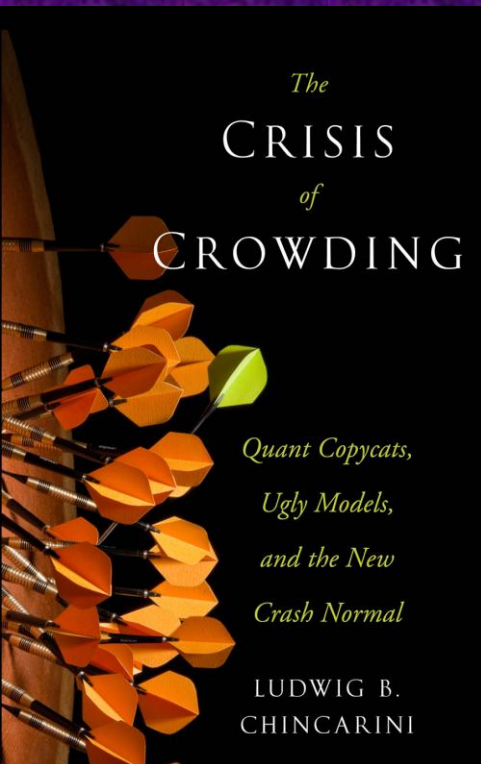


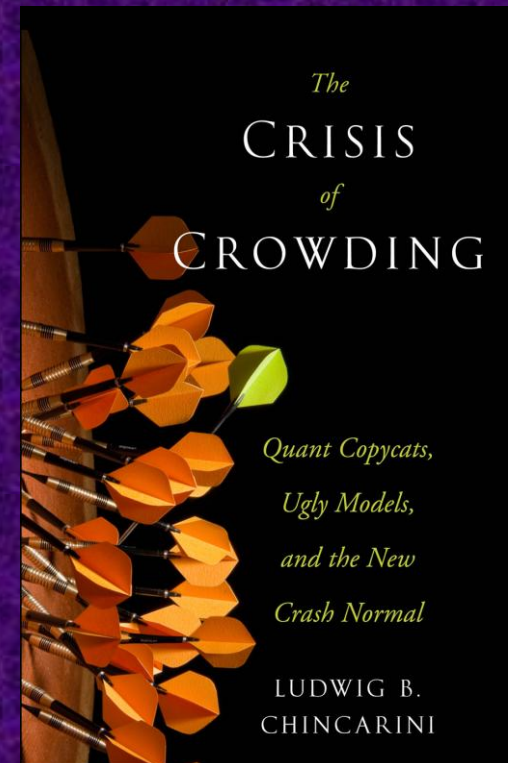
# The Financial Markets of 2013



**Professor Ludwig Chincarini**  
**University of San Francisco**  
**IndexIQ**

[www.ludwigbc.com](http://www.ludwigbc.com)

January 4, 2014

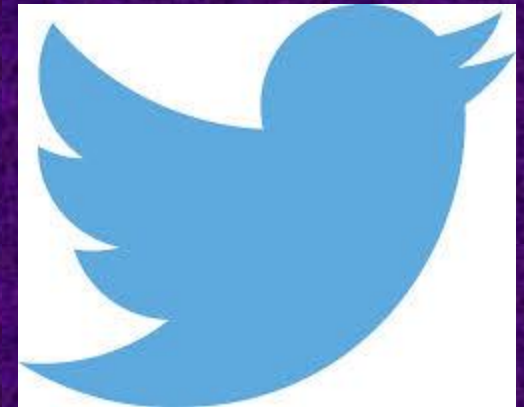


# I. The Notable Events of 2013

Balmer steps  
down



Twitter.overvalued



Summers gets  
snubbed



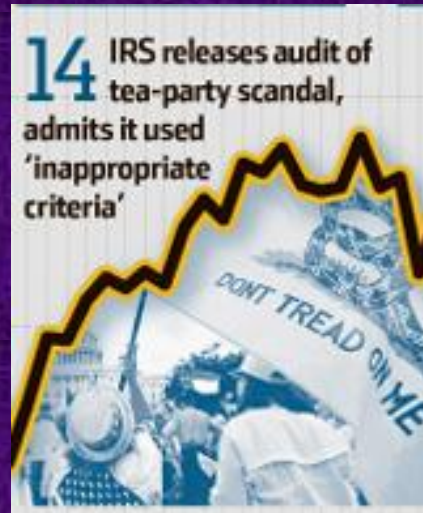
A woman of  
principal dies





# I. The Notable Events of 2013

The IRS plays favorites



Politicians play with the country



Another ridiculous nut in our society



A new Pope



## II. The U.S. Economy

### Question:

What happened to the US economy in 2013?

