*

Brown's assessment is a classic articulation of the conventional wisdom, and it's largely wrong.

First, regarding interest rates, it is important to distinguish between short-term rates and long-term bond yields. The differential between the two is the crucial measure in assessing the economic and market outlook.

The blue line in the following chart represents the "yield curve" – the differential between short-term rates and long-term yields.

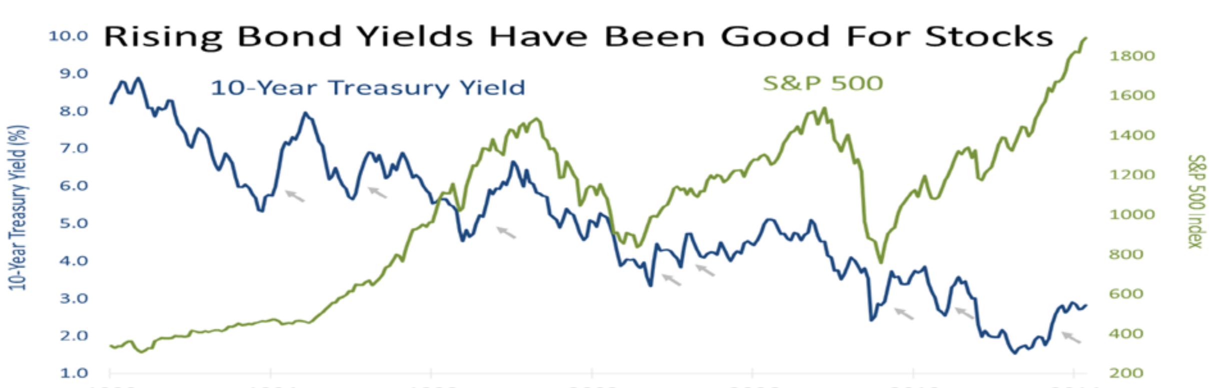
It is obvious that when the differential has been large – when the yield curve has been steep – it has occurred when the economy was growing robustly.

While even great financial newspapers like *The Wall Street Journal* make the mistake of assuming that higher bond yields choke off economic recovery, it is not so.
As you can see from this chart, steep yield curves – high bond yields compared to Fed Funds rates – are consistent with strong GDP growth.

Flat or negative yield curves have preceded recessions.

This history suggests that if bond yields do march higher as the Fed tapers QE, <u>it would be consistent with robust GDP growth</u>.

"Today, and for the foreseeable future, the yield curve is steep and it is likely to remain so," says Fritz Meyer, an independent economist we follow. "The Federal Reserve's new chairperson, Janet Yellen, has made that clear, which strongly suggests continued healthy economic growth, which would continue to fuel the bull market in stocks."

