BLUE WATER'S Market Perspective

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We welcome back all of our long-term readers, and in addition we extend a warm welcome to those who are new readers. We will present our usual review of the economy (authored by Wilson), market trends (authored by Sivalingam and Wilson), and a segment on wealth management (authored by Pavlovich and Wilson), followed once again by a brief discussion of a special topic (authored by Wilson). **This time the special topic for discussion will be "Some Major Investing Themes Worth Watching."** We hope that this issue's offering will prove useful to a wide range of investors and will help explain more completely our opinions on what should be done under current market and economic conditions. For new readers, please note that each issue going forward will feature a special topic for more detailed examination, plus a bi-monthly economic and market review. There will only be room for a brief discussion of each topic, so even the busiest reader ought to be able to glean something from this report with a minor time commitment. Please feel free to send us an e-mail or call with questions, comments or suggestions.

Also, please visit our revised and updated website at www.bluewatercapitaladvisors.com, and our blog at http://bluewatercapital.wordpress.com.

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Economic Commentary:
Debt Limits Global Growth

By Kevin M. Wilson

Overview: The Data Keep Degrading; The Euro's Prospects Keep Fading

Eurozone real GDP has fallen on a YOY basis for the first time since 2009, indicating that a regional recession has already begun.[1] The recession began on the southern periphery and has now moved to the core, with even the mighty German economy showing signs of sharply falling manufacturing and trade activity, and clear indications that a German recession is imminent.[2] In fact, the 3-month moving average for global industrial production has now gone negative,[3] much like it did at the beginning of each of the previous two recessions. Hopes for a successful Spanish bailout, the avoidance of another default by Greece, the prevention of contagion through the financial system, and the bankrolling of it all by Germany and the European Central Bank (ECB) continue. However, there is little beyond mere faith to sustain these hopes, since the EU's bailout tool, the Emergency Stabilization Mechanism (ESM), does not yet exist and remains unfunded after two years of planning, and the ECB is still not legally authorized to act like the U.S. Federal Reserve does (as a lender of last resort).

Promises of support made recently by the ECB, which have inspired an August European market rally, are contingent promises requiring the ESM to be up and running, and Spain to formally request aid, and Germany, Finland, and others to agree to massive debt monetization, before the ECB can act. This all may very well occur, and many investors count on it, but it is not yet a done deal, however enthusiastic markets are that it will indeed be done soon (by the September 6, 2012 ECB meeting, to be exact). Meanwhile Spanish banks have tapped into the ECB for another $500 billion in just the month of July, which they then used, incredibly, to buy even more of the dysfunctional Spanish government's sovereign debt.[4] There still seems to be no recognition of the fact that artificially pulling down sovereign bond yields (with borrowed money), under the auspices of insolvent big banks propped up by the ECB, will just not work in the long run. In fact, as famous investor Bill Gross argues, what counts is the relative spread between interest rates and nominal GDP growth in debtor countries, not some arbitrary level of yields, such as the 7% threshold rate assumed by the markets.[5] If GDP growth is very low or negative,

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Debt Limits Global Growth (Continued)

but interest rates are much higher, government debt/GDP ratios will continue to climb, even at bond yields as low as 4%. Eventually these ratios will be so high that bond investors will lose their trust in such a government's ability to pay, and we will get another default like that of Greece.

