CPFA'S Quarterly Letter

Comprehensive Personal Financial Advisors, LLC **Second Quarter 2014**

Global financial markets enjoyed positive returns across the board in the first half of the year. Despite this recent positive performance, we continue our relatively cautious outlook for a number of reasons:

- *Developed market equity securities continue to cost more for each dollar of corporate earnings.*
- *While the unemployment rate has continued to improve, the labor force participation rate is at its lowest point in decades.*
- *The Fed is ending QE3, but a bubble may exist in the fixed income markets.*

These considerations, in combination with positive performance of the "third pillar" of our investment strategy, cause us to maintain that the smart, long-term play is patience in awaiting a meaningful market correction before increasing our equity allocations.

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Quarterly Commentary

Second Quarter 2014

2014 Mid-Year Review

Global financial markets experienced positive returns across the board for the first half of the year. US Large Cap stocks, as represented by the S&P 500, lead all major asset classes returning just over 7% through June 30. Not far behind were Emerging Markets and Foreign Developed Market stocks, up 6.1% and 4.8, respectively. These returns were generated despite a decline in US GDP of -2.9% in the first quarter and GDP growth of just 0.2% in the Eurozone.

As we discussed in our 4th Quarter 2013 letter, equity returns continue to be driven in large part by expansion of multiples (paying more for each dollar of corporate earnings) and resilient profit margins. These factors have propelled US equities to all time highs. However, we continue to caution that these valuations are supported by record corporate earnings, which may not be sustainable. We also recognize that short-term correlations between economic performance and financial markets returns can be quite low. In other words, the financial markets may not necessarily reflect the state of the underlying economy.

Turning our view to fixed-income, the Fed continues to taper their bond purchases, with expectations to end its purchase program in October. We believe the markets may have fully "priced in" the impact of the end of Quantitative Easing. In spite of QE winding down, inflation remains in check and interest rates have remained fairly stable. Thus, the Barclays US Aggregate Index is up 3.9% for the year, while the Barclays Muni Index is up 6%. Some commentators fear that a bubble may exist in the bond market as well.

The Fed is on record saying that it is their goal to keep rates stable through mid-2015, with rates perhaps ticking up after that. To mitigate that risk, we continue to favor actively managed, unconstrained fixed income strategies that can be flexible in response to interest rate and credit risks.

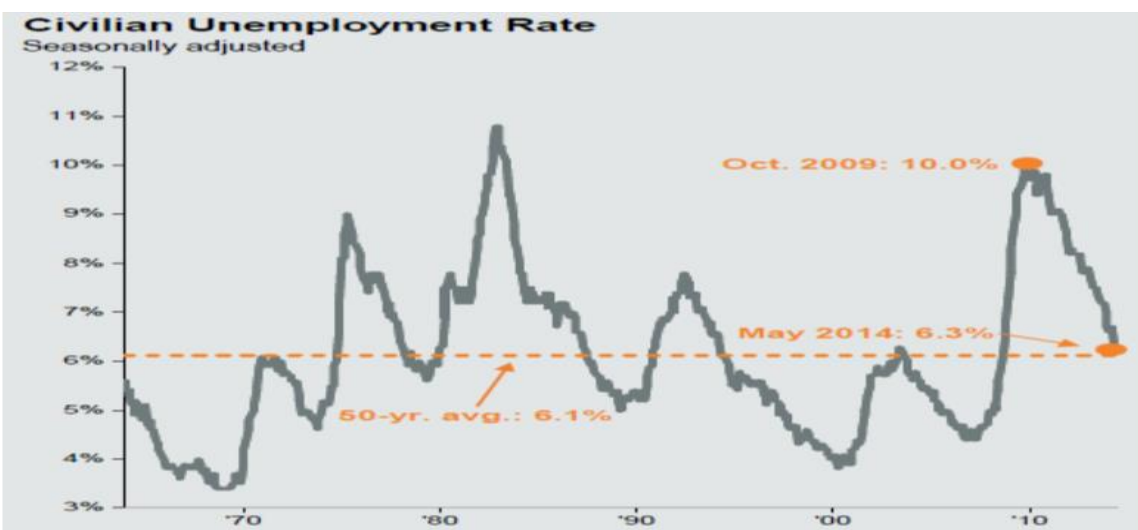
Turning to the "third pillar" of our investment strategy, most alternative asset classes also experienced positive returns for the year. Master Limited Partnerships (MLP's) are up a whopping 15%, on pace with their returns from 2013. The HFRI Event Driven Index reflected a gain of 4.3 %, while the Barclay CTA Systematic Traders Index (Managed Futures) was up 1.0%.

