INTERMARKET FORECASTING

TOP DOWN INSIGHTS . . . BOTTOM LINE RESULTS

TRACK RECORD 2013

IFI delivered solid forecasting success in 2013, predicting much of the U.S. equity boom, 80% of the relative results for the ten S&P 500 sectors (including big gains for *Financials* and *Consumer Discretionary*), the steepening of the U.S. yield curve, excess gains from high-yield corporate bonds (versus T-Bonds), the dollar's broad appreciation, the rise in foreign bond yields, and 73% of directional shifts in foreign stock indexes. We didn't forecast the broad decline in commodity prices (-5%), or the sharp drop in the precious metals, but overall we correctly forecasted 67% of the 129 assets we cover, compared to our long-term success rate of 66% (page 3). We also out-performed 63% of our peers, versus a long-term average out-performance of 61% (page 3). Below is a summary of the main results:

- Global equities (MSCI World) gained 20.3% in 2013, but IFI's Global equity portfolio materially out-performed, with a return of 26.0%, due mainly to a portfolio *over-weighting* in the U.S. relative to other regions; the S&P 500 returned 34.2% in 2013, easily surpassing the return on the world index (Table 3, page 5).

- Our U.S. Specific portfolio returned 28.0%, due to our out-sized allocation in equities (a 75% share, and return of 38.5%), versus a meager share in bonds (15%), which returned just 3.9% (mostly from high-yield bonds). We advised only a 10% portfolio allocation to commodities (which lost 14.8%) and no allocations at all to U.S. T-Bonds (which lost 16%) or T-Bills (0%). A passive benchmark (65% stocks, 30% bonds, 5% T-Bills) would have returned only 17.9% in 2013, so our optimal portfolio out-performed that by a material 10% points (Table 3, page 5).

- Our model portfolio for U.S. Equity Styles returned 38.5% in 2013, beating the passive benchmark of equal-weighted styles by 1% point (Table 3, page 5). We foresaw that small-cap growth stocks would gain the most in 2013 (42.6%), while large-cap value stocks would gain the least (31.8%). Our advised portfolio weights were perfectly symmetric with actual returns on styles. In sector rotation (Tables 6 and 7, pages 8-9) our model portfolio gained 30.1%, outperforming the S&P 500 (price basis) by 3% points. Our five *most-favored* sectors (*Financials, Consumer Discretionary, Information Technology, Industrials,* and *Energy*) delivered a weighted-average gain of 28.6%, while our five *least-favored* sectors (including *Materials*, *Consumer Staples* and *Telecomm Services*) gained only 1.4%. We did not, however, forecast the boom in *Health Care* stocks.

- IFI's model portfolio for U.S. Specific Fixed Income returned 3.5%, surpassing the 2.1% loss on the benchmark LB Aggregate Bond Index (Table 3, page 5). We disproportionately favored corporate bonds in 2013 (especially high-yield bonds, with a 75% portfolio share), versus T-Bonds (allocation just 10%); notably, high yield bonds returned 7.4%, while T-Bonds plunged by 16%. We also rightly projected a *steepening* of the U.S. yield curve, plus the further narrowing of credit spreads (Table 5, page 7). The lost opportunity was in convertible bonds (+24.5%).

- We predicted the mild rise of the U.S. dollar in 2013, and were most bullish on its relation to the yen (against which the greenback gained 24%), but we also predicted the dollar's drop versus the British pound and Swiss franc (Table 4, page 6). The dollar's broad gain was too meager for us to predict the 5% drop in broad commodity prices in 2013, nor the 31% plunge in the precious metals, so here our success rate dropped to 37% (Table 4, page 6), from 71% in 2012.

- In 2013 we out-performed 63% of our Wall Street peers (ten other strategists) on U.S. stocks, corporate profits, T-Bond yields, and U.S. GDP growth (Table 9, pages 11-2), slightly above our average historical out-performance of 61%. We were right to be far more bullish on U.S. stocks than were our rivals in 2013, but they better foresaw much higher U.S. T-Bond yields.

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IFI's Market-Based Forecasting Method

IFI's unique forecasting system uses signals from forward-looking market prices to anticipate risk-adjusted returns on currencies, commodities, stocks, bonds and bills globally. We avoid using most economic data, which are backward-looking, frequently revised after-the-fact, and thus inherently incapable of capturing the outlooks and incentives faced by market-makers with their own (or clients') capital at risk.

