



THE APPLETON GROUP, LLC

INVESTMENT MANAGEMENT · RETIREMENT PLANNING
CORPORATE 401(k) PLANS · MARKET RESEARCH



The Compass™

January 2013

The Appleton Group, LLC is an independent Registered Investment Advisor (RIA) located in Downtown Appleton, Wisconsin. Our firm provides wealth management and investment advisory services, using time-tested asset management strategies that prepare for cooperative and uncooperative markets. Since our founding in 2002, our firm has been recognized both locally and nationally as a leader in the wealth management community.

The Appleton Group, LLC currently manages approximately \$137.8 million, serving individuals, families, corporations, endowments, foundations, trusts, company sponsored retirement plans and third-party investment advisors.

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"We're So Nice," and Other Thoughts...

From the desk of Mark C. Scheffler

With the first half of the fiscal cliff saga now settled (taxes are going up, but not as much as first thought and not for everyone), the far more difficult task of budget cuts now takes center stage. As required by current law, \$1.5 trillion must be cut from the federal budget over the next ten years in a process called "sequestration." This is old news. But if you thought raising taxes was contentious, just wait

for the wailing to begin over cuts.

I've often said that ending something is far more difficult than starting something, and I believe that with budget cuts this is exactly true. As a society, we've become accustomed to massive defense spending, to pork projects sent to a representative's home district, to bailouts for "too big to fail" banks, rebuilding efforts following hurricanes Sandy and Katrina, and to stimulus programs



Mark C. Scheffler
Senior Portfolio Manager,
Founder

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The Appleton Group Brings National Speaker to the Fox Valley...

Traditionally, the Fox Cities Chamber of Commerce & Industry's annual Economic Outlook Breakfast features a single economist presenting his/her predictions for the coming year. As this year's main sponsor, Appleton Group is bringing in the expertise of EVERY economist in the United States using a concept called crowdsourcing (the key research technique used for clearTREND®). Helping to present the concept of crowdsourcing to the Fox River Valley is Jeff Howe, author of *Crowdsourcing*, published by Random House.



Jeff Howe

Jeff Howe is the author of *Crowdsourcing*, a professor of journalism at Northeastern University in Boston and a former Nieman Fellow at Harvard.

He previously worked as a contributing editor at Wired Magazine, where he covered the media and entertainment industries. In June 2006 he published "The Rise of Crowdsourcing" in Wired. In September 2008 he published a book on the subject for Random House. The book has been translated into 11 languages. Before coming to Wired in 2001

he was a senior editor at Inside.com and a writer at the Village Voice.

In his 20 years as a journalist he has traveled around the world working on stories ranging from the impending water crisis in Central Asia to the implications of gene patenting. He has written for Time, U.S. News & World Report, The Washington Post, Mother Jones and numerous other publications. He lives in Cambridge with his wife and two children.

Economic Outlook Breakfast
clearTREND® Workshop

Wednesday,
February 6, 2013

Radisson Paper Valley Hotel
Appleton, WI

Register at
www.foxcitieschamber.com

"We're So Nice," and Other Thoughts ... concluded

designed to keep our economy moving forward (read "endlessly bigger"). But these items and so many more have benefitted all of us through jobs, consumer spending, housing subsidies, construction spending. And they are all threatened by the looming budget cuts.

In my heart of hearts, I believe this process will be so difficult because we're all so nice, and we really don't want to see anybody get hurt. That's a really good thing, and a testament to the spirit of our great nation! But tough choices have to be made in the absence of a sustainable society, a sustainable nation, and a sustainable economy. For the last four years or so, the handwriting has been on the wall – we've all just been unwilling to face the fact that in order to move forward, we all might have to take a step backward for a time.

To be honest, that's why Appleton Group's investment risk management discipline is more important today than ever. In a shrinking economy (even in a slowing economy), the value of companies and real estate and jobs and growth all can decline significantly. The market is roughly back to where it was in March of 2000, and again in October of 2007. Each time it has pulled back significantly from those

highs. If history is any indication, a solid risk management strategy is as fashionable today as ever.

Buying Time...

For the past four years, global economic growth has been slow and steady, but by no means stellar. Long gone are the days of 3-4% GDP growth with rampant productivity gains and full employment. If the Fed had its way, we'd have seen much higher inflation by now, and I'm sure that we'd all be thrilled with 4% unemployment once again. Thanks to accounting gimmicks and massive global stimulus, slow and steady growth is truly welcome, but it's simply bought time. Time for what? Time for a structural, well thought-out shrinking of our global economy.

A wise man once told me (Len Weis, a great man and the founder of the Weis Earth Science Museum), "Economic progress is not the same thing as human progress." But in the minds of many, GDP growth is mistakenly seen as the only measure of happiness and progress and advancement. Yet we see political strife even as we get richer, we lose precious and irreplaceable natural resources in the name of jobs and development, and the cost just of maintaining this generation's American standard of living is staggering.

My point is that it is a scientific fact that our environment is getting warmer and less stable. This can no longer be rationally denied, and the economic repercussions are already being felt in higher commodity prices and massive insurance claims from super storms. The only issue is whether the effect is natural or a result of human activity. I, for one, pray that it's man-made because if so it can be reversed, but probably through only one course of action: a systematic, planned and intentional reduction in human economic expansion, construction and development. But the good news is that the Appleton Group's flexible and proactive investment management strategy is built not only for a growing economy but for a shrinking one as well. If humanity really is at a developmental crossroads, we are all on the front line and our generation will (hopefully) be seen as the heroes who did something about it. Exciting, and scary at the same time.

Fuel for the Fire...

One inescapable law of physics is that matter can neither be created nor destroyed. Less certain is money. Capital can be created through the printing press or through electronic means – just ask Tim Geithner or Ben Bernanke. But when the stock

market goes down, it is simply because capital is exiting that market and going someplace else. It might find a home in the bond market, in savings accounts, overseas, in precious metals such as gold, or in any other segment of the markets.

So when the market started to go up early in 2012 (and again early this year), it was clear to see where the capital was coming from that was fueling the market advance: money was coming OUT of the bond market. This is a really good sign if you're invested in anything but bonds. Money comes out of bonds and bond prices drop. Money then flows into the stock market and stocks go up. Simple market mechanics.

So with the enormous amount of capital sitting idle in the bond market (at near record low yields) and capital sitting in money markets and savings accounts losing purchasing power, there is plenty of fuel for a stock market advance even without a whole lot of economic growth. Timing is everything, and while there has been a significant surge of capital into bonds over the past five years that tide will eventually turn. When it does, that's one massive tidal wave that investors will definitely want to be in front of.

-MCS

In the News...

Did you know that The Appleton Group's innovative market research app, clearTREND®, was one of six new applications chosen by Microsoft as a global case study? The video can be viewed at www.cleartrendresearch.com/?p=2354.

Insight Magazine featured clearTREND® in their January 2013 issue. To see the full article, visit www.insightonbusiness.com. There's an app for that - Investment app allows the trend to be our friend.

SAVE THE DATE

401(k) REVOLUTION

Join us for the latest on these critical components of your Plan...

- ERISA 3(21) vs. 3(38) Does your Advisor hold himself/herself to the highest Fiduciary Standard?
- Wildfires on Your Desk – Routine Plan Provisions Gone Wrong
- The Real Story Behind Revenue Sharing – Lowering Plan Fees
- Plus much more.

Thursday, March 14, 2013

8:00 A.M. to 1:00 P.M.

North Shore Golf Club

To register call 866.993.7727 or email cwirth@appletongrouponline.com