## II. The U.S. Economy

### Growth and Inflation

#### Output, prices and jobs

% change on year ago

	Gross domestic product				Industrial production	Consumer prices			Unemployment rate, %
	latest	qtr*	2013†	2014†	latest	latest	year ago	2013†	
<b>United States</b>	+2.0 Q3	+4.1	+1.7	+2.7	+3.2 Nov	+1.2 Nov	+1.8	+1.5	7.0 Nov
<b>China</b>	+7.8 Q3	+9.1	+7.7	+7.3	+10.0 Nov	+3.0 Nov	+2.0	+2.7	4.0 Q3§
<b>Japan</b>	+2.4 Q3	+1.1	+1.8	+1.5	+5.0 Nov	+1.6 Nov	-0.2	+0.3	4.0 Nov
<b>Britain</b>	+1.9 Q3	+3.1	+1.4	+2.6	+3.2 Oct	+2.1 Nov	+2.7	+2.6	7.4 Sep††
<b>Canada</b>	+1.9 Q3	+2.7	+1.7	+2.3	+3.1 Oct	+0.9 Nov	+0.8	+1.0	6.9 Nov
<b>Euro area</b>	-0.4 Q3	+0.3	-0.4	+1.0	+0.2 Oct	+0.9 Nov	+2.2	+1.4	12.1 Oct
<b>Austria</b>	+0.7 Q3	+2.5	+0.4	+1.4	-0.6 Oct	+1.4 Nov	+2.8	+2.1	4.8 Oct
<b>Belgium</b>	+0.4 Q3	+1.2	+0.1	+1.1	+6.3 Oct	+1.0 Dec	+2.2	+1.2	9.0 Oct
<b>France</b>	+0.2 Q3	-0.5	+0.2	+0.8	nil Oct	+0.7 Nov	+1.4	+1.0	10.9 Oct
<b>Germany</b>	+0.6 Q3	+1.3	+0.5	+1.7	+1.1 Oct	+1.3 Nov	+1.9	+1.6	6.9 Nov
<b>Greece</b>	-3.0 Q3	na	-3.6	-0.3	-5.2 Oct	-2.9 Nov	+1.0	-0.8	27.4 Sep
<b>Italy</b>	-1.8 Q3	-0.1	-1.8	+0.3	-0.5 Oct	+0.7 Nov	+2.5	+1.3	12.5 Oct
<b>Netherlands</b>	-0.4 Q3	+0.8	-1.1	+0.5	+2.1 Oct	+1.5 Nov	+2.8	+2.6	8.2 Nov
<b>Spain</b>	-1.2 Q3	+0.5	-1.3	+0.5	+1.8 Oct	+0.2 Nov	+2.9	+1.5	26.7 Oct



## II. The U.S. Economy

### Growth and Inflation

<b>Czech Republic</b>	-0.4 Q3	-0.3	-1.4	+1.4	+3.5 Oct	+1.1 Nov	+2.7	+1.3	7.7 Nov <sup>§</sup>
<b>Denmark</b>	+0.5 Q3	+1.5	+0.3	+1.2	+3.2 Oct	+0.5 Nov	+2.3	+0.7	5.7 Oct
<b>Hungary</b>	+1.8 Q3	+3.6	+0.7	+2.0	+6.0 Oct	+0.9 Nov	+5.2	+1.7	9.8 Oct <sup>§††</sup>
<b>Norway</b>	+2.1 Q3	+2.9	+1.7	+3.6	-5.1 Oct	+2.5 Nov	+1.1	+2.3	3.3 Oct <sup>††</sup>
<b>Poland</b>	+1.9 Q3	na	+1.5	+2.9	+3.0 Nov	+0.6 Nov	+2.8	+1.0	13.2 Nov <sup>§</sup>
<b>Russia</b>	+1.2 Q3	na	+1.5	+2.8	-1.0 Nov	+6.4 Dec	+6.6	+6.7	5.4 Nov <sup>§</sup>
<b>Sweden</b>	+0.3 Q3	+0.3	+0.8	+2.2	-5.0 Oct	+0.1 Nov	-0.1	+0.1	7.5 Nov <sup>§</sup>
<b>Switzerland</b>	+1.9 Q3	+2.1	+1.8	+2.0	+0.7 Q3	+0.1 Nov	-0.4	-0.1	3.2 Nov
<b>Turkey</b>	+4.4 Q3	na	+3.9	+4.3	-0.5 Oct	+7.3 Nov	+6.4	+7.5	9.9 Sep <sup>§</sup>

## II. The U.S. Economy

### Growth and Inflation

<b>Australia</b>	+2.3 Q3	+2.3	+2.5	+2.7	+2.7 Q3	+2.2 Q3	+2.0	+2.3	5.8 Nov
<b>Hong Kong</b>	+2.9 Q3	+2.1	+3.0	+3.8	-0.9 Q3	+4.3 Nov	+3.8	+4.3	3.3 Nov <sup>††</sup>
<b>India</b>	+4.8 Q3	+16.5	+4.9	+6.0	-1.8 Oct	+11.2 Nov	+9.9	+9.8	9.9 2012
<b>Indonesia</b>	+5.6 Q3	na	+5.6	+5.5	-3.7 Oct	+8.4 Dec	+4.3	+7.1	6.3 Q3 <sup>§</sup>
<b>Malaysia</b>	+5.0 Q3	na	+4.8	+5.0	+1.7 Oct	+2.9 Nov	+1.3	+2.0	3.3 Oct <sup>§</sup>
<b>Pakistan</b>	+6.1 2013 <sup>**</sup>	na	+6.1	+3.9	+3.9 Oct	+9.2 Dec	+7.9	+7.5	6.2 2013
<b>Singapore</b>	+4.4 Q4	-2.7	+3.5	+3.9	+3.9 Nov	+2.6 Nov	+3.6	+2.4	1.8 Q3
<b>South Korea</b>	+3.3 Q3	+4.3	+2.8	+3.5	-1.3 Nov	+1.1 Dec	+1.4	+1.1	2.7 Nov <sup>§</sup>
<b>Taiwan</b>	+1.7 Q3	+1.1	+2.0	+2.9	-0.1 Nov	+0.7 Nov	+1.6	+0.9	4.2 Nov
<b>Thailand</b>	+2.6 Q3	+5.2	+3.0	+3.8	-10.6 Nov	+1.7 Dec	+3.6	+2.2	0.6 Oct <sup>§</sup>

