With interest rates slowly edging upward, we have taken this opportunity to rebalance and shorten the duration of our managed portfolios.

To shorten the duration, we reduced the exposure to Preferred stocks and long-duration investment grade bonds. We have increased the exposure to short US treasury bonds and corporate bonds.

With the US market up sharply in the first half of 2013, we have harvested some of our US equity gains and repositioned/rebalanced accordingly.

Our portfolios are managed with your goals in mind. If something has changed in your life, we want to know about it. It could be a big thing – births, deaths, divorce – or a smaller thing, like wanting to know if you can retire early – if it’s on your mind, and especially if it keeps you up at night – call us.

We leave you with one of our favorite quotes from this year’s letter to investors from Warren Buffet:

“A thought for my fellow CEOs: Of course, the immediate future is uncertain: America has faced the unknown since 1776. It’s just that sometimes people focus on the myriad of uncertainties that always exist while at other times they ignore them (usually because the recent past has been uneventful).

American business will do fine over time. And stocks will do well just as certainly, since their fate is tied to business performance. Periodic setbacks will occur, yes, but investors and managers are in a game that is heavily stacked in their favor. (The Dow Jones Industrials advanced from 66 to 11,497 in the 20th Century, a staggering 17,320% increase that materialized despite four costly wars, a Great Depression and many recessions. And don’t forget that shareholders received substantial dividends throughout the century as well.)

Since the basic game is so favorable, (we) believe it’s a terrible mistake to try to dance in and out of it based upon the turn of tarot cards, the predictions of “experts,” or the ebb and flow of business activity. The risks of being out of the game are huge compared to the risks of being in it.”
Morgan Stanley

Morgan Stanley Home Loans are made by Morgan Stanley Private Bank, National Association, or other affiliated lenders, not Morgan Stanley Smith Barney LLC. Morgan Stanley Smith Barney LLC (“Morgan Stanley”) is a registered broker-dealer and member SIPC, not a bank. The loans referenced herein are made by Morgan Stanley Private Bank, National Association. A Morgan Stanley investment relationship does not have to be established or maintained to obtain the products or services offered as part of the Morgan Stanley Home Loans program.

An “interest-only” mortgage allows you to pay the interest on the money you borrowed for the first few years of the mortgage. This is known as the “interest-only” period (for example, the first 10 years of the loan). If you pay the amount of interest that’s due, once the interest-only period ends:
- You will still owe the original amount you borrowed.
- Your monthly payment will increase—even if interest rates stay the same—because you must pay back the principal as well as the interest.
- Ask what the payments on your loan will be after the end of the interest-only period. If you are considering an adjustable-rate mortgage, ask what your payments can be if interest rates increase.

Morgan Stanley reserves the right to change any of the terms or conditions of the Benefits Programs, including the structure of a household, or cancel the Programs at its discretion without advance notice. Please contact your Financial Advisor for more information about householding and the Benefits Programs.

Proceeds from mortgage loan transactions including initial draws and advances from HELOCs are not permitted to be used to purchase, trade or carry marginable securities, repay margin debt or to make payments on any amounts owed under the Note or HELOC loan agreement.

These products may not be available in all states and are limited to U.S. citizens and permanent resident aliens only. Residential loans are not available in Guam, Puerto Rico and the Virgin Islands. Other restrictions may apply. Morgan Stanley Private Bank, National Association underwriting guidelines will apply. Loans are subject to credit application and loan approval. Rates, terms and programs are subject to change without notice.