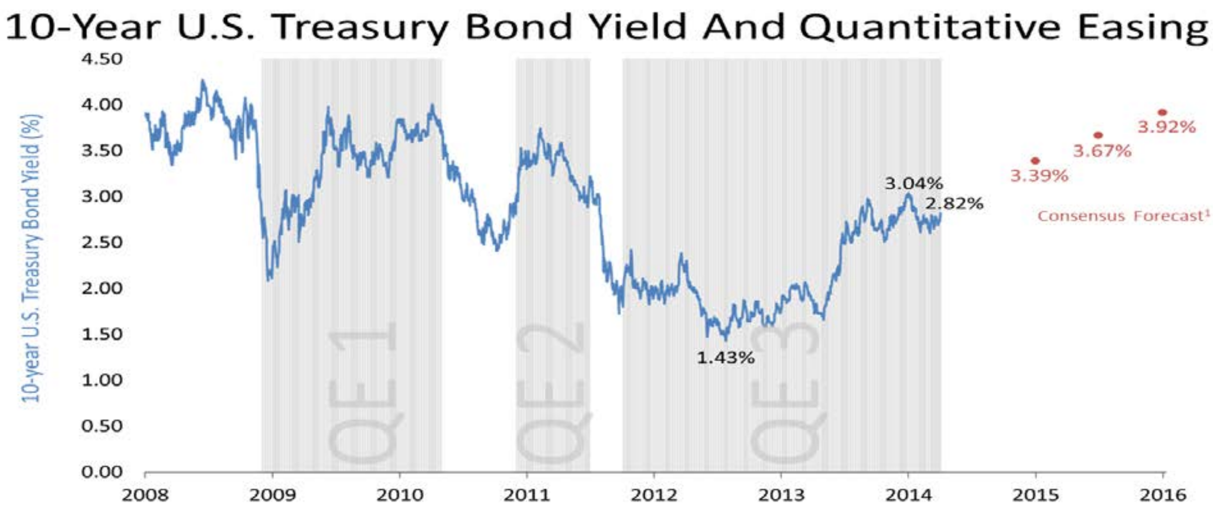


Sources: Standard and Poor's; Federal Reserve Bank of St. Louis, through April 2, 2014.

In the 24-year period covered by this chart, *every* time bond yields were in a rising cycle, the stock market was in a bull market mode.

Despite common misconception, rising bond yields are *symptomatic* of improving economic momentum. They are consistent with economic expansion and a healthy stock market.

Bull markets have often been accompanied by rising bond yields.



Source: Federal Reserve, through April 2, 2014. [1]*The Wall Street Journal* survey taken March 7-11, 2014.

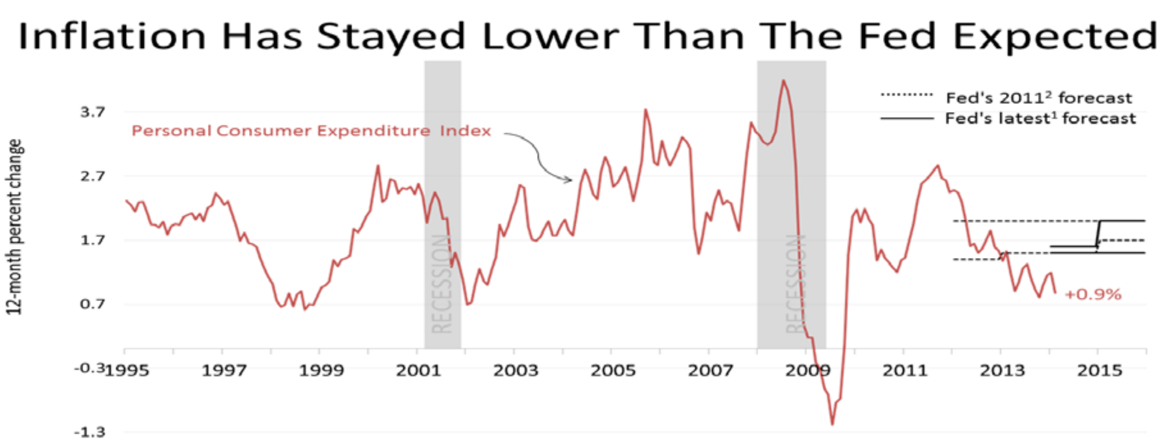
Are bond yields, in fact, set to start marching higher? Most economists think so, as this chart illustrates.

In anticipation of the QE taper, bond yields have already retraced much of their decline.

The latest consensus year-end 2014 forecast is 3.39%, according to *The Wall Street Journal*'s poll of leading economists.

Where yields go from here depends on the inflation data more than anything. Inflation is very low and apt to remain so.

With so many bond market experts expecting bond yields to rise, it would be ironic if bond yields surprise investors with only a modest rise.



[1] FOMC economic projection released March 19, 2014. [2] FOMC's November 2, 2011 central tendency forecast.
Source: Bureau of Economic Analysis, data through February 2014.

