



# The Quarterly Profit

## THE WIND AT OUR BACKS

Finally, tentatively, and more probably than possibly, the wind is beginning to turn in our favor and nudge us gently from behind. This has been a long time coming, and reminds me of the summer of 1969 when I bicycled solo around Europe on a 3 speed bike. For three days I was pedaling south from Inverness, Scotland at 15 miles per hour, but the wind was blowing north from 10 to 20. You can only fight the wind so long before dejection takes over. Haven't we sometimes felt like this since the crash of 2008? We've gained ground numerous times, only to lose it over and over again. The European Union Credit Crisis blew fully in our face from January 2010 until this last fall. The winds were so severe in late July of 2011 that the E.U. crisis sent our markets spinning backwards 18% in just three weeks, threatening to reverse all market gains since the recovery began, and potentially setting the stage for another global debacle. Our own Congress didn't help much with the Debt Ceiling debates in the late summer of 2011, the Fiscal Cliff theatrics following the recent elections, and now Debt Ceiling Cha Cha number two. But the winds are turning. This fall, Mario Draghi of the European Central Bank promised that all necessary actions would be taken to support the E.U., and as a result, the European fiscal threats seem to be contained for the first time in three years. In Washington, it appears that the more extreme factions are losing ground, so that the Debt Ceiling debates may eventually lead to adult dialogue. As frightening as our debt imbalance is, I'm hopeful that strong leadership will eventually emerge to negotiate reasonable strategies for more balanced revenues and spending. Meanwhile, the U.S. economy is gaining traction, and is beginning to show a little of the Big Mo! Building permits and housing starts continue to increase, real estate values are showing solid signs of recovery, new car sales are setting records, and quality manufacturing is beginning to return to this country

from Asia. And, amazing as it sounds, the U.S. is expected to become the world's largest oil exporter by 2020. Moreover, the stock market indices have reached their highest levels since the recovery started in March, 2009, and are now approaching the historic highs of October 2007.



How should we best interpret these recent green lights, and will this positive trending continue? From a long term global perspective, there are literally hundreds of millions of people who are emerging from bare subsistence income and moving towards some level of discretionary spending. This dramatic evolution will drive global growth for years to come, and those corporations that are nimble and smart enough to respond to the opportunities will enjoy significant success. From a stock market perspective, I believe that we should disregard those pundits who claim that a bull market has run its course and that a serious correction is in order. Rather, our economy is still recovering from a near-fatal blow, and we are just now regaining a basic level of stability and market confidence. Despite our political dysfunction we cannot discount our economic momentum. Stock prices and market values will continue to increase as economic prosperity returns. Let's not be overly concerned with the amount of gain we might expect, but breathe a sigh of relief that stability and positive trending may continue for several years. I believe that the wind is indeed shifting to our backs. It is now time to begin transitioning from bonds to stocks, and to look for more international opportunities than we have in the last few years. Let's make this transition carefully, because we know the winds can change. Always, protection first and growth second.

Van Mason, CFP™, CLU, MBA

# CLIENT SYMPOSIUM— MARCH 9TH



On Saturday March 9th we will be hosting our Client Symposium at the Embassy Suites Hotel in Tigard, Oregon. We are honored to have an entire line up of speakers who will present meaningful updates, interesting insights, and valuable information. You

won't want to miss the amazing champagne brunch and opportunity to visit with other clients like you!

An invitation with the final details will be mailed as we get closer to the event, but we wanted to make sure you marked your calendars. We would love the opportunity to visit with you, and also extend the invitation to your Friends and Family who we haven't had the pleasure of meeting in the past. StoneRidge is very excited to host this special event and

honor our relationships with our clients. Please be our guests...

March is the start of many fun workshops for StoneRidge this year. I am looking forward to creating new opportunities for our clients to learn new techniques, and partake in educational sessions. In the coming months you will see invitations for IPAD workshops, Friends and Family dinners, and a three part series for Female Investors.

Van and I think 2013 is going to bring fresh ideas, exciting changes, and new opportunities.

We look forward to sharing them with you!



Amy Treat, Chief Operating Officer/Partner

## Clients In the Community

### Meet Glen Siren

Glen and Judy Siren are retired and live in Vancouver. Church, community, family, friends, and six dogs keep them busy. Glen is one of those guys who might be able to sit and twiddle his thumbs for five minutes, so when a friend from church suggested volunteering at the Vancouver Share Center, Glen jumped right in.

**"The mission of Share is to lead the hungry and homeless to self-sufficiency by providing food, shelter, housing, education and compassion through the strength of our community."**

[www.sharevancouver.org](http://www.sharevancouver.org)



Glen devotes his time to the kid's backpack program. Every Wednesday, Glen and his crew set-up and coordinate pallets of food, and on Thursday the backpacks are filled. Each Friday, 1,500 backpacks are then distributed to 72 schools in Southwest Washington, for kids who might otherwise go hungry over the weekend. The typical backpack will include fruit and vegetables, canned beans, tuna fish, mac and cheese, juice, bread or pasta, and maybe peanut butter. Two years ago when Glen started volunteering, 850 to 900 backpacks were filled and distributed each week. Last year, the count had risen to 1,350. And now, 1,500 at-risk kids have a better chance of getting through the weekend. A tip of the StoneRidge Hat to Glen Siren, not just for his efforts, but for his inspiration! And to all of the StoneRidge clients who give their time to worthy causes, please don't hesitate to share your story with us.

