BANTA
ASSET MANAGEMENT

> "More important than the quest
> for certainty is the quest for clarity."
> ***Francois Gautier***

## Strategy and Clarity in 2013 – "But We're Still Not Out of the Woods"

The **most obvious obstacles** impacting the investment world in 2012 included the constant economic crisis in Europe, the political volatility in the Middle East, the American presidential election and the looming "fiscal cliff". In a single word, 2012 lacked "clarity" and the blood pressure of investors was running high. Yet, **2013**, though certainly ripe with uncertainty on many fronts, has the promise of **more clarity** primarily on areas impacted by monetary and fiscal policy. We are now beginning to learn and understand the rules and boundaries for which to build our investment strategy.

On January 2, 2013, President Obama signed the American Taxpayer Relief Act of 2012. Here are some of the highlights of the fiscal contractions scheduled for 2013 and their outcomes:

- Debt ceiling: no action until March 2013
- Tax rates on the 'wealthy': raised to 39.6% permanently ($400,000 for a single person and $450,000 for a married couple)
- Middle class tax rates: maintained permanently
- Capital gains tax: permanent increase to 20% ($400K single / $450K married)
- Estate taxes: permanent increase to 40% of the value above $5,000,000
- Payroll tax cut: expired
- Higher Medicare tax: enacted as scheduled
- Medicare fee cuts for doctors: delayed one year
- Routine business and individual tax breaks: extended one year
- Expiration of unemployment benefits: delayed one year



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## 2013 – A Year of *Slightly* More Clarity

In the early weeks of trading in the New Year, the stock markets have responded positively to much of the **clarity** brought forth by politicians – particularly the American Congress and President. As noted in previous letters, investors have found growing returns in stocks for quite some time evidenced by the yields of the major global stock markets.

These gains suggest investor confidence remains steady finding value in owning companies and less value in owning bonds. In fact, records were set in the second week of trading in world stock markets with net inflows in equity funds hitting $22.2 billion – the highest since September 2007 and the second highest since comparative data began in 1996. Record inflows in emerging and world funds are driving much of the expansion. These results reflect the **Banta Strategy** of investing in companies creating value around the world. **Here is a reminder of our five-pillar investing approach:**

1. Raising higher cash levels in the interim
2. Raising income levels
3. Diversifying ownership through Exchange Traded Funds (ETFs)
4. Owning companies that pay dividends as a source for income
5. Avoiding the "buy and hold" approach to become more nimble

At Banta Asset Management we are mindful that punctuations of recent **good news and clarity** from the political and policy arenas frequently correlate with **good news and clarity** from the corporate and investment arenas. We are optimistic as investors veer toward **equities** – essentially the claim on company profits – yet we remain alert knowing full well that when monetary and fiscal policies begin to normalize, equities cannot diverge too much from the destination of the real economy and its projected modest 2% growth rate. This means **we can count on** stock market corrections throughout the year as companies continue to **navigate through uncertainty**, but remain steadfast in their direction with **more clarity** 2013 aims to yield.

**With continued confidence,**

**Banta Asset Management**



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