IFI's aim is to uncover quantitative, predictive and exploitable market-price relationships consistent with the principles of classical (or "supply-side") economics,[1] market-clearing price theory, market efficiency and empirical financial history. The finance-investment research on which we rely most is Arbitrage Pricing Theory (APT).[2] The evidence shows that market prices reflect the combined, forward-looking wisdom of the most astute market-makers – and as such, prices themselves reliably embody forecasts. We try to "decode" the messages in market prices by performing rigorous regression analyses on the data, scrupulously retaining only statistically-significant explanatory factors. We employ no "gurus" and reject any resort to subjective "hunches," anecdotes, or pop psychology.[3]

Our approach is *neither* "top-down" (GDP-based) nor "bottom-up" (company-specific) but instead focuses on the reliable *inter-connections* among five key markets—stocks, bonds, bills commodities and currencies—while also using careful judgment on political-legal matters.

The empirical record demonstrates that an investor's initial asset allocation explains more than 80% of the variation in returns ultimately achieved, so security selection and timing account for less than 20% of total returns (execution costs determine the balance). Thus in forecasting asset-class performance, IFI focuses precisely on the element of investment decision-making that most influences one's bottom-line results. IFI's time horizon is *one-year*, because there we find the most dependable forecasting success. We also provide forecasts looking a half-year ahead, but very short-term (and very long-term) forecasts are much less reliable and (for now at least) beyond our mission or purview. Optimal use of our forecasting system is achieved by *tactical asset allocation* (with a year-ahead horizon), versus day-trading, "market timing," or strategic asset allocation (using multi-year horizons).

Today's investor has many practical means of profiting by our forecasts and asset-allocation advice. For many years now it's been both unnecessary (and dangerous) to be a "stock picker" (or bond picker) – and much safer (and wiser) to profit from forecasts of broad asset classes and sub-classes.[4] Indeed, 100% of the variables in our monthly report represent *investable* assets. At IFI we don't waste time forecasting GDP, CPI, non-farm payrolls and the sundry other "measures" provided by Washington, since no one can invest in such statistics; that data stream offers only hindsight about the market-based activity investors should truly care about.

For easy reference, we provide a numbered list of every research report we issued to clients in 2013 (see pages 12-13). Clients also can access every IFI report ever published (as far back as February 2000) by special access code on our web-site. The primary report upon which "Track Record 2013" is based is our "Outlook 2013," published a year ago. As market conditions (and thus the price signals we rely upon) changed during the year we altered our year-ahead forecasts; but to be strictly objective, "for the record" in 2013 we focus on our year-ahead outlook from a year ago. As previously, we also include *all* the variables that we forecasted in 2013—and *all* the results—be they good, bad or ugly.[5]

[1] See "Saysian Economics," *The Capitalist Advisor*, InterMarket Forecasting, Inc., December 31, 2003 (Part I) and January 5, 2004 (Part II).

[2] See "Arbitrage Pricing Theory," http://en.wikipedia.org/wiki/Arbitrage_pricing_theory. For technical articles on APT, see http://www.kellogg.northwestern.edu/faculty/korajczy/htm/aptlist.htm. For APT articles focused on investment applications and forecasting using the yield curve (or "the term structure of interest rates), see the work of Campbell Harvey, finance professor at Duke University (http://www.duke.edu/~charvey/research.htm).

[3] For more on our basic forecasting framework, see "Introducing the 'Policy Mix Index,'" *The Capitalist Advisor*, InterMarket Forecasting, Inc., April 23, 2002 and "The Basics of Inter-Market Forecasting," *The Capitalist Advisor*, InterMarket Forecasting, Inc., September 7, 2004. Also see the "Methodology" tab on our web site (www.intermarketforecasting.com).

[4] See "Exchange-Traded Funds: Asset Allocation Made Easy," *Investment Focus*, InterMarket Forecasting, Inc., April 11, 2003. Today there are more than 1000 exchange-traded funds (ETFs) tracking every kind of asset class. IFI's monthly forecast report (*The InterMarket Forecaster*) includes the most usable ETFs.

[5] Some forecasters dishonestly "cherry-pick" their track records so as to emphasize only their successes; IFI prides itself on presenting the *full* record, not a mere *partial* one. Of course, there's nothing magical about measuring forecasting success solely in the calendar year after December; it's merely a convention in the field. The reports we issue *during* the year also can be consulted for our subsequent forecasting success. Please contact IFI for full details.