The chart below illustrates the returns provided by some of the strategies utilized in our portfolios.

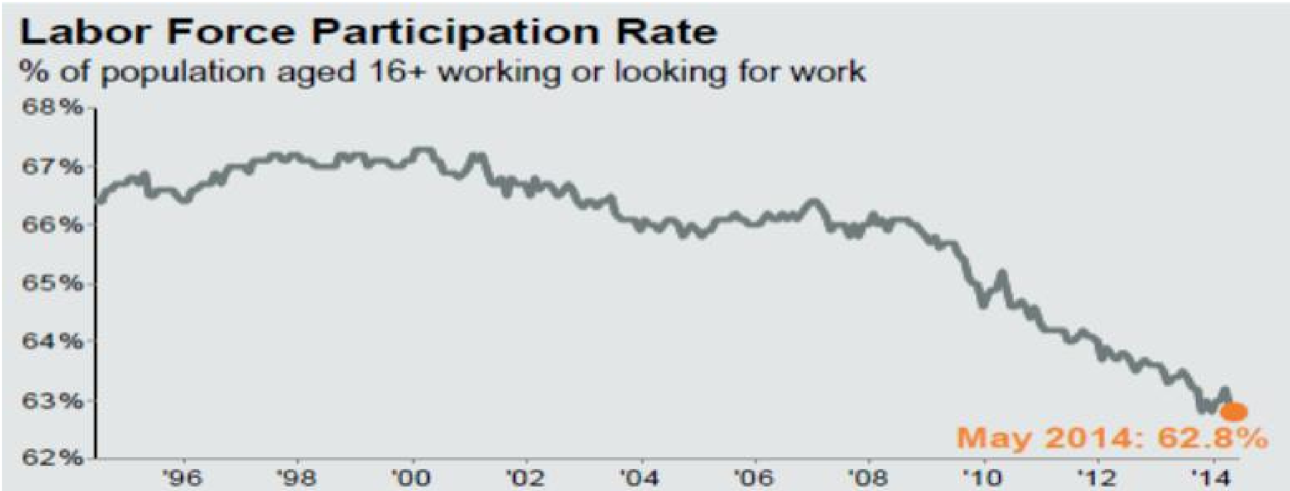
Return as of 06/30/14	Ticker	Classification	YTD Through 6/30/2014
Powershares FTSE RAFI US 1000	PRF	Large - US	7.47%
Russell 1000 Index			7.27%
Powershares FTSE RAFI US 1500 Small-Mid	PRFZ	Small/Mid - US	3.68%
Russell 2000 Index			3.19%
Powershares FTSE RAFI Dev Mkts ex-US	PXF	Large - Dev ex-US	6.32%
MSCI EAFE Index ND			4.78%
Powershares FTSE RAFI Dev Mkts ex-US S/M	PDN	Small/Mid - Dev ex-US	7.50%
MSCI EAFE Small Cap Index ND			5.50%
Powershares FTSE RAFI Emerging Markets	PXH	Emerging Markets	6.58%
MSCI Emerging Markets Index ND			6.14%
PIMCO Total Return	PTTRX	Fixed	3.70%
Guggenheim Total Return	GIBIX	Fixed	5.82%
Barclays US Aggregate Bond Index			3.9%
AQR Managed Futures Strategy	AQMIX	Alternative	-5.19%
Longboard Managed Futures	WAVIX	Alternative	1.38%
Arbitrage Event Driven	AEDNX	Alternative	2.85%
Eagle MLP Strategy	EGLIX	Alternative	20.86%
PIMCO All Asset All Authority Inst	PAUIX	Alternative	6.31%
Stone Ridge Reinsurance Risk Premium Fund	SREMX	Alternative	2.8%

A Closer Look

We see mixed signals in the current economic environment. For example, unemployment appears to be approaching its 50-year average…..



Source: BLS, FactSet, J.P. Morgan Asset Management.
Guide to the Markets – U.S.
Data are as of 6/30/14.