# Manufacturing Returns to the U.S.

We've been lamenting the loss of U.S. manufacturing jobs to China ever since we began noticing those tell-tale cardboard shipping boxes with the yellow plastic banding and "Made in China" stamped on the sides. When was that? Maybe in the early ninety's? For years, it seems as though most everything in the house and on our backs has been made in China. Well guess what? Manufacturing is beginning to return to America. Corporations are now sharpening their pencils to calculate the true costs of manufacturing offshore. One by one, they are finding that the cost differentials are not nearly what they used to be, especially when the intangible benefits of proximity are figured in. The reason is that the explosive growth of manufacturing in China has resulted in dramatic increases in factory wages. According to a recent report by the Boston Consulting Group, the average pay for Chinese factory workers increased about 10% per year from 2000 to 2005, and by 19% per year from 2005 to 2010. According to this same article, the Chinese government plans an annual target increase of 13% annually through 2015. Honda gave their Chinese factory workers a 47% increase after the strikes in 2010! Meanwhile, factory pay in the U.S. has become increasingly competitive, especially in right-to-work states. Senior management in China is also enjoying significant pay increases, with the average compensation now matching or even exceeding comparable positions in the U.S. and Western Europe. By 2015, it is likely that manufacturing costs in China will be almost equal to manufacturing in the southeast United States. As the manufacturing costs begin to reach parity, transportation costs become a more critical component, especially for large products with relatively low value per cubic inch. General Electric has recently moved manufacturing of washing machines, refrigerators and heaters back from China to a factory in Kentucky.

Within the next two years, "re-shoring" is expected to double, and effectively neutralize the outflow of manufacturing from the U.S. Clearly, this is good news for our economy, and suggests that our long term market outlook should be more optimistic.

## Hickory Dickory Dock, The Mouse Ran...

Germany's Perrot GmbH & Co. has been making clocks for 150 years, and specializes in clocks for bell-towers. The Mecca Royal Clock Tower Hotel in Saudi Arabia needed a clock face for the second tallest skyscraper in the world, so it ordered a large one, and then super-sized it. After all, the clock had to be visible from five miles away! So how large would that be? Can you believe a clock face that is 140 feet in diameter and in-



stalled more than 1,300 feet above the street? That's almost half the length of a football field in diameter, and a quarter mile off the ground! The big-hand weighs 7.5 tons!

The size of the clock is almost as astonishing as the relative size of Germany's combined exports. How can Germany, with only one-fourth of the population of the U.S. and almost no natural resources of its own, export more total product than the U.S.? Quality autos, testing equipment, drugs and pharmaceuticals, wind turbine assemblies, and now.....140 foot clocks. Amazing what can happen when education, labor, industry, and government all cooperate.

### PSSST...Don't Tell Chairman Mao!

We all remember China's Chairman Mao, and how hard he tried to create a true communist society. Capitalists were enemies of the state and most private enterprises became the state's property. Then came the 80's and 90's and the philosophies began to change. Deng Xiaoping is reputed to have stated, "To get rich is glorious!" What's a good card-carrying Communist supposed to do? Well, don't tell Chairman Mao, because he would surely roll over in his State-owned grave, but there are some very wealthy members of the Commu-

nist Party with seats in the Great Hall of the People. How wealthy? Would you believe that Wang Jianlin, who recently bought the U.S. corporation AMC Entertainment Holdings, is worth approximately \$10.3 Billion. (That's right, with a B!) Liang Wengen's company, Sany Heavy Industry Co. competes globally with Caterpillar, and is worth about \$7.3 Billion. Poor Zhou Haijiang's clothing manufacturing family only has about \$1.5 Billion. The Wall Street Journal used data from a Shanghai research firm (Hurun Report) to list China's

160 wealthiest citizens who are seated in the Communist Party Congress. The combined family net worth is about \$221 Billion. According to the WSJ article, China's National People's Congress may seat more ultra-rich members than any other comparable governing body in the world. The average net worth of the 75 wealthiest members is more than \$1Billion. To put this into perspective, the combined net worth of all 535 members of the U.S. Congress might possibly total \$5Billion, or an individual average of less than \$1M. No kidding Bob Dylan! The times they are a changin'!

### IMPORTANT TAX REMINDER...

In 2009, the Internal Revenue Code extended the deadline to furnish Tax Information statements to customers from January 31 to February 15. LPL Financial is required to report your dividends and other distributions paid by investment companies on the Consolidated 1099 Tax Information Statement (1099 DIV, INT, B, MISC, OID). Mutual Funds, Real Estate Investment Trusts and Unit Investment Trusts are examples of investment companies which pass through tax reporting information to LPL Financial.

As it is common for investment companies to amend tax information, LPL Financial will request a supplemental mailing extension in the event investment companies do not furnish tax information to LPL Financial by the February 15 deadline. This additional extension attempts to minimize the number of corrected 1099s resulting from amended reporting sent by investment companies. The mailing dates for the 1099-R and 1099-Q forms will remain the standard deadline of January 31, 2013.

If you have questions after receiving your tax documents, please feel free to contact me.

Amy Treat, Chief Operating Officer/Partner



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