## II. The U.S. Economy

### Growth and Inflation

<b>Argentina</b>	+5.5 Q3	-0.7	+5.1	+2.3	-4.7 Nov	— ***	—	—	6.8 Q3 <sup>§</sup>
<b>Brazil</b>	+2.2 Q3	-1.9	+2.2	+2.2	+0.9 Oct	+5.8 Nov	+5.5	+6.2	4.6 Nov <sup>§</sup>
<b>Chile</b>	+4.7 Q3	+5.4	+4.5	+4.7	+3.3 Nov	+2.4 Nov	+2.1	+1.8	5.7 Nov <sup>§††</sup>
<b>Colombia</b>	+5.1 Q3	+4.5	+4.2	+4.7	+0.5 Oct	+1.8 Nov	+2.8	+2.0	8.5 Nov <sup>§</sup>
<b>Mexico</b>	+1.3 Q3	+3.4	+1.2	+3.4	+0.1 Oct	+3.6 Nov	+4.2	+3.7	4.6 Nov
<b>Venezuela</b>	+1.1 Q3	-0.8	+1.2	-1.6	+0.8 Sep	+54.3 Oct	+17.9	+40.9	6.6 Nov <sup>§</sup>
<b>Egypt</b>	+1.0 Q3	na	+2.0	+2.2	-21.0 Oct	+12.9 Nov	+4.3	+8.5	13.4 Q3 <sup>§</sup>
<b>Israel</b>	+2.3 Q3	+2.0	+3.2	+3.4	-1.1 Oct	+1.9 Nov	+1.4	+1.5	5.5 Nov
<b>Saudi Arabia</b>	+3.8 2013	na	+3.7	+4.7	na	+3.1 Nov	+3.4	+3.7	5.5 2012
<b>South Africa</b>	+1.8 Q3	+0.7	+1.9	+3.3	+1.7 Oct	+5.3 Nov	+5.6	+5.8	24.7 Q3 <sup>§</sup>



## II. The U.S. Economy

### Growth and Inflation

<b>Estonia</b>	+0.7 Q3	+2.5	+1.1	+3.2	+6.9 Oct	+1.5 Nov	+3.6	+2.9	8.0 Q3 <sup>\$</sup>
<b>Finland</b>	-1.0 Q3	-0.2	-1.0	+1.1	-3.4 Oct	+1.3 Nov	+2.2	+2.2	7.9 Nov <sup>\$</sup>
<b>Iceland</b>	+4.9 Q3	+26.8	+2.2	+2.7	na	+4.1 Dec	+4.2	+3.9	4.1 Nov <sup>\$</sup>
<b>Ireland</b>	+1.7 Q3	+6.1	-0.3	+1.1	-7.6 Oct	+0.3 Nov	+0.8	+0.8	12.5 Nov
<b>Latvia</b>	+4.5 Q3	+6.0	+4.0	+4.4	+1.4 Oct	-0.4 Nov	+1.6	+0.2	11.8 Q3 <sup>\$</sup>
<b>Lithuania</b>	+2.2 Q3	+0.8	+2.9	+3.3	-3.8 Nov	+0.4 Nov	+2.8	+1.2	10.5 Nov <sup>\$</sup>
<b>Luxembourg</b>	+2.4 Q2	+6.7	+1.9	+2.0	+0.7 Oct	+1.2 Nov	+2.5	+1.7	7.1 Nov <sup>\$</sup>
<b>New Zealand</b>	+3.1 Q3	+4.6	+2.8	+3.1	+1.1 Q3	+1.4 Q3	+0.8	+1.3	6.2 Q3
<b>Peru</b>	+4.4 Q3	+4.7	+5.1	+5.7	+3.2 Oct	+3.0 Nov	+2.7	+2.9	5.2 Nov <sup>\$</sup>
<b>Philippines</b>	+7.0 Q3	+4.5	+7.0	+6.7	+25.3 Oct	+3.3 Nov	+2.8	+3.0	6.5 Q4 <sup>\$</sup>
<b>Portugal</b>	-1.0 Q3	+0.9	-1.5	+0.6	+2.9 Nov	-0.2 Nov	+1.9	+0.4	15.6 Q3 <sup>\$</sup>
<b>Slovakia</b>	+0.9 Q3	+0.7	+1.0	+2.4	+6.9 Oct	+0.5 Nov	+3.4	+1.6	13.5 Nov <sup>\$</sup>
<b>Slovenia</b>	-0.6 Q3	-0.1	-2.0	-0.9	-0.6 Oct	+0.7 Dec	+2.6	+2.0	13.0 Oct <sup>\$</sup>
<b>Ukraine</b>	-1.3 Q3	-7.2	-1.0	+2.0	-4.6 Nov	+0.2 Nov	-0.2	-0.3	1.5 Nov <sup>\$</sup>
<b>Vietnam</b>	+5.2 2012	na	+5.5	+5.6	+7.0 Dec	+6.0 Dec	+6.8	+6.6	3.2 2012