Table One

Forecasted Variables in 2013 & IFI's Success Rates

Table	Page	Category	# of Variables	Correctly Forecasted Number	Correctly Forecasted Percent
3	5	Returns on IFI Model Portfolios	4	3	75%
4	6	U.S. Dollar & Commodities	44	18	41%
5	7	U.S. Money Market & Fixed Income	14	9	64%
6, 7	8	U.S. Equities & Sector Rotation	33	29	88%
8	10	International Markets	34	27	79%
		Total	**129**	**86**	**67%**

IFI vs 12 Other Strategists

Table	Page	Category	# of Competitors	Out-Performed by IFI Number	Out-Performed by IFI Percent
9	11	S&P 500 Price Index	10	9	90%
9	11	S&P 500 Earnings per Share	10	5	50%
9	12	10-Year U.S. Treasury Bond Yield	10	1	10%
9	12	U.S. Real GDP Growth	10	10	100%
		Average		**6.3**	**63%**

IFI Annual Track Records

Year	# of Variables	% Correct	Above/ Below Average	% of WS Peers Surpassed
2001	68	70%	4%	64%
2002	100	60%	-6%	79%
2003	140	84%	18%	58%
2004	136	78%	12%	48%
2005	148	70%	4%	83%
2006	148	65%	-1%	54%
2007	126	49%	-17%	72%
2008	126	48%	-18%	63%
2009	125	79%	13%	54%
2010	126	72%	7%	52%
2011	129	33%	-33%	40%
2012	129	80%	14%	65%
2013	129	67%	1%	63%
AVG	125	66%		61%

Table Two

IFI's Asset Allocation Recommendations in 2013

Allocations Assume a One-year Time Horizon

Global Investor	Dec 2012	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013
U.S.	46%	48%	52%	54%	55%	58%	59%	61%	62%	63%	64%	65%	66%
Europe/U.K.	29%	29%	27%	27%	26%	26%	28%	27%	28%	28%	29%	29%	30%
Asia-Pacific/Japan	19%	19%	17%	16%	15%	13%	12%	11%	9%	8%	6%	5%	3%
Latin America/Canada	6%	4%	4%	3%	4%	3%	1%	1%	1%	1%	1%	1%	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Investor													
Equities	70%	75%	75%	75%	70%	70%	70%	70%	70%	75%	80%	85%	85%
Bonds (U.S. & Corporate)	15%	15%	15%	20%	20%	20%	20%	20%	20%	20%	20%	15%	15%
Bills (T-Bills & Aaa C/P)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Commodities/Gold	15%	10%	10%	5%	10%	10%	10%	10%	10%	5%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Fixed Income Investor													
U.S. Treasury Bonds	5%	5%	5%	5%	5%	5%	5%	5%	0%	0%	0%	0%	0%
Inflation-Indexed Bonds	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Medium-Term Treasury Notes	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Investment-Grade Corporate Bonds	25%	20%	20%	20%	25%	25%	25%	25%	25%	20%	15%	10%	10%
Non-Invest.-Grade Corporate Bonds	70%	75%	75%	75%	70%	70%	70%	70%	75%	80%	85%	90%	90%
Convertible Corporate Bonds	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
U.S.-Specific Equity Investor													
Large-Cap Growth	40%	40%	35%	35%	35%	25%	20%	15%	5%	5%	5%	0%	0%
Large-Cap Value	25%	25%	30%	30%	30%	35%	40%	45%	50%	50%	50%	50%	50%
Small-Cap Growth	20%	20%	15%	15%	15%	15%	10%	5%	5%	5%	5%	5%	5%
Small-Cap Value	15%	15%	20%	20%	20%	25%	30%	35%	40%	40%	40%	45%	45%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Table Three

Returns on Major Asset Classes & IFI's Model Portfolios

Based on IFI's Advised Portfolio Weightings at the Beginning of 2013 *

Global Equity Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
U.S. (S&P 500)	48%	34.21%	16.42%
Europe/U.K.	29%	27.16%	7.88%
Asia-Pacific/Japan	19%	9.06%	1.72%
Latin America/Canada	4%	-0.93%	-0.04%
Sum of Weighted-Average Returns:			**25.98%**
Benchmark Return (MSCI World):			**20.25%**
Excess/Deficient Return vs. Benchmark:			**5.73%**

U.S.-Specific Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
Equities (1)	75%	38.51%	28.88%
Bonds (Treas. & Corp.) (2)	15%	3.47%	0.52%
Commodities/Gold (3)	10%	-14.80%	-1.48%
3-Month Treasury Bills	0%	0.07%	0.00%
Sum of Weighted-Average Returns:			**27.92%**
Benchmark Return (4):			**17.94%**
Excess/Deficient Return vs. Benchmark:			**9.98%**

