

THE EAST END FINANCIAL GROUP

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Dear Valued Client,

We have enclosed your quarterly reports for the period ending December 31, 2013.

Review of the Fourth Quarter of 2013

Stocks recorded stellar gains in the fourth quarter, bringing the major indexes to record highs or, in the case of the Nasdaq Composite Index, multiyear highs. The S&P 500 gained 32.36% and the MSCI Europe Index was up 25.23%.

Among the laggards in 2013 were the emerging markets, the MSCI Emerging Markets Index in dollars was down 2.60%. Fixed income also suffered losses with the Barclays Aggregate Bond Index down 2.02%. It was the biggest yearly loss for the bond market since 1994! Treasuries yielded losses across the yield curve with the Barclays 7-10 Year Treasury Index down 6.04% and the Barclays 20+ Year Treasury Index down 13.88%. The bright spot among the fixed income asset class was below investment grade credit, with the Barclays High Yield Index posting a solid 7.44% gain.

Commodities performed poorly with the S&P GSCI Index down 2.21%. Gold declined 28.3%, its first losing year in 13 years and its worst percentage loss in more than 30 years.

(Note that unless noted all figures represent total rates of return, measuring both price changes and reinvested dividends, supplied by Morningstar)

Investment Outlook

History suggests that good years tend to follow great years. From a fundamental viewpoint, we see a strengthening economy providing a solid measure of support for stocks, and, consequently, this bull market deserves the benefit of doubt even as concerns grow about its technical strength.

Trends throughout developed equity markets remain strong, cyclical stocks are outpacing defensive stocks and credit spreads remain tight. Our expectation for 2014 is for the market to post additional gains but not without a long overdue correction, which we think has the potential to be quite sharp.

With the Fed buying 75% of the treasuries in the market they have been able to keep rates low but even with that massive buying power rates have doubled over the last year. As the Fed leaves the

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market, that sets the stage for a disruption in the markets with a major buyer stepping away. The 10-year Treasury note yield has risen from a low of 1.4% in July 2012 and ended 2013 at 3.03%. The yield has risen by more than 100% since bottoming and almost doubled since May. Now that the Fed has finally embarked on the taper program the yields should continue to rise and we believe we will see 3.5% or even 4% yields in 2014.

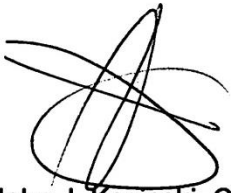
Summary

The market cycles, mid-term election year trends, and longevity of the current bull make it likely that we will see a significant pull-back in equities this year. Another risk factor for the market is that come February 1st the Federal Reserve will have a new chairperson. Janet Yellen takes the helm as Fed chairperson, and according to history the markets have a tendency to test new chairpersons.

Even though we expect stocks to outperform bonds in the near term, it is critical to manage expectations. The equity markets are at all-time highs, so in our opinion a pullback is likely. In a rising interest rate environment, bond prices will drop as yields go up. The biggest and best money managers, such as Pimco and Fidelity, are projecting 4.5%-5.5% returns on blended portfolios (50/50 equity/bond) over the next few years.

Our number one priority continues to be protecting your capital and allowing you to reach your financial goals, whether it is funding for college, buying a new house or positioning your assets for retirement. Expect a call to review your portfolio over the next quarter and as always, feel free to call with any questions or concerns.

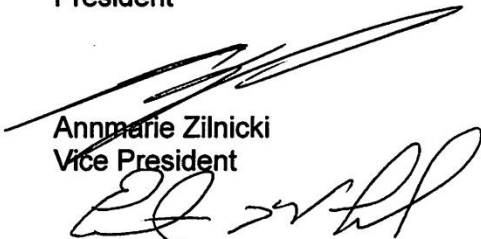
Best regards,



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