# II. The U.S. Economy

## Detailed Inflation

<b><i>The Economist</i> commodity-price index</b>					
2005=100					
				% change on	
	Dec 17th	Dec 24th	Dec 31st*	one month	one year
<b>Dollar index</b>					
All items	165.5	165.4	164.3	+0.3	-11.2
Food	182.7	182.6	181.4	-1.3	-13.2
<b>Industrials</b>					
All	147.7	147.5	146.4	+2.4	-8.7
Nfa†	159.9	159.5	151.0	-4.1	-8.5
Metals	142.5	142.4	144.4	+5.7	-8.7
<b>Sterling index</b>					
All items	185.4	183.7	180.4	-0.6	-12.9
<b>Euro index</b>					
All items	149.9	150.5	148.2	-1.1	-15.1
<b>Gold</b>					
\$ per oz	1,229.8	1,201.7	1,207.9	-1.3	-27.3
<b>West Texas Intermediate</b>					
\$ per barrel	97.1	98.9	99.2	+3.3	+8.0
Sources: Bloomberg; CME Group; Cotlook; Darmenn & Curl; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Thomson Reuters; Urner Barry; WSJ. *Provisional					
†Non-food agriculturals.					

# III. The World Financial Markets

## Question:

What happened to our favorite markets last year?

Were U.S. equities the best place to invest?



# U.S. Stock and Bond Returns

## Keeping It Simple

Year's performance through Monday



Sources: FactSet; WSJ Market Data Group  
The Wall Street Journal

# U.S. Stock and Bond Returns

	TOTAL RETURN ON INVESTMENT	
<b>STOCKS</b> (includes price changes and dividends)	<b>2012</b>	<b>2013</b>
<b>Dow Jones Industrial Average</b>	10.24%	<b>29.65%</b>
<b>Standard &amp; Poor's 500 Stock Index</b>	16.00	<b>32.39</b>
<b>Russell 2000</b>	16.35	<b>38.82</b>
<b>Dow Jones U.S. Total Stock Market Index (float adjusted)</b>	16.38	<b>33.47</b>
<b>Nasdaq Composite</b>	17.45	<b>40.12</b>
<b>BONDS</b> (Barclays Capital Indexes)		
<b>Long- Term Treasury Index</b>	3.56%	<b>- 12.66%</b>
<b>U.S. Credit Index AA- rated segment</b>	16.55	<b>- 2.70</b>
<b>Municipal Bond Index</b>	6.78	<b>- 2.55</b>
<b>Intermediate- Term Treasury Index</b>	1.71	<b>- 1.34</b>
<b>Mortgage- Backed Securities Index</b>	2.60	<b>- 1.45</b>
<b>MUTUAL FUNDS</b>		
<b>Lipper Growth Fund Index</b>	16.77%	<b>35.38%</b>
<b>Lipper Growth and Income Fund Index</b>	15.98	<b>26.26</b>
<b>Lipper Balanced Fund Index</b>	11.94	<b>16.39</b>
<b>Lipper International Fund Index</b>	19.70	<b>21.23</b>
<b>Lipper Multi- Cap Value Index</b>	17.23	<b>36.38</b>

# U.S. Stock and Bond Returns

<b>BANK INSTRUMENTS</b> (Bankrate.com National Index)		
<b>One- Year Certificate of Deposit</b>	0.32%	<b>0.24%</b>
<b>30- Month Certificate of Deposit</b>	0.49	<b>0.38</b>
<b>Money- Market Deposit Account</b>	0.12	<b>0.11</b>
<b>MONEY MARKET FUND</b>		
<b>iMoneyNet/12- month yield on all taxable funds</b>	a0.03%	<b>a0.02%</b>
<b>PRECIOUS METALS</b> (DJ UBS Commodity Index)		
<b>Platinum</b>	8.68%	<b>- 11.78%</b>
<b>Gold</b>	6.08	<b>- 28.65</b>
<b>Silver</b>	7.13	<b>- 36.63</b>
<b>RESIDENTIAL REAL ESTATE</b>		
<b>Office of Federal Housing Enterprise Oversight*</b>	r3.96%	<b>8.44%</b>



# Global Markets

Equities up in  
2013

World	
The Global Dow (World)	24.54
The Global Dow Euro (World)	19.16
DJ TSM Global (World)	21.22
DJ Global Titans 50 (World)	19.5

# Global Markets

Asia Pacific	
Asia Dow	4.68
DJ Asia-Pacific (Asia-Pacific)	10.3
DJ Asia Titans (Asia Pacific)	8.62
S&P/ASX 200 (Australia)	15.13
Shanghai A Shares (China)	-6.8
Shenzhen A Shares (China)	20.01

NZSX-50 (New Zealand)	16.49
KSE 100 (Pakistan)	49.43
Manila Composite (Philippines)	1.33
Straits Times (Singapore)	0.01
Kospi (South Korea)	0.72
Colombo Stock Exchange (Sri Lanka)	4.78

Hang Seng (Hong Kong)	2.87
S&P BSE Sensex (India)	8.98
Jakarta Composite (Indonesia)	-0.98
Nikkei 225 (Japan)	56.72
Kuala Lumpur Composite (Malaysia)	10.54

# Global Markets

Europe ...