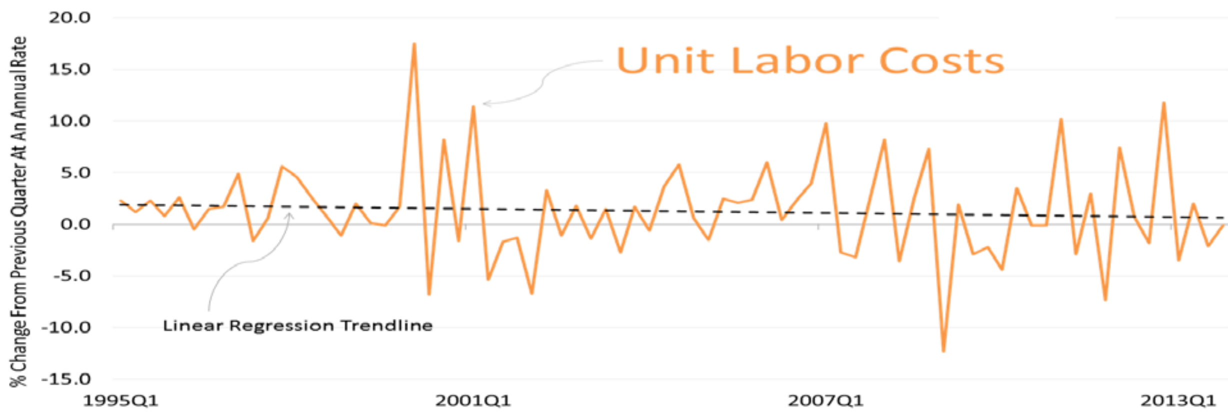
However, bond yields have already confounded experts by staying low for longer than expected. Why? Probably because inflation, the key driver of long-term bond yields, has remained low for longer than the Fed and most private economists had been forecasting.

In this chart, the Fed's 2011 forecast for inflation is shown by the dotted line. Notice how inflation, as measured by the Personal Consumer Expenditure Index, an indicator of the average increase in prices for all domestic personal consumption shown by the red line, blew through the downside boundary of the Fed's 2011 forecast shown by the dotted black line.

The Fed is maintaining a stance that the annual inflation rate will return to its desired target rate of about 2%. Why? Good question.

This issue is an issue to watch. Inflation could persist at a lower annual rate than the Fed has predicted. The Fed might actually be able to hold off on raising rates should inflation stay as benign as it has been.

Labor Costs Actually Declined In Recent Years



Source: Bureau of Labor Statistics, data through December 2013.

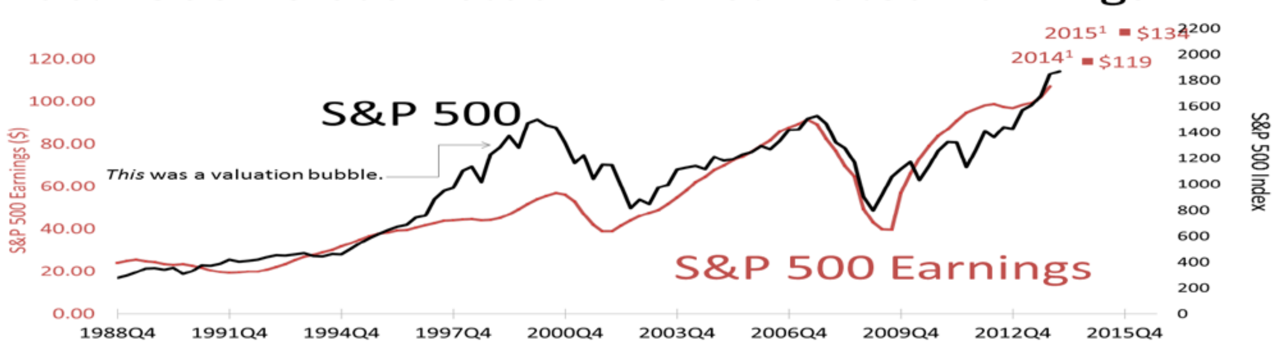
Any discussion of inflation is incomplete without examining trends in the cost of labor. Labor costs are the biggest single driver of inflation.

Because the labor market is slack, it's unlikely that wage and benefit inflation will rise any time soon.

Productivity gains have more than offset higher labor costs. In fact, unit labor costs, year over year in 2012 and 2013, actually fell into negative territory, as you can see in this chart.

Hence, it seems likely that the Fed, as well as most economists, could continue to be surprised at how low inflation remains. And, as a consequence, bond yields could remain low for longer than currently expected.

S&P 500 Versus Actual And Estimated Earnings



[1] Estimated 2014 and 2015 bottom-up S&P 500 earnings per share as of March 27, 2014: for 2014, $118.98; for 2015, $132.59. Sources: Yardeni Research, Inc. and Thomson Reuters I/B/E/S survey of consensus estimates. Standard and Poor's for index price data through March 31, 2014; and actual earnings data through December 2013.

