

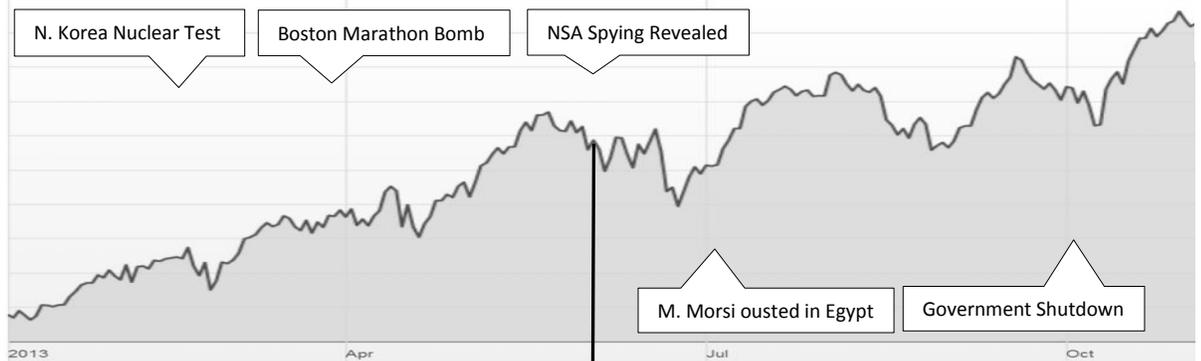


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INVESTMENT DIRECTIONS

Fall 2013



Climbing a Wall of Worry

This has been a very challenging year. Early in the year on one side of the globe the Pope of the Catholic Church resigned his position and on the other, North Korea conducted a nuclear test. In the spring, terrorists detonated a bomb at the Boston Marathon. Over the summer the Middle East roiled as President Morsi was ousted in a military coup in Egypt and chemical weapons were used in a civil war in Syria. Here at home Edward Snowden disclosed details of domestic spying while our elected leaders haggled and shut down the government for two weeks.

Despite these dramatic events, the value of America's great companies has increased steadily. Through October, the S&P 500 index is up over 20%¹. It is reasonable to wonder if this is evidence of strength in those great companies or a bubble of irrational exuberance.

Wall Street vs The Politicians

In my opinion this is not irrational. Rather I believe the 2013 upward march through adversity is evidence of a solid economic foundation. A foundation tamped



down by the big drop we experienced five years ago.

I was particularly struck by Wall Street ignoring the fighting in Washington D.C. over budget issues. For several weeks the media was full of stories about the wheels of government grinding to a halt as our elected lug nuts were coming off their screwy posts -- yet there was no great reaction on Wall Street -- why not?

Plausible Explanations and Conclusions

One explanation is investors did not expect a government shutdown to have much financial impact. Or, we have been down this road before and disaster has always been averted. Or, they liked the companies they owned and couldn't come up with a better place to put the money.

To be frank, despite the rock-solid confidence of talking heads on TV, we are much better at determining *what* happened than *why*. Wall Street is driven by complex factors.

For me, the bottom line is resilience. Investors did not panic and sell. Opportunity, even in the face of difficulty, won the day over fear. In my view this bodes well for the future.

Here is how I see the world: 20% gains in a single year are rare and I don't expect that to continue but I am cautiously optimistic. I expect inflation and profits to push the value of America's great companies higher in the years to come.

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¹ S&P 500 is an unmanaged index of 500 large domestic stocks which does not accommodate direct investment. Performance source: Yardeni Research, Inc; Chart source: S&P 500 index as reported by MSN money. Past performance does not guarantee future performance.



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"I am free of all prejudice. I hate everyone equally." **W.C. Fields**

"Two things are infinite: the universe and human stupidity; and I'm not sure about the universe." **Albert Einstein**

"Outside of a dog, a book is man's best friend. Inside of a dog it's too dark to read." **Groucho Marx,**

"You only live once, but if you do it right, once is enough." **Mae West**

"I love deadlines. I love the whooshing noise they make as they go by." **Douglas Adams**

"Life's hard. It's even harder when you're stupid." **John Wayne**

"My tastes are simple: I am easily satisfied with the best." **Winston Churchill**

"Right now I'm having amnesia and déjà vu at the same time. I think I've forgotten this before." **Steven Wright**

"Have you ever noticed that anybody driving slower than you is an idiot, and anyone going faster than you is a maniac?" **George Carlin**

Serious Photography

Recently we took updated pictures for our website. You have to be careful what you put on the internet, it could come back to haunt you years later.

We figured we had little to lose by putting the silly ones here. You are our friends, we figured you would understand.