Europe	
Europe Dow	21.03
Stoxx Europe 600 (Europe)	17.37
Stoxx Europe 50 (Europe)	13.26
ATX (Austria)	6.05
Bel-20 (Belgium)	18.1
PX 50 (Czech Republic)	-4.78
OMX Copenhagen (Denmark)	25.07

OMX Helsinki (Finland)	26.47
CAC 40 (France)	17.99
DAX (Germany)	25.48
ATG (Greece)	28.06
BUX (Hungary)	2.15
ISEQ (Ireland)	33.64
FTSE MIB (Italy)	16.56



# Global Markets

## Latin America & Other

Americas	
DJ Americas (Americas)	25.49
Merval (Argentina)	88.87
Sao Paulo Bovespa (Brazil)	-15.5
S&P/TSX Comp (Canada)	9.55
Santiago IPSA (Chile)	-15.8
Bogota IGBC (Colombia)	-11.18
IPC All-Share (Mexico)	-2.24

Caracas General (Venezuela)	480.48
Other Countries	
CASE 30 (Egypt)	24.17
Tel Aviv (Israel)	12.13
Johannesburg All Share (South Africa)	17.85

# Investment Banking: Best IPOs

Issuer	Date	Offer Price	U.S. Proceeds (millions)	% Change ----- From Offer -----	
				In 1st-Day Trading	Through Dec. 31
PeptiDream Inc (Japan)	May. 31	YEN2500	<b>\$76.8</b>	268.0%	<b>455.2%</b>
ExOne Co (United States)	Feb. 6	US\$18	<b>109.7</b>	47.3	<b>235.9</b>
QIWI plc (Russian Federation)	May. 2	US\$17	<b>229.1</b>	0.5	<b>229.4</b>
ZIGExN Co Ltd (Japan)	Nov. 13	YEN600	<b>55.4</b>	130.0	<b>217.3</b>
voxeljet AG (Germany)	Oct. 17	US\$13	<b>97.2</b>	121.5	<b>203.8</b>
ChannelAdvisor Corp (United States)	May. 22	US\$14	<b>92.6</b>	31.7	<b>197.9</b>
500.com Ltd (China)	Nov. 21	US\$13	<b>75.2</b>	53.9	<b>172.1</b>
Marketo Inc (United States)	May. 16	US\$13	<b>90.6</b>	77.7	<b>185.2</b>
Just Dial Ltd (India)	May. 27	RUP530	<b>164.8</b>	15.5	<b>172.0</b>
Accelaron Pharma Inc (United States)	Sep. 18	US\$15	<b>96.3</b>	33.3	<b>164.0</b>

# Investment Banking: Worst IPOs

Issuer	Date	Offer Price	% Change ----- From Offer -----		
			U.S.		
			Proceeds (millions)	In 1st-Day Trading	Through Dec. 31
Prosensa Holding NV (Netherlands)	Jun. 27	US\$13	<b>\$89.7</b>	48.1%	<b>-64.1%</b>
Violin Memory Inc (United States)	Sep. 26	US\$9	<b>162.0</b>	-22.0	<b>-56.0</b>
LipoScience Inc (United States)	Jan. 24	US\$9	<b>51.8</b>	16.1	<b>-52.8</b>
Cyan Inc (United States)	May. 8	US\$11	<b>97.9</b>	1.3	<b>-51.9</b>
KaloBios Pharmaceuticals Inc (United States)	Jan. 31	US\$8	<b>70.0</b>	0.0	<b>-44.8</b>
Tremor Video Inc (United States)	Jun. 26	US\$10	<b>75.0</b>	-15.0	<b>-42.0</b>
Conatus Pharmaceuticals Inc (United States)	Jul. 24	US\$11	<b>66.0</b>	-13.6	<b>-41.4</b>
Biosev SA (Brazil)	Apr. 15	BRE15	<b>355.5</b>	-14.3	<b>-34.6</b>
Chegg Inc (United States)	Nov. 12	US\$12.5	<b>187.5</b>	-22.6	<b>-31.9</b>
Five Oaks Investment Corp (United States)	Mar. 21	US\$15	<b>85.5</b>	-3.3	<b>-30.5</b>

