INVESTMENT PARTNERS ASSET MANAGEMENT
One Highland Avenue, Metuchen NJ 08840 Tel: 732-205-0391 Fax: 732-205-0395

Excerpts from Quarterly Report written by Investment Partners Asset Management – Q1 2014

"... People since the dawn of time have been fascinated by magic tricks. Over the course of our lives, our conscious mind develops rational expectations based on normal conditions and stimuli. When a magician performs, he presents an audience with a slight of hand producing an unexpected outcome. The result is a reaction of surprise, amazement, wonder and even a degree of unsettlement. The crowd is stupefied because 'cause' does not intersect with 'effect', and we are left to probe deeper questions as to why our eyes deceived us.

Through easy-money policies and tactics, central banks have pulled off a masterful illusion – leaving us all scratching our heads wondering how they did it (as much as why they did it). The result, at least in the equities market, has been an impressive speculative run where bad news is good news, down is up, and operating losses are profits. A thinking person understands this departure from fundamentals for what it truly is: a trick which requires just a few volunteers from the audience. While in 2013 the crowd may have been on its feet applauding, in the first quarter of 2014 at least a few people have been noisily pointing out that the rabbit was up the magician's sleeve the whole time.

'Look over there…..where? There.' – *Is she really going out with him?* - Joe Jackson

But the trick has really been going on a lot longer than just the recent past. In the span of the last few decades, we have seen many illusions – debt is strength, conflict is stability, real estate is liquidity, high risk is low risk. But breaking it all down, at the center of all of this conjecture has been the struggle to preserve the dollar system. If the West wins, we get to keep our dollar standard and continue to convince developed nations that they should accept paper promises. If the East eventually prevails, the dollar standard will likely be abandoned and replaced, at least in part, by a tangible-asset based system. With that as the backdrop, is it any wonder that peripheral nations have been battlegrounds for cold wars, hot wars, information wars, and currency wars? If Western values and monetary policy are truly what is at stake, then keeping up the illusion of global order will strain the creative talents of even someone like David Blaine.

The potential shift from paper assets to hard assets is why (we have) favored companies in the energy and resources spaces for the past few years. In fact, we would strongly assert that oil *is* money at the moment, and that the relative dearth of it is the reason why fiat currencies around the world have been printed *pell mell* to replace the physical stuff. As a result, we see an enormous boom ahead for resources, especially energy resources. That thesis is finally beginning to bear fruit… after lagging for a while. The recent move higher is merely a reversion back to the mean of oversold territory, and could appreciate further if disruptions associated with global tensions accelerate.

The identification of the "inevitable" is the Holy Grail of investing. It is easy to forget in speculative times that there is a correlation between economic realities and investment fundamentals. The result of this is that growth can only forge onward for so long until either the system reaches its financial limits, peak resources, heightened military action, or all three combined.

The market may finally be reaching the moment of truth at the time of this writing - when the air is slowly coming out of the speculation balloon, and a nascent energy bull market is re-emerging. Some claim that North America will become energy independent and that the shale and fracking booms will persist for decades into the future. The fact remains, though, that oil companies in the US and Canada spent over $200BN (with a B) searching for incremental oil production in fields that traditionally decline faster than companies can raise capital for future exploration. No matter what spin you place on it, oil remains scarce and necessary – and likely will for some time to come.

Those who have been with us for a while have noticed that we tend to favor the healthcare, technology and energy/resources sectors. While that focus hasn't changed, we anticipate that we will continue to… (invest in)… the energy/resources sector as the trends we've identified above play out."

DISCLAIMER

Any information contained in this report should not be considered a complete analysis of every material fact with respect to any company, industry, or security. Any and all investments discussed herein may not be suitable for all investors, and may be subject to a high degree of risk. For this and other reasons, Investment Partners Asset Management ("IPAM") does not recommend that investors buy or sell any of the securities mentioned in this report. Furthermore, there is no certainty, and we make no guarantee, that any views expressed herein or strategy discussed in this report may be executable in an appropriate size or amount and/or at the prices described herein. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy and completeness cannot be guaranteed. Investment Partners Group and/or its affiliates (including but not limited to IPAM) may effect transactions, including transactions contrary to any views expressed herein for themselves or their clients (including but not limited to pooled investment vehicles managed by IPAM, and/or their affiliates).

Furthermore, Investment Partners Group and/or its affiliates (including but not limited to IPAM) may have positions in the securities mentioned herein, (or options with respect thereto) and may also have performed investment banking services for the issuers of such securities. In addition, employees of Investment Partners Group and/or its affiliates (including but not limited to IPAM) their families and other affiliated persons, may have positions and effect transactions, including transactions contrary to any views expressed herein, in the securities or options of the issuers mentioned herein and may serve as directors of such issuers.

FORWARD LOOKING STATEMENTS

This discussion and analysis contains certain forward-looking statements and projections that involve a number of risks and uncertainties. Actual events or results may differ materially from the expectations and projections of the Managing Member. Past performance does not guarantee future results. Market and other risks may affect actual results achieved.