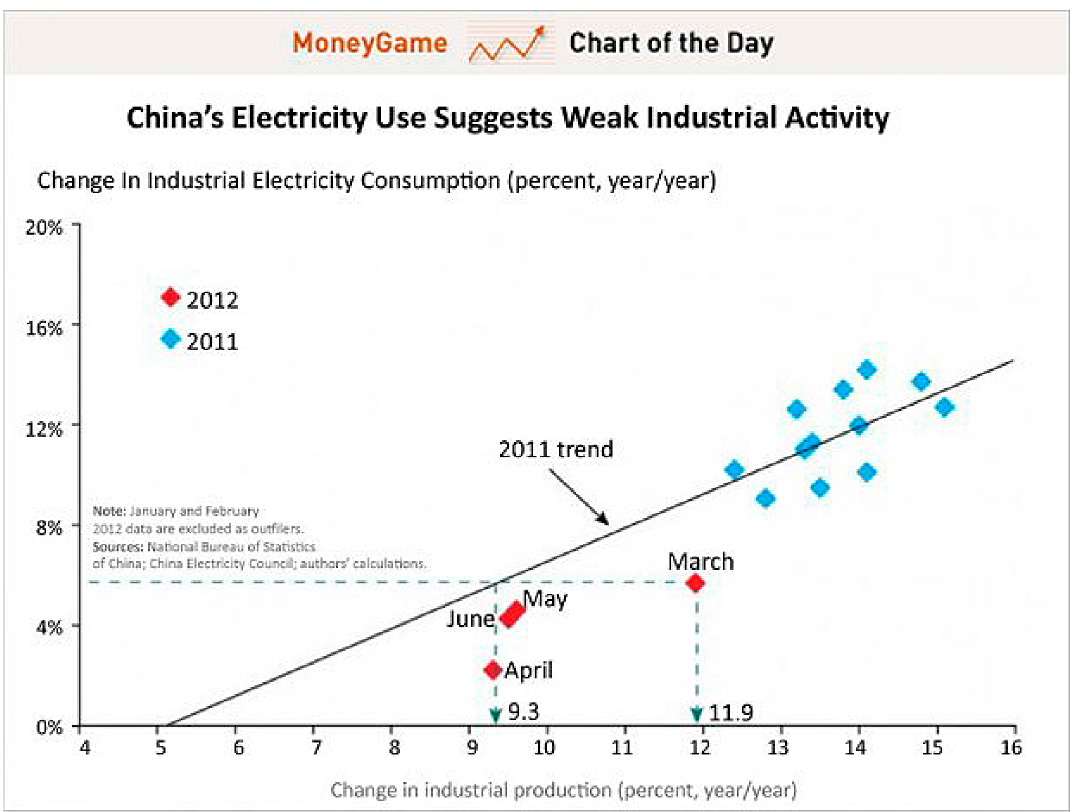
The dynamo that is China's economy has slowed so much that many now question the validity of Chinese economic data, with some suggesting that real GDP in China may have fallen all the way down to just a 5% annual rate, compared to the official 7.6% rate recently reported.[6] Very high levels of debt for regional governments in China, a residue of previous stimulus efforts, suggest that there is little room for new stimulus efforts that could get things moving rapidly again.[7] Lending activity by China's banks is tepid despite multiple reductions in interest rates.[8] The balance of payments for China was negative in July, for the first time since 1998. Some 16% of China's wealthiest citizens have emigrated recently, and record outflows of a net $110 billion in the recent quarter indicate perhaps a level of fear amongst the rich in China. Certainly the wealthy in China have access to inside information, and it makes sense for the rest of us investors to pay attention when they move large amounts of money.[9] Slowing Chinese factory production and capacity utilization, coupled with rising inventories have already caused problems for global mining firms producing commodities like copper and steel.[10] Spillover effects to other Asian economies are already significant, with, for example, Japanese exports declining by the most in history in July.[11] So the number two (China) and number four (Eurozone) economies in the world appear to be in recession, with growth in the number three economy (Japan) now stagnating again.

Investors may have to weather a storm before any relief is forthcoming.

U.S. Growth Slows; The Fiscal Cliff Approaches

Wall Street is still pinning its hopes on four articles of faith: 1) the myth of "de-coupling" between the U.S. economy and other large economies; 2) the notion that the problems of the entire economy can be fixed by the Federal Reserve's actions alone, without reference to fiscal policy; 3) the fact that almost all presidential election years have decent performance, regardless of the economic picture; and 4) the fiscal cliff and predicted collapse into recession at year-end will somehow be avoided by Congress and the Administration, in spite of near paralysis in the halls of government. With respect to the first of these, the evidence indicates that once again markets will be disappointed with respect to the de-coupling myth. There are indications that the global slowdown in trade will soon impact the US. For one thing, there is a 90% correlation between European GDP growth and U.S. GDP growth,[12] and for another, the ISM export orders index has plunged into steeply negative territory, much as it did in 2001 and 2008.[13] Since this index leads GDP by about four months, we can probably expect a negative print for U.S. GDP by 4th quarter.

The second article of faith held by markets, that the Federal Reserve will fix the economy all by itself, was always a suspiciously convenient notion, and actual events over the last four years have not supported the idea. John Hussman and others have shown that the various episodes of Fed intervention (QE1, QE2, Operation Twist) have been less and less effective with time.[14] Economic growth is anemic after years of massive intervention. Markets have responded to each episode positively, but only to the extent of recovering from their immediately preceding losses incurred prior to each Fed action. Indeed, it seems strange that Fed policy, which is certainly not restrictive (and therefore not part of the problem), must still somehow be the primary answer to our slow growth and high unemployment, regardless of the actual causative factors. Even a cursory glance at the data indicates that our problems instead come from the damage caused by a financial crisis, the ensuing credit collapse, and a balance sheet



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Debt Limits Global Growth (Continued)

recession.[15] The effectiveness of the Fed is therefore likely to be minimal and temporary at this point, barring some fantastic turn of events that gets U.S. corporations hiring and U.S. consumers spending. The Fed admits now that it can't do it alone, but we are leaderless on the subject of fiscal policy, and will probably remain so for some time yet.