1. See weighted-average calculation from "U.S.-Specific Equity Investor"
2. See weighted-average calculation from "U.S.-Specific Bond Investor"
3. Half from the Goldman Sachs Commodity Index and half from gold
4. Benchmark: Equities 65%, Bonds 30%, T-Bills 5% = 100%

U.S.-Specific Bond Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
Non-Inv.-Grade Corp. Bonds	75%	7.42%	5.56%
Inv.-Grade Corp. Bonds	20%	-6.49%	-1.30%
Long-Term Treasury Bonds	5%	-15.96%	-0.80%
Inflation-Indexed T-Bonds	0%	-15.73%	0.00%
Medium-Term T-Notes	0%	-2.38%	0.00%
Convertible Corporate Bonds	0%	24.51%	0.00%
Sum of Weighted-Average Returns:			**3.47%**
Benchmark Return (Lehman Agg.):			**-2.06%**
Excess/Deficient Return vs. Benchmark:			**5.53%**

U.S.-Specific Equity Investor	Advised Weighting	Total Returns per Asset Class: Absolute	Total Returns per Asset Class: Weighted Avg.
Small-Cap Growth (in S&P 600)	40%	42.64%	17.06%
Small-Cap Value (in S&P 600)	25%	40.65%	10.16%
Large-Cap Growth (in S&P 500)	20%	32.60%	6.52%
Large-Cap Value (in S&P 500)	15%	31.76%	4.76%
Sum of Weighted-Average Returns:			**38.51%**
Benchmark Return (50% in S&P500, 50% in S&P600):			**37.66%**
Excess/Deficient Return vs. Benchmark:			**0.84%**

* "Outlook 2013," January 22, 2013.

Table Four

THE U.S. DOLLAR & COMMODITIES

IFI Forecasts versus Actual Results, Dec. 2012 - Dec. 2013

	% Changes in 2013		Directionally
U.S. Dollar in Foreign Exchange	**Forecasted**	**Actual**	**Correct?**
Dollar Index	1.4%	0.7%	yes
in Euro	2.3%	-4.3%	no
in JapaneseYen	6.2%	23.5%	yes
in Swiss Franc	-3.8%	-3.0%	yes
in British Pound	-2.4%	-1.5%	yes
in Canadian Dollar	-2.7%	7.5%	no
in Australian Dollar	-2.5%	16.5%	no
in Mexican Peso	1.1%	1.1%	yes
in Brazilian Real	-0.6%	13.0%	no
	% Changes in 2013		**Directionally**
Broad Commodity Indexes	**Forecasted**	**Actual**	**Correct?**
CRB Index: Spot Prices (All Commodities)	3.7%	-5.2%	no
Diversified Basket of Commodities [DBC]	4.0%	-7.4%	no
Precious Metals [DBP]	6.1%	-31.3%	no
Base Metals [DBB]	4.3%	-14.7%	no
Energy Products [DBE]	2.6%	5.4%	yes
Agricultural Goods [DBA]	3.4%	-13.5%	no
Goldman Sachs Commodity Index [GSP]	2.9%	-1.1%	no
	% Changes in 2013		**Directionally**
Specific Commodities	**Forecasted**	**Actual**	**Correct?**
Aluminum	0.6%	-16.9%	no
Coal	-0.9%	-7.5%	yes
Cocoa	1.0%	13.9%	yes
Coffee	9.5%	-21.3%	no
Copper	4.5%	-9.0%	no
Corn	4.1%	-41.0%	no
Cotton	7.1%	8.3%	yes
Crude Oil	6.8%	10.1%	yes
Electricity	-0.3%	-5.9%	yes
Gasoline	3.9%	0.7%	yes
Gold	6.2%	-27.6%	no
Heating Oil	2.6%	0.4%	yes
Lead	4.2%	-4.0%	no
Lean Hogs	4.4%	1.0%	yes
Live Cattle	3.4%	0.7%	yes
Natural Gas	-0.5%	18.7%	no
Nickel	5.3%	-19.6%	no
Oats	1.2%	-9.6%	no
Orange Juice	-3.5%	5.5%	no
Palladium	5.6%	1.9%	yes
Platinum	6.1%	-14.9%	no
Silver	6.2%	-38.0%	no
Soybeans	4.8%	-8.2%	no
Steel	3.2%	-7.6%	no
Sugar	2.9%	-13.5%	no
Tin	9.2%	2.2%	yes
Wheat	2.1%	-24.5%	no
Zinc	3.0%	0.5%	yes