The direction of stock prices is influenced by significantly different factors over a short-term period. For example, in the first quarter of 2014, stocks were buffeted by the onset of the Fed's less-stimulative monetary policy, winter weather-related economic softness, and by political events in Ukraine and Crimea.

In the long term, however, it is earnings, plain and simple, that drive stock prices.

Apply a price/earnings multiple to the red line (earnings) in the following chart, and you get the black line (the S&P 500 index).

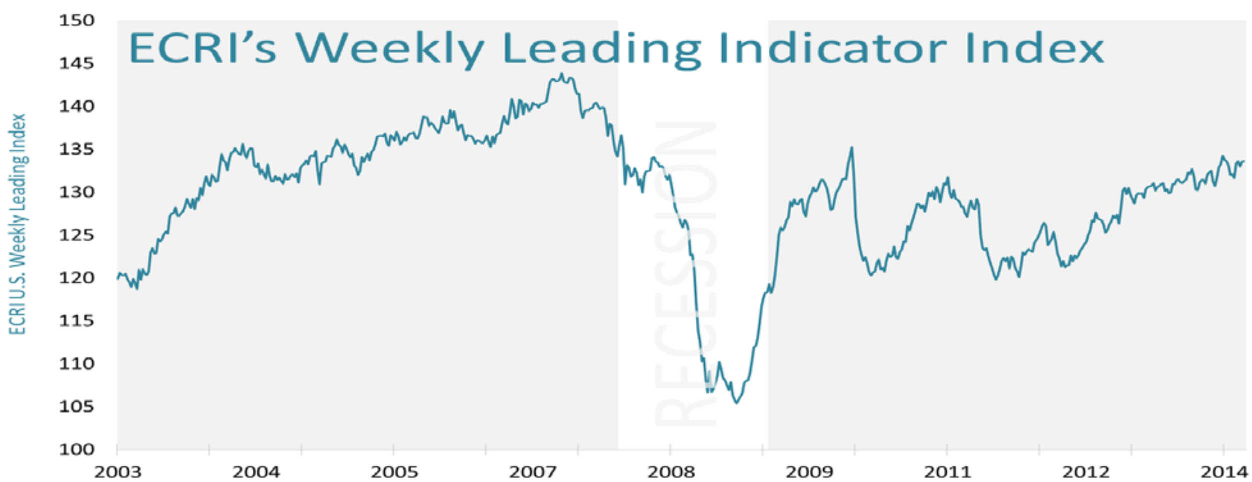
The dramatic earnings recovery from the 2009 bottom that you see here is precisely what accounts for the stock market climbing the wall of worry over the last five years.

This chart also provides a useful illustration of how dramatically stretched the market's price-earnings ratio became at the peak of irrational exuberance in the late 1990s.

Wall Street analysts' estimates for S&P 500 earnings this year and next year are indicated in the red squares. On the assumption that these estimates turn out to be close to accurate, then you could see why stock prices would get pulled higher by rising earnings in the period ahead.

Forecasting stock prices is a fool's game, because there are so many variables to the equation. However, this chart does illustrate that despite the terrific run stocks have recently had, they are *not* stretched in value compared to underlying earnings.