# Hedge Funds ... Top Styles 2013

Daily Performance as of: 2013-12-30					Monthly Performance		Historical Performance		
	DTD	MTD	YTD	INDEX VALUE	Nov 13 ROR	YTD	2012	2011	2010
<a href="#">HFRX Japan Index</a>	-	-	-	-	1.54%	29.30%	8.06%	-6.80%	8.32%
<a href="#">HFRX RV: Energy Infrastructure Index</a>	-	-	-	-	0.92%	22.47%	8.09%	4.15%	24.41%
<a href="#">HFRX MLP Index</a>	0.68%	3.25%	26.00%	1935.16	1.06%	22.04%	4.12%	12.49%	31.13%
<a href="#">HFRX MENA Index</a>	-	-	-	-	1.89%	19.42%	8.61%	-11.71%	22.67%
<a href="#">HFRX EH: Technology/Healthcare Index</a>	-	-	-	-	1.26%	18.39%	4.06%	2.30%	1.61%
<a href="#">HFRX ED: Special Situations Index</a>	-0.06%	0.03%	17.76%	1332.08	0.83%	17.73%	5.50%	-3.71%	1.55%
<a href="#">HFRX China Index</a>	-	-	-	-	3.14%	17.44%	9.43%	-9.88%	9.37%
<a href="#">HFRX ED: Activist Index</a>	-	-	-	-	0.13%	17.31%	9.34%	-16.87%	15.04%
<a href="#">HFRX EH: Multi-Strategy Index</a>	-	-	-	-	1.65%	14.87%	5.41%	-7.76%	10.39%
<a href="#">HFRX Asia Equally Weighted Index</a>	-	-	-	-	0.77%	14.86%	8.41%	-8.65%	10.51%
<a href="#">HFRX RV: Yield Alternative Index</a>	-	-	-	-	0.65%	14.74%	10.03%	-2.53%	13.85%
<a href="#">HFRX EH: Fundamental Value Index</a>	0.06%	1.19%	15.82%	1132.28	1.24%	14.46%	5.80%	-22.99%	9.15%
<a href="#">HFRX Event Driven Index</a>	-0.04%	-0.03%	13.52%	1572.44	0.60%	13.55%	5.96%	-4.90%	1.98%
<a href="#">HFRX RV: FI-Asset Backed Index</a>	-	-	-	-	1.45%	13.23%	23.74%	14.23%	15.22%
<a href="#">HFRX Asia Composite Hedge Fund Index</a>	-	-	-	-	0.63%	12.77%	8.50%	-9.22%	10.50%
<a href="#">HFRX Western/Pan Europe Index</a>	-	-	-	-	1.25%	12.07%	10.95%	-2.43%	7.60%
<a href="#">HFRX North America Index</a>	0.01%	0.68%	12.22%	1484.03	0.72%	11.46%	5.46%	-3.20%	2.28%



# Hedge Funds ... And the rest...

<a href="#">HFRX ED: Credit Arbitrage Index</a>	-	-	-	-	1.08%	11.43%	10.64%	4.10%	10.91%
<a href="#">HFRX Diversity Index</a>	-	-	-	-	1.16%	10.74%	7.66%	-2.12%	8.73%
<a href="#">HFRX Asia with Japan Index</a>	-	-	-	-	0.91%	10.39%	7.93%	-5.18%	10.77%
<a href="#">HFRX Equity Hedge Index</a>	0.14%	1.01%	10.88%	1162.68	0.96%	9.77%	4.81%	-19.08%	8.92%
<a href="#">HFRX RV: FI-Convertible Arbitrage Index</a>	0.35%	1.07%	10.37%	775.2	-0.73%	9.20%	7.21%	-3.07%	8.76%
<a href="#">HFRX EH: Quantitative Directional Index</a>	-	-	-	-	1.28%	9.19%	5.04%	-0.93%	1.12%
<a href="#">HFRX Market Directional Index</a>	0.09%	0.58%	9.16%	1154.45	0.25%	8.53%	3.50%	-18.86%	9.32%
<a href="#">HFRX ED: Multi-Strategy Index</a>	-	-	-	-	0.88%	7.61%	5.67%	-4.85%	4.47%
<a href="#">HFRX Multi-Emerging Markets Index</a>	-	-	-	-	0.40%	7.42%	13.14%	4.79%	17.34%
<a href="#">HFRX Aggregate Index</a>	-	-	-	-	0.57%	7.40%	5.38%	-4.05%	7.52%
<a href="#">HFRX RV: Real Estate Index</a>	-	-	-	-	0.37%	7.36%	11.87%	-9.13%	4.06%
<a href="#">HFRX Fixed Income - Credit Index</a>	0.09%	0.27%	6.67%	1997.47	0.03%	6.39%	7.65%	-3.61%	10.17%
<a href="#">HFRX Northern Europe Index</a>	-	-	-	-	1.28%	6.20%	8.65%	-1.92%	5.60%
<a href="#">HFRX Multi-Region Index</a>	0.10%	0.42%	6.63%	1264.12	0.56%	6.18%	5.00%	-14.77%	8.29%
<a href="#">HFRX Global Hedge Fund Index</a>	0.02%	0.40%	6.55%	1223.52	0.55%	6.13%	3.51%	-8.87%	5.19%
<a href="#">HFRX RV: FI-Corporate Index</a>	-	-	-	-	0.63%	5.97%	9.47%	1.42%	14.06%
<a href="#">HFRX EH: Energy/Basic Materials Index</a>	-	-	-	-	-0.29%	5.87%	-3.77%	-8.40%	8.02%
<a href="#">HFRX Macro: Commodity-Agriculture Index</a>	-	-	-	-	0.89%	5.84%	-3.45%	-8.29%	5.53%
<a href="#">HFRX Equal Weighted Strategies Index</a>	0.06%	0.38%	6.18%	1195.8	0.33%	5.78%	2.49%	-6.18%	5.29%
<a href="#">HFRX Asia ex-Japan Index</a>	-	-	-	-	-0.14%	5.76%	9.16%	-13.81%	10.38%