Table Five

U.S. MONEY MARKET & FIXED INCOME

IFI Forecasts versus Actual Results, Dec. 2012 - Dec 2013

	Yield Levels (averages in %)				Forecasted	Actual	
	Actual	Forecast	Forecast	Actual	Change in	Change in	Directionally
U.S. Treasury Yield Curve	**Dec 12**	**Jun 13**	**Dec 13**	**Dec 13**	**2013 (bps)**	**2013 (bps)**	**Correct?**
Fed Funds Rate	0.16	0.18	0.19	0.09	3	-7	no
3 mo. T-Bill Rate	0.07	0.12	0.16	0.08	9	1	yes
2 yr. T-Note Yield	0.26	0.32	0.36	0.34	10	8	yes
5 yr. T-Note Yield	0.70	0.77	0.82	1.58	12	88	yes
10 yr. T-Bond Yield	1.72	1.78	1.82	2.90	10	118	yes
30 yr. T-Bond Yield	2.88	2.93	2.96	3.89	8	101	yes
Forecasted vs. Actual: Absolute Total Return on T-Bonds:					1.1%	-14.3%	no
Forecasted vs. Actual: Relative Total Return, T-Bonds vs. T-Bills:					1.0%	-14.4%	no

	Yield Levels (averages in %)				Forecasted	Actual	
	Actual	Forecast	Forecast	Actual	Change in	Change in	Directionally
U.S. Corporate Bond Yields (%)	**Dec 12**	**Jun 13**	**Dec 13**	**Dec 13**	**2013 (bps)**	**2013 (bps)**	**Correct?**
Non-Investment Grade	6.27	5.65	5.35	5.88	-92	-39	yes
Investment-Grade (Baa-rated)	4.63	4.58	4.52	5.38	-11	75	no
Investment-Grade (Aaa-rated)	3.65	3.62	3.60	4.62	-5	97	no
U.S. Corp. Yield Spreads to 10-yr T-Bond (bps)							
Non-Investment Grade	455	387	353	298	-102	-157	yes
Investment-Grade (Baa-rated)	291	280	270	248	-21	-43	yes
Investment-Grade (Aaa-rated)	193	184	178	172	-15	-21	yes

Table Six

U.S. EQUITIES & SECTOR ROTATION

IFI Forecasts versus Actual Results, Dec. 2012 - Dec 2013

	% Changes in 2013		Directionally
U.S. Equities and Style Bets	**Forecasted**	**Actual**	**Correct?**
DJIA 30	11.2%	22.5%	yes
NASDAQ Composite	10.2%	35.7%	yes
Large-Cap (S&P 500)	16.0%	27.1%	yes
Large-Cap Value (S&P 500)	13.0%	29.5%	yes
Large-Cap Growth (S&P 500)	19.1%	29.6%	yes
Large-Cap Value vs Large-Cap Growth (% pts)	-6.1%	-0.1%	yes
Super-Cap (S&P 100)	11.0%	27.3%	yes
Small-Cap (S&P 600)	6.1%	40.7%	yes
Small-Cap Value (S&P 600)	4.5%	38.7%	yes
Small-Cap Growth (S&P 600)	7.7%	42.3%	yes
Small-Cap Value vs Small-Cap Growth (% pts)	-3.3%	-3.6%	yes
Small-Cap (Russell 2000)	6.9%	37.8%	yes
Large-Cap vs. Small Cap (% pts)	9.1%	-10.7%	no
	% Changes in 2013		**Directionally**
S&P 500 Sectors: Absolute Change (%)	**Forecasted**	**Actual**	**Correct?**
Consumer Discretionary	21.6%	38.5%	yes
Consumer Staples	8.8%	19.6%	yes
Energy	10.9%	19.0%	yes
Financials	22.8%	32.9%	yes
Health Care	10.1%	35.6%	yes
Industrials	16.8%	34.4%	yes
Information Technology	20.3%	23.1%	yes
Materials	8.5%	21.8%	yes
Telecommunications Services	10.2%	4.5%	yes
Utilities	10.3%	7.3%	yes
	% Changes in 2013		**Directionally**
S&P 500 Sectors: Change vs. S&P 500 (% pts)	**Forecasted**	**Actual**	**Correct?**
Consumer Discretionary	5.5%	11.4%	yes
Consumer Staples	-7.2%	-7.5%	yes
Energy	-5.1%	-8.1%	yes
Financials	6.8%	5.8%	yes
Health Care	-6.0%	8.5%	no
Industrials	0.8%	7.3%	yes
Information Technology	4.3%	-4.0%	no
Materials	-7.5%	-5.3%	yes
Telecommunications Services	-5.8%	-22.6%	yes
Utilities	-5.7%	-19.8%	yes