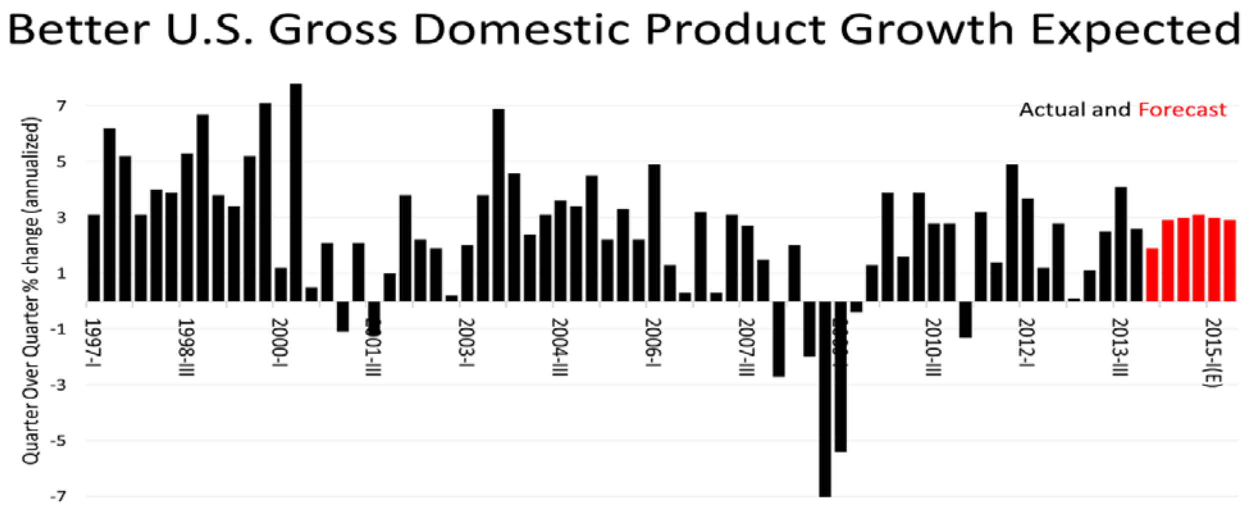
If the red line trends higher through the end of this year and next, then the black line will also trend higher.



Source: Economic Cycle Research Institute, through March 28, 2014.

By mid-April 2014, economic data had strengthened after weather-related weakness in December and January. Global leading economic indicators had picked up, the U.S.'s important monthly purchasing managers' indexes remained strong, car sales and home construction were strong, household net worth was back to its historical trend and hitting new highs and, believe it or not, the Federal Reserve litmus test of consumers' ability to spend – the financial obligations ratio – showed that Americans' ability to cover their monthly expenses had rarely been better.

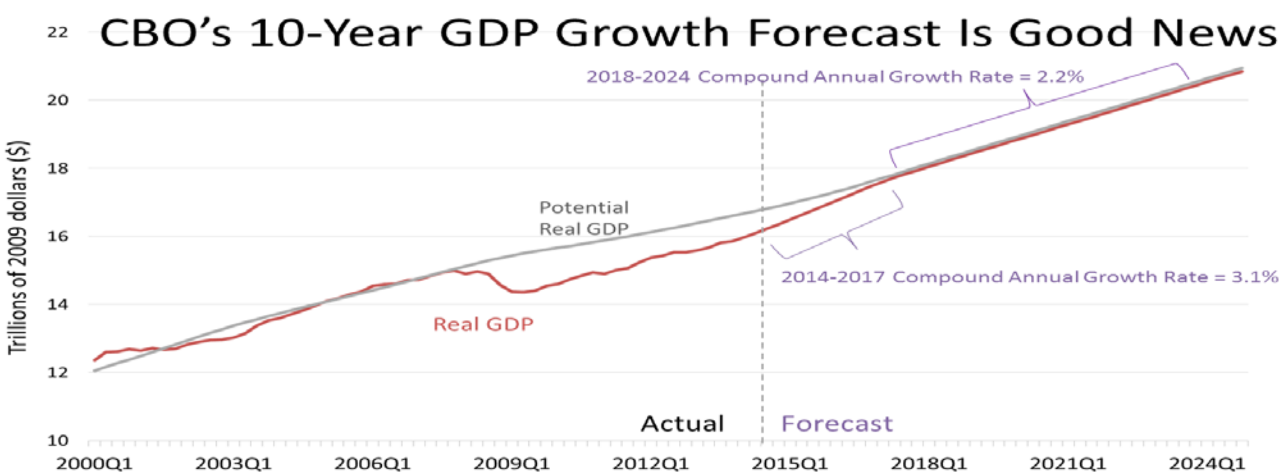
Personal income and spending have been trending steadily higher, and credit card debt is back to growing at its pre-recession pace. Following the disappointing December number of 84,000 net new, the January through March jobs numbers picked back up near last year's rate. Meanwhile, the Conference Board's monthly index of U.S. leading economic indicators ticked up sharply in February and ECRI's weekly leading index — after a dip in February — neared a four-year high.



