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Richard Bregman, *Chief Executive Officer*

April 19, 2013

Dear Clients and Friends:

Seeking to avoid the all-too-common delays in air travel around holiday weekends, I booked a recent trip to Florida on the 6 AM flight, knowing from prior experience that the plane would already be at the airport (as opposed to having to wait for it to arrive from another location). The plan was to board and depart before any potential delays and frayed emotions emerged from the innumerable interactions among passengers, security personnel, airline employees and equipment. The strategy started out smoothly and boarding went as I had envisioned; the pilot even came out of the cabin to announce that we'd be able to take off early. After pushing back and taxiing to the runway, we were "number one for takeoff"...and then sat for a good while for no visible reason.

After finally taking off, the pilot explained that the delay had been due to air traffic control deciding to re-route our flight at the last minute; moreover, we were now flying into headwinds of 120 knots and would arrive in Florida "close to" our scheduled landing time. We landed about 30 minutes late. Of course, in the scheme of things, landing a half hour late is not a big deal. Nevertheless, it was a small reminder that even a reasonable strategy designed to reach a reasonable goal can run into unanticipated circumstances that lead to unintended results.

Investors often face unanticipated circumstances as well. As with my flight, the "surprises" can be man-made (e.g., air traffic control decision) or natural (e.g., changing weather conditions); they all, however, share the common trait of potentially wreaking havoc on those who are not adequately prepared. For that reason, at MJB Asset Management we invest expecting the unexpected. We do not seek to predict the unexpected; we simply expect unexpected things to occur¹ and maintain protective measures (i.e., hedges) to reduce the potential negative market impact of such surprises.

The hedges are similar to insurance: they protect us when disaster hits but we must pay premiums for the protection. Those premiums can be a drag on performance, particularly when markets go up. And so it went in the first quarter of 2013. Every MJB client account recorded gains, with most portfolios rising in value between 3% and 5%. Those returns lagged the stock market's 10% gain (as measured by the S&P 500 Index). The discrepancy is not unexpected; our portfolios are not all-equity

¹E.g., the Cyprus—yes, Cyprus!—banking "crisis".

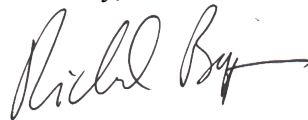
portfolios, and thus the S&P 500 is not a terribly accurate index against which to measure ourselves. The other major areas in which we invest are the bond market, which declined by -0.12% for the quarter (as measured by the Barclays Aggregate Bond Index), and various hedging strategies, which gained roughly 3.9% for the quarter (as measured by the Hedge Fund Research Composite Index). As such, our client portfolios should—and in fact did—perform in line with the average return of the three categories. Our mixture typically trails the stock market when equities rise sharply and outperforms the market when equities decline. The overall result tends to be a smoother, more consistent, more comfortable ride through volatile investment markets.

Even though the stock markets are now at 2007 pre-financial crisis levels, the U.S. economy does not appear to have regained its pre-crisis level of output. To us, that is a troubling disconnect. At the same time, the bond market is off-the-charts higher than in 2007 and is being manipulated by the Federal Reserve for reasons that are more and more challenging to justify. Will these markets continue? We do not know, and we do not predict. However, we continue to expect the unexpected, whatever it might be; we are maintaining conservative positions in the equity and bond markets together with a strong allocation to hedging strategies to help soften the effects of any negative market movements.

In New York City, the springtime weather this year has been somewhat like my flight to Florida – it arrived a little bit late, but is here nonetheless! At times, the returns in the markets behave the same way, arriving a little bit later than expected. We will continue to monitor those markets and the investment environment, searching for opportunities to make gains while expecting—and protecting against—the unexpected.

Thank you for investing with MJB Asset Management. As always, I welcome your questions and comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Bregman", with a long horizontal flourish extending to the right.

Richard Bregman