# Hedge Funds ... And the rest...

<a href="#">HFRX Korea Index</a>	-	-	-	-	-0.35%	5.70%	1.74%	-7.54%	22.22%
<a href="#">HFRX ED: Distressed Restructuring Index</a>	0.02%	-0.25%	5.13%	1001.46	0.00%	5.40%	0.94%	-8.04%	8.34%
<a href="#">HFRX RV: Volatility Index</a>	-	-	-	-	0.61%	4.89%	9.75%	1.42%	-4.36%
<a href="#">HFRX RV: FI-Sovereign Index</a>	-	-	-	-	-0.44%	3.71%	3.52%	-1.84%	4.60%
<a href="#">HFRX ED: Merger Arbitrage Index</a>	0.18%	0.46%	4.04%	1568.93	0.20%	3.57%	0.95%	-2.09%	5.69%
<a href="#">HFRX Absolute Return Index</a>	0.04%	0.25%	3.54%	988.68	0.45%	3.28%	0.88%	-3.72%	-0.12%
<a href="#">HFRX Macro: Multi-Strategy Index</a>	-	-	-	-	0.78%	3.17%	5.20%	-0.33%	4.15%
<a href="#">HFRX Total Emerging Market Index</a>	-	-	-	-	-0.01%	3.06%	6.76%	-5.91%	17.12%
<a href="#">HFRX EH: Fundamental Growth Index</a>	0.35%	0.84%	3.80%	1554.79	0.52%	2.93%	6.30%	-14.82%	4.98%
<a href="#">HFRX Macro: Active Trading Index</a>	-	-	-	-	1.47%	2.41%	6.90%	-6.80%	4.36%
<a href="#">HFRX Relative Value Arbitrage Index</a>	0.01%	0.55%	2.91%	1203.12	0.27%	2.35%	3.62%	-4.00%	7.65%
<a href="#">HFRX Alternative Energy Index</a>	-	-	-	-	0.79%	2.26%	6.08%	6.05%	6.76%
<a href="#">HFRX Latin America Index</a>	-	-	-	-	-0.09%	2.24%	9.31%	-8.54%	19.71%
<a href="#">HFRX EH: Equity Market Neutral Index</a>	-0.06%	0.26%	1.82%	952.7	0.64%	1.55%	-4.66%	-2.92%	2.64%
<a href="#">HFRX RV: Multi-Strategy Index</a>	-0.05%	0.26%	0.93%	1847.45	0.22%	0.67%	3.40%	0.05%	10.05%
<a href="#">HFRX Macro: Discretionary Thematic Index</a>	-	-	-	-	0.03%	0.63%	8.57%	1.36%	6.54%
<a href="#">HFRX Macro: Currency Index</a>	-	-	-	-	-0.22%	0.42%	3.04%	-3.79%	2.83%
<a href="#">HFRX Emerging Markets Composite Index</a>	0.17%	-0.13%	0.00%	2048.82	-1.00%	0.13%	8.67%	-6.33%	16.45%
<a href="#">HFRX Macro/CTA Index</a>	-0.05%	-0.08%	-1.82%	1133.29	0.32%	-1.75%	-1.00%	-4.88%	-1.73%
<a href="#">HFRX Macro: Systematic Diversified CTA Index</a>	-0.03%	0.78%	-1.07%	1503.71	1.60%	-1.84%	-7.40%	-1.79%	6.02%
<a href="#">HFRX Macro: Commodity-Energy Index</a>	-	-	-	-	1.48%	-2.27%	0.55%	0.09%	5.46%
<a href="#">HFRX Macro: Commodity Index</a>	-	-	-	-	-0.95%	-2.52%	2.33%	-9.80%	-5.01%
<a href="#">HFRX BRIC Index</a>	-	-	-	-	-0.28%	-2.95%	13.41%	-20.17%	15.99%
<a href="#">HFRX Russia/Eastern Europe Index</a>	-	-	-	-	-1.03%	-5.46%	4.88%	-14.95%	21.60%
<a href="#">HFRX Russia Index</a>	-	-	-	-	-1.98%	-7.05%	6.60%	-12.43%	19.61%
<a href="#">HFRX Brazil Index</a>	-	-	-	-	-3.28%	-8.51%	9.47%	-16.35%	16.39%
<a href="#">HFRX EH: Short Bias Index</a>	-	-	-	-	-0.41%	-9.85%	-20.62%	11.35%	-24.05%
<a href="#">HFRX India Index</a>	-	-	-	-	0.86%	-12.57%	27.63%	-40.70%	15.47%
<a href="#">HFRX Macro: Commodity-Metals Index</a>	-	-	-	-	-8.73%	-34.22%	-17.31%	-16.85%	28.40%

# Stock Picking

What about  
stock picking?

Does anyone  
have any  
great stories  
to tell?

Any sad  
stories to tell?