Table Seven

The Absolute & Relative Price Performance of S&P 500 Sectors

Organized by IFI's Advised Weightings at the Beginning of 2013 *

Changes in averages: Dec. 2012 to Dec. 2013

Sectors	IFI's Advised Weighting	Over-weight/ Under-weight	Absolute Changes Simple	Absolute Changes Weighted	Relative to S&P 500 Simple	Relative to S&P 500 Weighted
Financials	27%	12%	32.9%	8.9%	5.8%	1.6%
Consumer Discretionary	25%	14%	38.5%	9.6%	11.4%	2.9%
Information Technology	21%	2%	23.1%	4.9%	-4.0%	-0.8%
Industrials	12%	2%	34.4%	4.1%	7.3%	0.9%
Energy	6%	-5%	19.0%	1.1%	-8.1%	-0.5%
Utilities	3%	0%	7.3%	0.2%	-19.8%	-0.6%
Health Care	2%	-10%	35.6%	0.7%	8.5%	0.2%
Telecomm Services	2%	-1%	4.5%	0.1%	-22.6%	-0.5%
Consumer Staples	1%	-10%	19.6%	0.2%	-7.5%	-0.1%
Materials	1%	-3%	21.8%	0.2%	-5.3%	-0.1%
Change in S&P 500: +27.1%		IFI Sector Portfolio:		30.1%		3.0%
		Performance of IFI's 5 Most-Favored Sectors:	29.6%	28.6%	2.5%	4.0%
		Performance of IFI's 5 Least-Favored Sectors:	17.8%	1.4%	-9.3%	-1.0%
		Relative Performance, Most-Favored minus Least-Favored:	11.8%	27.2%	11.8%	5.0%
			(average)	(sum)	(average)	(sum)

* "Outlook 2013," January 22, 2013.

Table Eight

INTERNATIONAL MARKETS

IFI Forecasts versus Actual Results, Dec. 2012 - Dec 2013

	% Changes in 2013		Directionally
Foreign Currencies vs the U.S.$	**Forecasted**	**Actual**	**Correct?**
See Table Four (page 6), the inverse of these currency forecasts			
Foreign Government Bond Yields	**Changes in bps**		
Germany	29	50	yes
Japan	4	-10	no
Switzerland	8	45	yes
Britain	16	125	yes
Canada	14	93	yes
Australia	35	101	yes
Spain	-99	-120	yes
Mexico	36	94	yes
Brazil	23	381	yes
Foreign Equities: Broad [ETF Symbols]	**% Changes in 2013**		
EAFE [EFA]	6.7%	20.0%	yes
Asia-Pacific ex-Japan [ADRA]	5.8%	15.7%	yes
Europe ex-Britain [IEV]	9.4%	21.5%	yes
Americas ex-Canada [ILF]	1.2%	-11.8%	no
Emerging Markets	3.7%	-2.6%	no
Foreign Equities: Asia-Pacific [ETF Symbols]	**% Changes in 2013**		
Australia [EWA]	7.2%	1.9%	yes
Hong Kong [EWH]	5.3%	9.7%	yes
Japan [EWJ]	7.4%	26.7%	yes
Malaysia [EWM]	7.9%	9.1%	yes
Singapore [EWS]	4.8%	-0.3%	no
South Korea [EWY]	4.6%	3.3%	yes
Taiwan [EWT]	5.1%	6.8%	yes
Foreign Equities: Europe [ETF Symbols]	**% Changes in 2013**		
Austria [EWO]	6.2%	12.9%	yes
Britain [EWU]	9.4%	16.5%	yes
France [EWQ]	5.0%	22.3%	yes
Germany [EWG]	9.4%	28.1%	yes
Italy [EWI]	11.0%	18.1%	yes
Netherlands [EWN]	10.2%	26.0%	yes
Spain [EWP]	13.2%	30.7%	yes
Sweden [EWD]	8.7%	20.6%	yes
Switzerland [EWL]	11.6%	22.9%	yes
Foreign Equities: Americas [ETF Symbols]	**% Changes in 2013**		
Canada [EWC]	3.1%	3.8%	yes
Brazil [EWZ]	0.5%	-15.0%	no
Chile [ECH]	2.5%	-24.0%	no
Mexico [EWW]	0.5%	-2.0%	no

