RUTHERFORD INVESTMENT MANAGEMENT
A Registered Investment Adviser

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Client Newsletter -– Quarter Ending September 30, 2013

The third quarter of 2013 saw a continuation of the robust market that this year has brought. In spite of worries, mostly over government problems, unemployment, and fears over Federal Reserve policy, the markets have risen to record or near record territory. Both the S&P and the Russell 200 are at all-time highs. The NASDAQ is at a 13 year high (but still 29% off its all-time highs). That the markets have been able to climb this wall of worry is a good sign, not only because returns are good, but it is a good situation because worries have kept the markets from being overly exuberant. I have detailed the stresses in the markets in previous columns and letters, so it is not necessary to review them again, but it is encouraging that the markets have surmounted these worries.

Europe appears to be righting itself even if there is much more to do. Returns there have been good as well. Asia, which suffered from a slowdown in China, also appears to be resolving. In all, it has been a very good year to date, and investors who have "hung in there" have been rewarded. You may recall that it is our policy to remain fully invested, even in times of market stress. You will make most of your money in a bear market; you just won't know it until later. That has certainly been the case with this recession with the broad market total return up 186.2% since the bottom on March 9, 2009.

The fourth quarter of this year is poised to be strong too, which could lead to a very good year for 2013 returns. Congress is due to finally achieve a budget and the debt ceiling has to be confronted again, but after the last shut down, negotiations may not be so rancorous. Unemployment remains stubbornly high which could put a damper on Christmas sales, but the Federal Reserve is unlikely to take their foot off the gas.

After a protracted succession process over who would succeed Ben Bernanke, Janet Yellen has finally emerged as the nominee. The process took far too long and was badly handled, but hopefully congress will move quickly to confirm the nominee. Yellen has been a consistent dove on monetary policy and outspoken in her views on unemployment. We can expect a continuation of Bernanke policies, at least in the short run.

I expect the year will finish strong.

Rutherford Investment Management has survived this recession stronger than ever. Our assets under management are at an all-time high. We have grown 230.8% since the market bottom. We have added new staff to provide even more client service to our growing list of clients and accounts. Our average account size is up.

We have received accolades for our performance over the last ten years. Our risk adjusted returns rank among the highest in the nation for our investment style. There is much to be grateful for. Next year marks the twentieth year of investment management by RIM; we intend to make it another banner year. You can help us by making referrals of prospects and adding to your accounts.

Thank you all for permitting us to be your manager.

William D. Rutherford

Rutherford Investment Management