Source: Bureau of Economic Analysis, actual data through December 2013; *The Wall Street Journal* survey taken March 7-11, 2014.

Taking into consideration all of the latest economic data, the consensus among the 50 economists surveyed by *The Wall Street Journal* in March is illustrated in this chart. The forecast is for better growth ahead through 2014 and the first half of 2015.

Consensus economic forecasts can be wrong. Political events and natural disasters, for example, can change the outlook quickly.



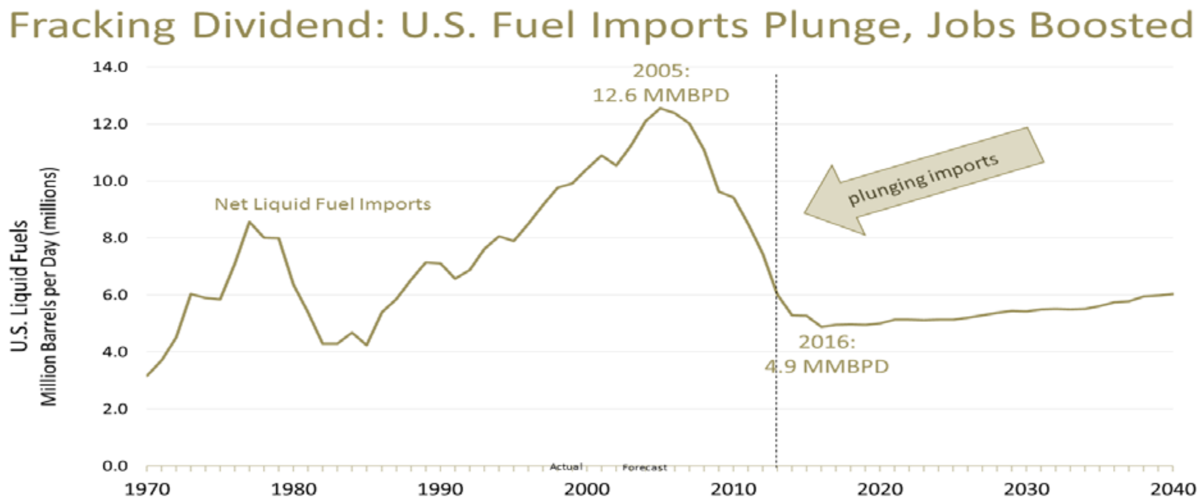
Source: Congressional Budget Office (CBO), *The Budget and Economic Outlook: 2014 to 2024*, February 4, 2014.

Meanwhile, the 10-year forecast for the economy from the Congressional Budget Office (CBO), the nonpartisan research arm of Congress, contains a very rosy outlook. CBO expects U.S. economic growth to accelerate significantly between 2014 and 2017. If the CBO's forecast is anywhere close to accurate, it would provide the fundamental underpinning to drive the already long bull market to continue.

The potential growth rate is shown in the grey line. In CBO's 10-year economic forecast released February 4, 2014, CBO said it expected U.S. economic output (GDP) to revert to its long-term *potential* growth track. CBO predicted a reversion to potential GDP growth looking out through 2024, which implies GDP growth averaging more than 3% from the start of 2014 through the end 2017. Real GDP, CBO said, will grow by 3.1% in 2014, 3.4% in 2015 and 2016, and by 2.7% in 2017.

If CBO's prediction turns out to be close to accurate, it would explain why a bull market that's already lasted longer than the average bull run could have a great deal of upside.

If a 3% growth in GDP is close to plausible, it explains why stocks have run steadily higher without even so much as a 10% correction, and why the steady run higher in stock prices may have further to go.



Source: U.S. Energy Information Agency, *Annual Energy Outlook 2014 Early Release*, December 16, 2013.

U.S. crude oil plus liquids net imports are forecasted to drop further from 6.0 MMBPD estimated in 2013 to 4.9 MMBPD, further reducing the U.S. trade deficit.

Before we leave the U.S. economic outlook, a word on the "fracking" dividend. It is, indeed, a very significant story.