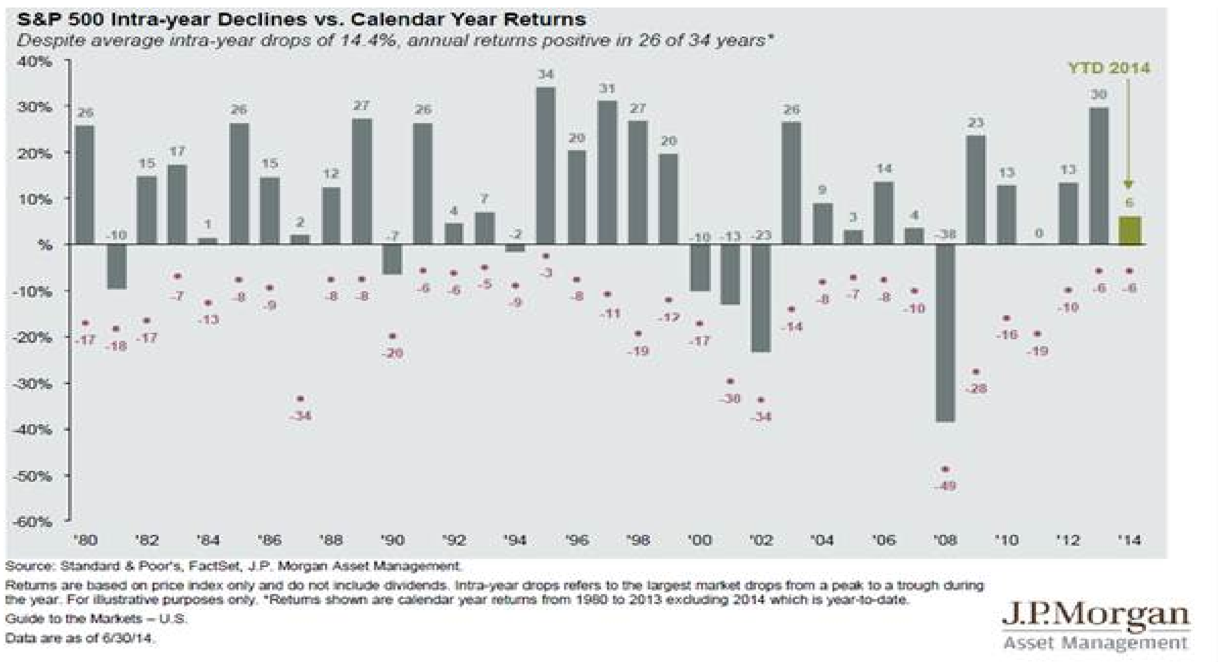
…but the Labor Force Participation Rate dropped below 62.8%. This is the lowest rate in 36 years. The number of Americans, age 16 and older who did not participate in the labor force climbed to a record high of 92,120,000 in June, according to data from the Bureau of Labor Statistics. Some of this decrease in labor participation was expected due to changing demographics – specifically baby boomers reaching retirement. We also see under-employment as a continuing risk to the economy as well as disgruntled workers who have left the workforce.

According to a study by the Cato Institute (The Work Versus Welfare Trade-Off: 2013), a wage earner supporting two children would need to earn approximately $26,300 (50 state median) before it makes economic sense for him/her to work versus relying upon government assistance.

With this sort of disincentive in place, we find it difficult to see the total labor participation rate rising substantially without a significant change to the system.

In spite of the fact that Emerging Markets real GDP growth is averaging 3% greater than that of the Developed Markets, recent equity markets returns have largely favored Developed Markets. The MSCI World Index was up just shy of 15% annualized over the last 5 years, compared to 9.24% for Emerging Markets. This disparity illustrates our earlier point regarding the correlation between economic growth and financial market returns. We continue to believe that emerging markets will provide relatively attractive returns over the long-term.

As demonstrated in the chart below, we leave you with a sobering reminder that unlike the last couple of years, double digit intra-year declines in the markets are not infrequent. When, not if, we do experience the next dip, we will evaluate whether it presents an opportunity to rebalance to take advantage of lower equity valuations.



Human nature is programmed to put too much reliance on recent events. Since the downside volatility of the market over the last three years has been so tepid, many investors are throwing caution to the wind and increasing their allocation to equities. We do not believe that this is the time to be picking up the last nickel of return with a potential steam roller coming your way. Thus, we remain defensive and patiently await a meaningful correction.

As always, we appreciate the trust you place in our team at CPFA.