Wizard of Id strip published by permission
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How Armistice Day Became Veterans Day

World War I – known at the time as “The Great War” - officially ended when the Treaty of Versailles was signed on June 28, 1919. However, fighting had ceased seven months earlier when an armistice or temporary cessation of hostilities between the Allied nations and Germany went into effect on the eleventh hour of the eleventh day of the eleventh month of 1918.

In November 1919, President Woodrow Wilson proclaimed November 11 as the first commemoration of Armistice Day. It was primarily a day set aside to honor veterans of World War I, but in 1954, after World War II and the aggression in Korea, Congress approved new legislation changing “Armistice Day” to “Veteran’s Day.” November 11th became a day to honor American veterans of all wars.

Veterans Day continues to be observed on November 11, regardless of the day of the week on which it falls. The observance of Veterans Day on November 11 not only preserves the historical significance of the date, but helps focus attention on the important purpose of Veterans Day: A celebration to honor America's veterans for their patriotism, love of country, and willingness to serve and sacrifice for the common good.

Patriotic songs are often sung on Veteran’s Day but we seldom hear all the verses.

These verses provide particularly poignant praise for all our veterans:

Historical Source:

U.S Office of Veteran’s Affairs, www.va.gov



America the Beautiful

Words by Katharine Lee Bates

**O beautiful for heroes proved
In liberating strife.
Who more than self their country loved
And mercy more than life!
America! America!
May God thy gold refine
Till all success be nobleness
And every gain divine!**

**O beautiful for patriot dream
That sees beyond the years
Thine alabaster cities gleam
Undimmed by human tears!
America! America!
God shed his grace on thee
And crown thy good with brotherhood
From sea to shining sea!**

*"To us in America, the reflections
of Armistice Day will be filled
with solemn pride in the heroism
of those who died in the country's
service and with
gratitude for the victory..."*

Woodrow Wilson



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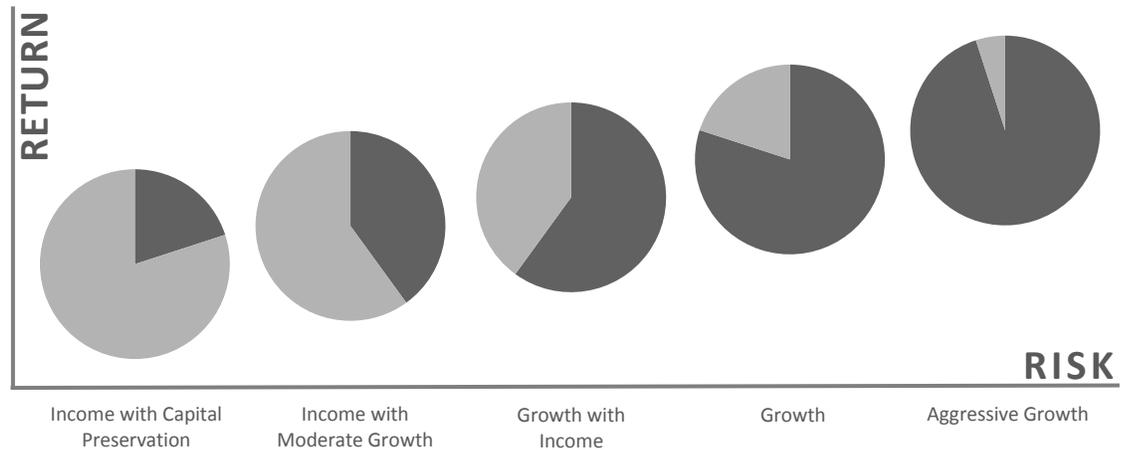
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New Tools for New Times



The Investment Consulting Process

As your investment partner we are committed to helping you accomplish your unique financial goals. After developing a thorough understanding of your risk tolerance and short- and long-term goals, we will work together to create a customized investment portfolio designed for you. In order to accomplish this, we will take you through the investment consulting process, which is designed to help us determine how to best address your financial goals and dreams.

Your Investment Objective

Key to implementing this process is defining your investment objective. It will be based on many factors including your financial situation, income needs, time horizon and tolerance for risk. Common investment objectives are Aggressive Growth, Growth, Growth with Income, Income with Moderate Growth and Income with Capital Preservation.

Key Considerations

The most conservative of these is Income with Capital Preservation which may be appropriate for a person with a relatively short time horizon, a low tolerance for risk and a need for current income. The most aggressive is Aggressive Growth, a model that may work well for a person with a longer time horizon, a desire to aggressively pursue growth and a higher tolerance for risk. Each of the other objectives fall between these two.

Knowing Your Objective

On the temple of Apollo at Delphi in Greek is inscribed: "Know Thyself." Defining your investment objective is a fundamental step in investing wisely and every account should have one. Once defined, your objective can help guide decisions about asset classes and investment vehicles which might be appropriate. Our goal as your partner is to help you choose a path forward appropriate to your wants and needs – knowing your objective is essential.