Table Nine

IFI's Forecasts for 2013 Compared to Wall Street Strategists

Source: "Outlook 2013," Barron's, December 15, 2012

	S&P 500 Price Index			
Forecaster/Firm	Actual Dec. 2012	Forecasted Dec. 2013	Forecasted % Change	Actual Change (%)
S&P 500 Price Index (actual)	**1,422**	**1,808**		**27.1%**
Steve Auth/Federated Investors		1,660	16.7%	
Richard Salsman/InterMarket Forecasting		**1,650**	**16.0%**	
Tobias Levkovich/Citibank		1,615	13.6%	
John Praveen/Prudential International		1,600	12.5%	
Savita Subramanian/BofA Merrill Lynch		1,600	12.5%	
Thomas Lee/J.P. Morgan Chase		1,580	11.1%	
David Kostin/Goldman Sachs		1,575	10.8%	
Russ Koesterich/BlackRock Financial		1,545	8.6%	
Jeffrey Knight/Putnam Investments		1,490	4.8%	
Barry Knapp/Barclays Capital		1,525	7.2%	
Adam Parker/Morgan Stanley		1,434	0.8%	

	S&P 500 Operating Earnings per share			
Forecaster/Firm	Actual Dec. 2012	Forecasted Dec. 2013	Forecasted % Change	Actual Change (%)
Russ Koesterich/BlackRock Financial		$115.0	19.2%	
Richard Salsman/InterMarket Forecasting		**$111.0**	**15.1%**	
John Praveen/Prudential International		$110.0	14.1%	
Jeffrey Knight/Putnam Investments		$110.0	14.1%	
Thomas Lee/J.P. Morgan		$110.0	14.1%	
Savita Subramanian/BofA Merrill Lynch		$110.0	14.1%	
S&P 500 OPS (actual - Full Year)	**$96.4**	**$109.0**		**13.0%**
Tobias Levkovich/Citibank		$108.0	12.0%	
Steve Auth/Federated Investors		$106.0	9.9%	
David Kostin/Goldman Sachs		$107.0	10.9%	
Barry Knapp/Barclays Capital		$105.0	8.9%	
Adam Parker/Morgan Stanley		$98.7	2.4%	

	10-Year U.S. Treasury Bond Yield			
Forecaster/Firm	Actual Dec. 2012	Forecasted Dec. 2013	Forecasted Change (bps)	Actual Change (bp)
10-Year U.S. Treasury Bond Yield (actual)	**1.72%**	**2.90%**		**118**
Tobias Levkovich/Citibank		2.50%	78	
John Praveen/Prudential International		2.30%	58	
Russ Koesterich/BlackRock Financial		2.25%	53	
Adam Parker/Morgan Stanley		2.24%	52	
Jeffrey Knight/Putnam Investments		2.20%	48	
David Kostin/Goldman Sachs		2.20%	48	
Thomas Lee/J.P. Morgan		2.00%	28	
Steve Auth/Federated Investors		2.00%	28	
Savita Subramanian/BofA Merrill Lynch		2.00%	28	
Richard Salsman/InterMarket Forecasting		**1.82%**	**10**	
Barry Knapp/Barclays Capital		1.60%	-12	

	Growth Rate of U.S. Economy			
Forecaster/Firm	Actual 2012	Forecasted 2013	Forecasted Change (% pts)	Actual Change (% pts)
Richard Salsman/InterMarket Forecasting		**2.8%**	**0.8%**	
Growth, U.S. Real GDP (actual, 2013 vs 2012)	**2.0%**	**2.7%**		**0.7%**
John Praveen/Prudential International		2.5%	0.5%	
Jeffrey Knight/Putnam Investments		2.3%	0.3%	
Barry Knapp/Barclays Capital		2.1%	0.1%	
Russ Koesterich/BlackRock Financial		2.0%	0.0%	
Thomas Lee/J.P. Morgan		2.0%	0.0%	
David Kostin/Goldman Sachs		1.8%	-0.2%	
Tobias Levkovich/Citibank		1.6%	-0.4%	
Savita Subramanian/BofA Merrill Lynch		1.5%	-0.5%	
Adam Parker/Morgan Stanley		1.4%	-0.6%	
Steve Auth/Federated Investors		1.4%	-0.6%	

Appendix

IFI Research Reports in 2013

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25. "Central Bankers Say Price Stability is Best, But Condemn Japan for Actually Achieving It," *The Capitalist Advisor*, July 8, 2013.