With the application of hydraulic fracturing technology, U.S. oil and gas production has surged and is projected to go higher still. The dividend to the U.S. economy is huge, in the form of

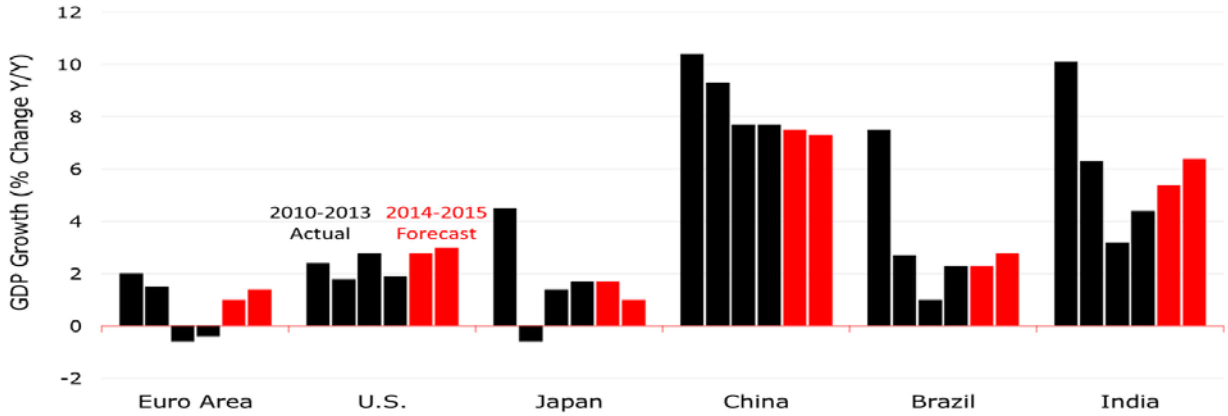
a) jobs created, both direct and via the jobs multiplier
b) the downward pressure on energy prices
c) the balance of payments

For every one worker directly engaged in oil production, several ancillary jobs are created in drilling equipment manufacturing, rail and pipeline employees, housing construction in the shale basins – Texas, North Dakota, Ohio, Pennsylvania, and elsewhere – food service, and hotels, as well as in education and state and local government services.

Consider the impact of the plunge in imports of foreign fuels: Instead of paying the Saudis for their oil, we're paying U.S. workers to produce our own oil.

In the third quarter of 2008, crude oil imports equaled a whopping 3.7% of U.S. GDP. That figure was down to 2.2% in the fourth quarter of 2013 and is headed lower. Because a reduction in imports directly contributes to U.S. GDP growth, it is evident how domestic oil production has already contributed very substantially to the U.S. economic recovery. What an unforeseen bonus!

World GDP: Better Growth Expected In 2014



Source: IMF *World Economic Outlook Update*, January 2014.

Similar to the near-term forecast for U.S. GDP growth, the IMF's latest global economic forecast shows expected acceleration in economic growth in 2014 and 2015 in all regions except Japan and China, with China holding approximately steady at 7½%.

Significantly, Europe is recovering and is expected to return to expand in 2014 and 2015.

The IMF, in its January 2014 World Economic Outlook, said it expected a recovery in Europe in 2014, and generally stronger growth elsewhere across the globe in 2014.

Disclosures:

Our firm regularly publishes research reports like this one from independent economist Fritz Meyer. Meyer previously served as senior strategist at one of the world's largest investment companies. The ideas are not financial advice and are presented for educational purposes.

Indices are unmanaged and not available for direct investment. Past performance is not indicative of future results. This information is from sources we believe to be reliable, but we cannot guarantee or represent that it is either accurate or complete. Opinions provided are those of the author—employed by Advisor Products, Inc.—and not necessarily those of your financial advisor.

Investments with higher return potential carry greater risk for loss.

Investing in small companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

Foreign securities have additional risks, including exchange rate changes, political and economic upheaval, the relative lack of information about these companies, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Investing in emerging markets involves greater risk than investing in more established markets, such as risks relating to the relatively smaller size and lesser liquidity of these markets, high inflation rates, adverse political developments and lack of timely information.

Fluctuations in the price of gold and precious metals often dramatically affect the profitability of the companies in the gold and precious metals sector. Changes in political or economic climate for the two largest gold producers, South Africa and the former Soviet Union, may have a direct effect on the price of gold worldwide.