# Stock Picking

The Best of  
2013

Name	Last	Pct	Symbol
Altisource Asset Management	930	1034.15	AAMC
Canadian Solar	29.82	777.06	CSIQ
VisionChina Media ADS	23.8	680.33	VISN
Gray Television	14.88	576.36	GTN
Lannett	33.1	567.34	LCI
China Mobile Games&Entertainme	25.23	545.52	CMGE
Himax Technologies ADS	14.71	512.92	HIMX
William Lyon Homes	22.14	470.99	WLH
Puma Biotechnology	103.53	452.16	PBYI
Xerium Technologies	16.49	440.66	XRM



# Stock Picking

The Worst of  
2013

Name	Last	Pct	Symbol
Direxion Daily Gold Miners Bull 3x Shares	27.41	-95	NUGT
ProShares Ultra VIX Short-Term Futures ETF	16.78	-91.97	UVXY
VelocityShares Daily 2x VIX Short Term ETN	7.5	-91.97	TVIX
Desarrolladora Homex ADS	1.17	-90.63	HXM
NewLead Holdings	1.77	-90.17	NEWL
Golden Minerals	0.47	-89.72	AUMN
C-TRACKS Exchange Trade Notes based on the Performance of th	3.4	-88.55	CVOL
Allied Nevada Gold	3.55	-88.22	ANV
Vista Gold	0.38	-85.92	VGZ
Coldwater Creek	0.75	-84.5	CWTR
VelocityShares 3x Long Silver ETN	45.21	-82.68	USLV
Dolan	0.69	-82.26	DM
International Tower Hill Mines	0.41	-81.11	THM
Banro	0.56	-80.14	BAA
Tower Group International	3.38	-78.47	TWGP
Cardium Therapeutics	0.83	-78.16	CXM
CEL-SCI	0.59	-78.08	CVM
AVEO Pharmaceuticals	1.83	-77.27	AVEO
Prosensa Holding	4.67	-75.74	RNA
Amarin ADS	1.97	-75.65	AMRN

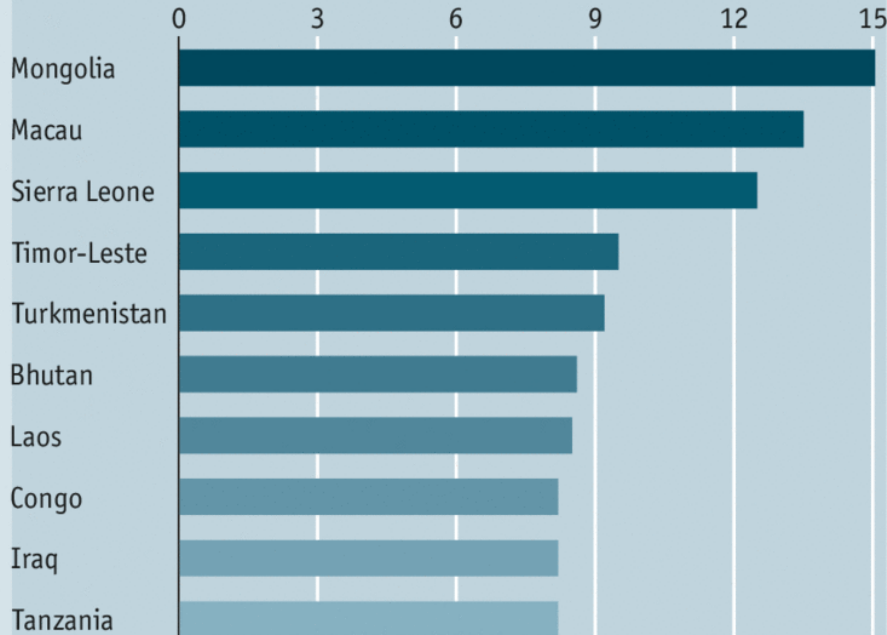
# Forecasts for 2014

Any truth?

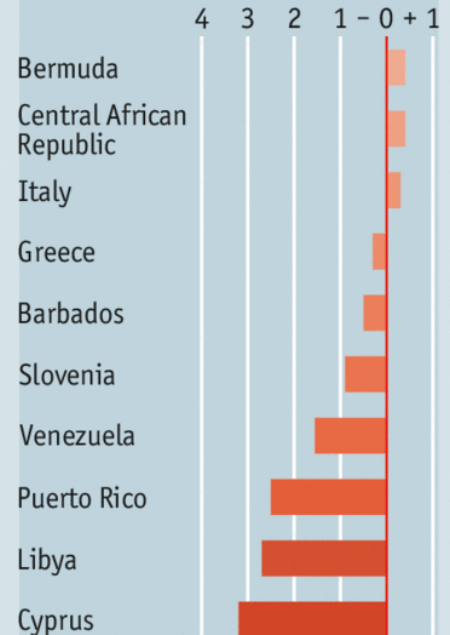
## GDP forecasts

2014, % change on previous year

### Best



### Worst



Source: Economist Intelligence Unit

# IV. The Issues and Questions in 2014

Will it be a short Treasury and long US dollar year?

What will happen in 2014?

What markets are cheap and which expensive?





# IV. The Issues and Questions in 2014

1. Treasuries don't look great.
2. Housing might take a bath.
3. Dollar might strengthen as Fed unwinds.
4. Will Twitter be the short of the year?



# What I suggested last year...did it work?

1. Treasuries and Corporate bonds don't look great.
2. Gold doesn't look great.
3. Could it be the year for real-estate?
4. Will the European austerity program work?
5. Will the US release some of the oversight and let markets function again?
6. What will the next great stock be?