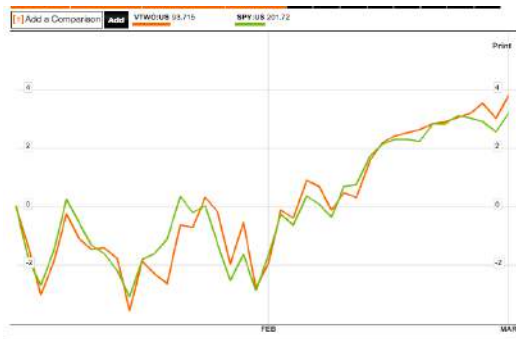


Overview

February saw equity markets rise strongly globally. The SPY (ETF Proxy for the S&P's 500) was up 5.65% and is now up 2.5% year-to-date (YTD). Looking beyond our borders, Eurozone equities rose about 6.2% in spite of a slight depreciation of the Euro vs. the USD of about 1%. As for emerging markets, they progressed nicely up 4.7% over the period as measured by the VWO, Vanguard's emerging market ETF.

Illustrating the performance of US equity markets in February overall is the chart below. It compares the US large cap sector (SPY-Green line) and that of the US Small cap sector (VWTO-Orange line) since the beginning of the year.



Fleurus's four diversified portfolios did well in February and were up from 1.6% for the most conservative one to 3.95% for the most aggressive one. YTD our four model portfolios have risen from 2.5% to 3.1%. These numbers are presented net of our management fee.

Noteworthy Developments

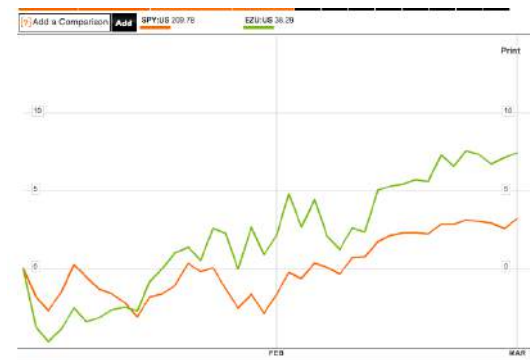
Further signs of economic strength in the form of robust employment numbers in the US, coupled to the dramatic and not-yet-tragic Greece-EU negotiations contributed to the supportive environment for equities. In addition, the apparent stabilization of oil prices may have been a positive factor. Whether this jump in oil prices is sustainable or not, we are unsure. But it seems to be a factor that explains in part the improved market environment in February.

In order to gain perspective on this point, below is the one-year chart of the USL, our ETF proxy for oil.



Tilts and Allocations

In spite of continued and contrary currency headwinds, our slight bias in favor of Eurozone equities proved to be favorable to our portfolios in February. Our investment in EZU, was up nicely and outperformed its US counterpart (SPY) by about .50% this month. The chart below compares the performances of both ETFs since the beginning of the year.



I expect the outperformance of Euro markets over US ones to continue over the foreseeable future, absent a major geopolitical disruption.

Elsewhere in our portfolios and in furtherance of our current bias in favor of Euro assets, we are expressing our 5% REIT allocation across all portfolios with a 2.5% investment in IFEU, a European REIT ETF. This investment was up 4.7% in February while the VGSIX (US REIT ETF) was down 3.3% over the same period. Below is a chart that illustrates the performance of both ETFs since the beginning of the year.



Money flows seem to be favorable to European equities, including REITs. We are taking advantage of this ECB-induced uplift.

Overall and so far this year, our allocation choices are proving to be value-adding. We have reduced our total allocation to equities by 5% in order to reduce our overall risk level and this has not cost us anything in terms of performance. We have maintained our European allocation within a reduced allocation to equities and therefore increased their impact on our portfolios. They have performed better than US markets. As a result, our four diversified portfolios are nicely up and, for some of them, higher than the S&P's 500 with about half the S&P's volatility. That said, the year is young and we will keep a sharp eye on market developments that could cause us to rethink our choices.

Closing Comments

Some of you may know that all investment advisors are not equal, under the current regulatory environment. The vast majority, or about 85%, work for brokerage houses while the other 15% are registered investment advisers (RIA) like Fleurus. The difference between the two is that the latter are fiduciaries, and the former are not.

Practically speaking, an RIA is bound by law to put the interest of its clients first while a brokerage house investment adviser is not.

In an attempt to protect investors, the Obama Administration is currently promoting new rules to expand the application of the fiduciary standard to all financial advisers, including those at brokerage houses, or have them use a different name to market themselves. While I have many good friends in the brokerage industry and wish them well, this new regulation would be a good thing for the investing public, with no objective downside. It should be supported.

Unfortunately, with all of Wall Street dead set against it, it is likely to fail yet again. This is the second such attempt by the Obama Administration since the 2008 crisis. Because there is no real downside to this legislation, I am taking this unusual stance and asking you to call your representative in Congress in support of it.

To be sure, whether this legislation passes or not, it will not affect how Fleurus manages your money. We already are a fiduciary and would not contemplate managing assets under any other standard.

Please feel free to call us with any questions. We look forward to your comments.