ASCEND

Investment Management, Inc.

Ascend to your financial potential

QUARTERLY INVESTMENT REPORT
June 30, 2013

Dear Investor:

JOBS

Europe

Corporate earnings

Emerging markets

JOBS

National debt

China

Japan

JOBS

Federal Reserve… interest rates

Sequester

The market (S&P 500) climbed nicely for the first half of the year, but June made for quite a bumpy ride, falling 1.5% for the month and 3.8% from the market peak on May 21st. Despite June's slide, the market is up 13% for the year. The U.S. markets beat out all international markets except Japan so far this year, with the Healthcare, Consumer Cyclical, and Financials sectors leading the charge.

There are many factors impacting recent stock price volatility, such as China's liquidity crunch, Japan's massive stimulus and Yen debasement, Europe's recession, and the talk of an end to the Federal Reserve's quantitative easing. For investors they all pretty much boil down to the fear of a slide in global GDP growth – which is currently hanging on for dear life at 2% in the United States – and could derail corporate earnings growth.

There is no doubt that declining world GDP growth is a problem. Countries are desperate to protect their exports. Economic growth forecasts have been falling for all countries except for Japan. It's for this reason that the Fed will be hard pressed to totally end quantitative easing too soon.

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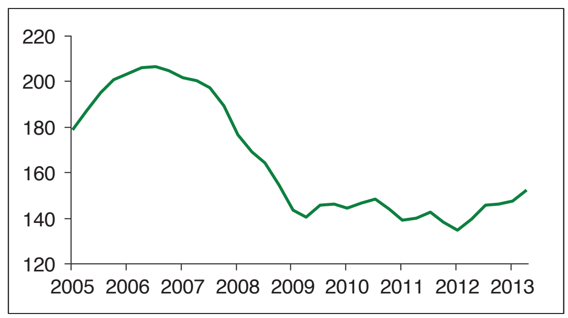
Faster improvement on the jobs front could go a long way to turning this market roller coaster into a carousel ride. Employment gains are tracking in the right direction, it's just painfully slow. We may appear to be stuck at a 7.6% unemployment rate, but at least the monthly job increases tell us that if the current trend continues we'll exceed the employment peak reached in January 2008 by May 2014. In the meantime we'll monitor the debate over whether or not we are in a new era where jobs are permanently lost to digital and robotic technologies. So far, we side with those who insist that job displacement is as old as our country and that we ultimately reinvent our world and ourselves into new jobs.

The housing market has been a big boon to this pokey recovery. The Case/Shiller home price index posted strong readings in April, climbing 2.5% over March and 12% over last year. The percentage of home owners "underwater" on their mortgage has fallen by 52% in the last three years.

We don't imagine the Fed will abruptly pull back the punchbowl, as that would risk what improvements have been made in the housing recovery. Though recent gains are stunning, the chart on the right reminds us of how far we still need to go!

U.S. House Price Index
(Case-Shiller)



The next few quarters of economic indicators are important. As we analyze the numbers we decide where to add or subtract among the various asset classes in anticipation of changing economic scenarios. Recently we pulled back on much of our long-term bond positions, added to emerging markets, and increased our holdings of a few technology and energy stocks that had become oversold.

While we expect the market to become a bit more volatile in the coming months, we see more pockets of opportunities in stocks across several economic sectors resulting from the recent pull-back in June. And we are not yet fearful of a more sustained correction given that the Ascend stock portfolio is appropriately balanced, the economic recovery is on track, and our belief that the Fed will not be making any drastic moves too soon.

Happy Independence Day!

Sincerely,

Ellen P. Le, CFA
President

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Long-Term Care Insurance: Is it Right for You?

Clients frequently ask me if it makes sense to buy Long-Term Care insurance and, as you might imagine, there just isn't a one size fits all answer. A Long-Term Care (LTC) insurance policy pays for non-medical "custodial" care, such as help with feeding, dressing, bathing, walking, etc.

There are numerous statistics available on the percentages of the population that will likely need long-term care and for how long. Insurance companies and their actuaries are constantly assessing those statistics to determine your cost for LTC insurance. Rest assured that insurance agents will attempt to use those statistics to motivate you to purchase LTC insurance. But what you really want to know is - do I need LTC insurance.

The reality is that, like most insurance, you are placing a bet as to whether you will need this insurance and it is a crapshoot. We either win the "die peacefully before we fall or apart" lottery or not. If not, individual custodial costs can run as high as $100,000 a year and the custodial care time-frame is typically three years. Will you need it? Again it is a crapshoot.

<u>The essential things to consider are:</u>

1. family care expectation
2. life expectancy and family health history
3. amount of financial assets you have or will have in retirement

If you know you have family or friends who will be able and willing to care for you, you may not need LTC insurance. Though, if they will expect payment for their care-giving, you may still want to consider buying an LTC contract with a relatively modest benefit.

How much money you have is a huge factor in determining if the premium is worth paying for. Depending on your age and health and plan choices, the insurance can cost something in the neighborhood of $2,500-$5,000 annually.

This type of expense is very high for those who have less than $250,000 in total financial assets. Ultimately, it may be best to let Medicaid kick in and cover custodial costs after assets are spent down. On the other hand, people with more than $2,000,000 in total financial assets may have the ability to comfortably self fund their custodial care costs and may be best served by not incurring the LTC premium expense. Though, if your goal is to preserve your assets for your heirs, LTC insurance may be appropriate for you.

So, this means that people with financial assets between about $250,000 and $2,000,000 are in the sweet spot of potentially needing LTC insurance to protect their financial assets and quality of life in retirement.

Not only are LTC costs very expensive relative to their benefits, but, as far as my research has shown, insurance companies are not willing to guarantee that the monthly premium will remain unchanged. They can increase their premium at any time!

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If you decide that an LTC policy makes sense for you, here are a few tips:

1. Consider buying it before age 60, as the premiums increase significantly from there.
2. If it is available, buy a long-term care insurance group policy through your employer; it will be cheaper that way.
3. Consider choosing a 90-day waiting period, rather than a 30-day waiting period, before the benefits begin. This option can reduce your premiums by up to 30 percent.
4. If you're married or in a long-term committed relationship and both of you can benefit from long-term care insurance, look into buying a joint policy for the two of you. These joint policies pool the total amount of coverage between the two people. If one person dies without having used up all his policy benefits, the survivor gets those unused benefits added to the remaining policy.
5. Rather than buying a policy that provides a daily benefit equal to the cost of home care or nursing home facilities in your area today, you may want to consider purchasing a lesser dollar amount and self-insuring the balance.

The industry has been developing several different types of products – some are hybrid products that include life insurance – and there are many issues to think about beyond the scope of this article. Any policy you consider should be reviewed very carefully, they are not all alike. Look at what the policy covers, when it covers it and for how long, which facilities you can use it in, and if there are inflation clauses.

My final advice is to proceed slowly and be skeptical!

"Sorry, Sylvia, but your mother's long-term care has been going on just a little bit too long."