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IFI Research Reports in 2013

(continued from page 12)

26. "Is Washington Understating the Inflation Rate?" *The Capitalist Advisor*, July 15, 2013.

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28. "Yellen v. Summers as the Next Fed Head," *The Capitalist Advisor*, July 31, 2013.

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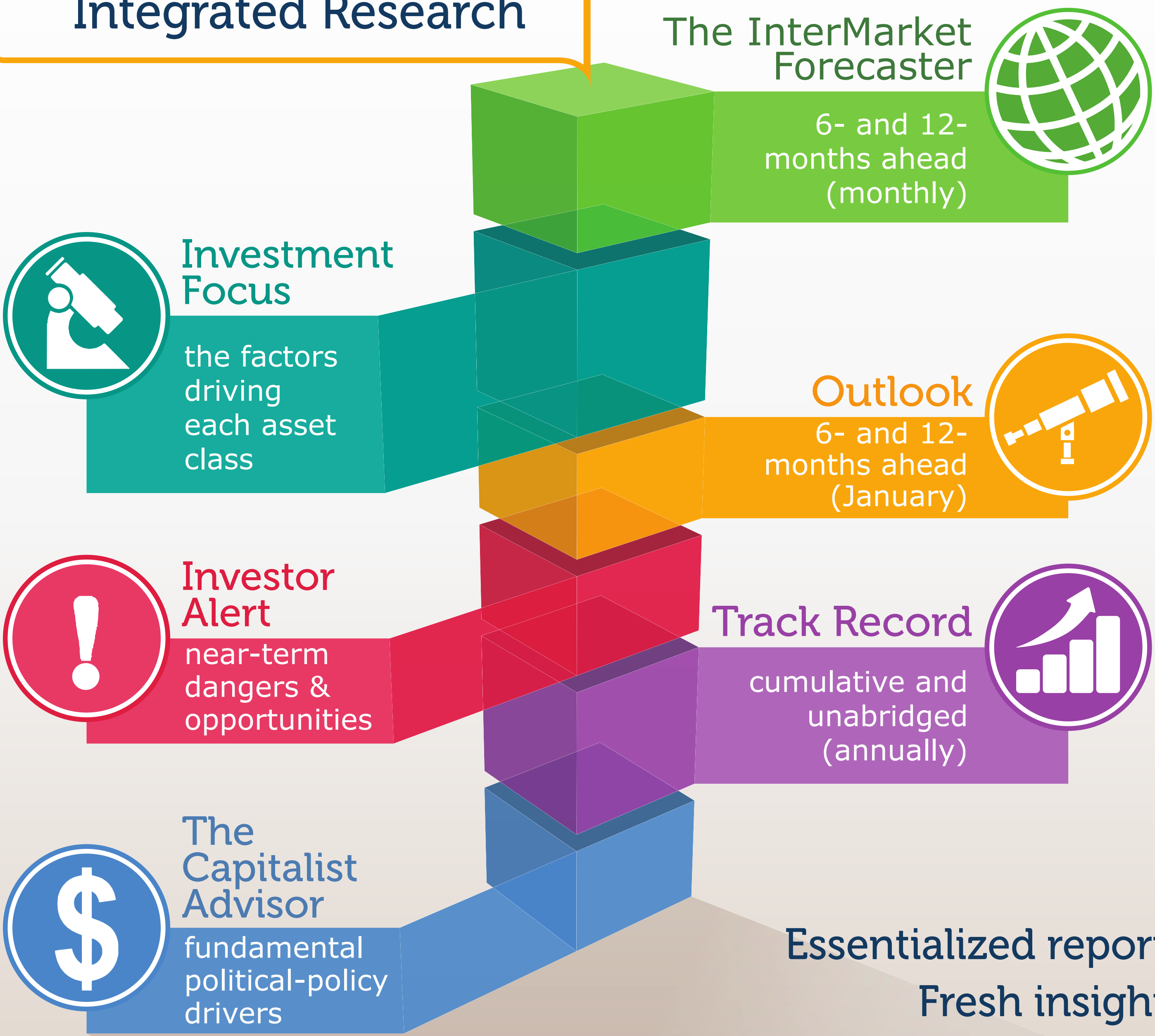

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Richard M. Salsman, Ph.D., CFA®

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