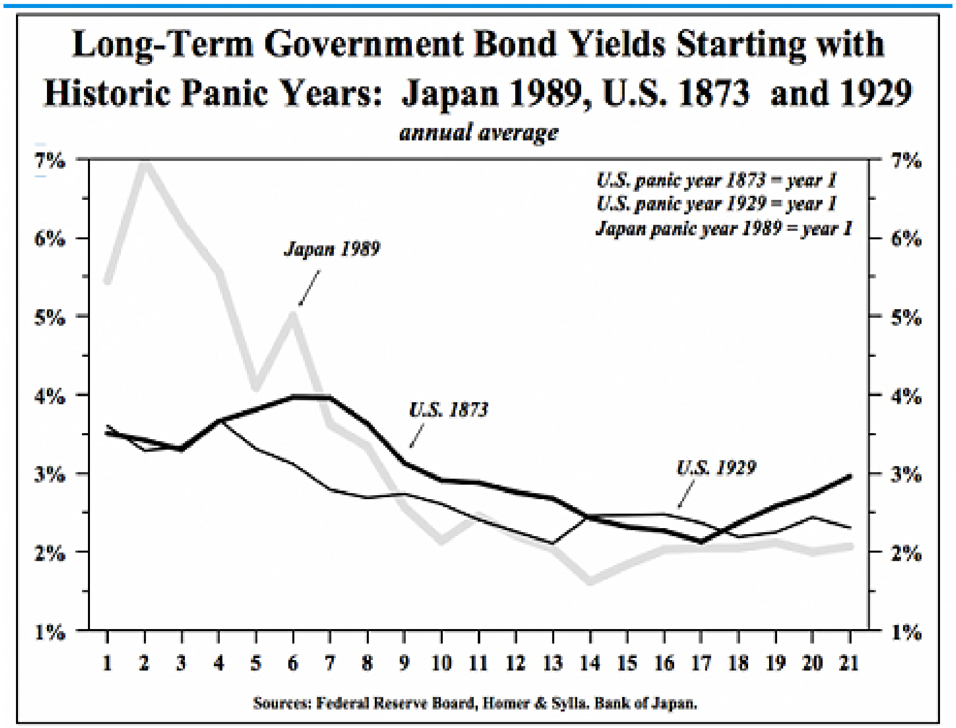
It is true, with respect to the third article of market faith, that election years tend to be positive for markets, with only the 1936 election standing against the trend. This year appears to be following the trend so far, suggesting there might be considerable upside to year-end.[16] There is no obvious economic reason for this quadrennial trend, but the psychological basis for it can hardly be refuted – uncertainty declines after an election. The final article of faith is that Congress and the President will not allow us to fall over the fiscal cliff. It is the consensus that even these "leaders" will kick the can at the last minute, extending the Bush tax cuts and avoiding the spending cuts that are scheduled to begin in January 2013. However, some market observers are getting nervous because they don't see why our current batch of politicians would suddenly decide to act together to solve a problem. And what a problem it appears to be, at least on paper. The CBO and others now estimate that GDP will probably drop by about 3-4% in 1st quarter 2013, which would cause a major recession to be triggered. Perhaps that is true, but on the other hand the logic behind the spending part of this claim is troubling.

CHART 1: CORE CAPEX ORDERS

United States
(year-over-year percent change of the three-month moving average)

Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Gluskin Sheff

In the first place, it is assumed that Keynesian government spending props up the economy because of the so-called multiplier effect, so its absence will necessarily cause a decline in growth. But there is strong evidence that there simply is no multiplier effect, and government spending, when overdone, actually subtracts from GDP over the long term.[17] In fact, those governments that have run up their spending the most since 2007 have seen the least growth in GDP, as wasteful government spending simply replaces much more efficient private sector spending. And in the end, all that governments have to show for this huge spending binge is increased debt. For example, Spain boosted government spending by 6.9% in response to the financial crisis in 2007-2009, but their real GDP growth has dropped by 10.4%. The UK also increased spending by 6.9%, and their real GDP growth dropped by 11.5%. The irony is that the increased taxes deemed necessary to pay for the spending actually do have an effect, but it is sharply negative. The multiplier effect for taxes is (negative) 2x to 3x, indicating that the real problem with the impending fiscal cliff is not the expected reduction in spending, but rather the increased level of taxes.



Market Summary: Summertime, and the Living's Uneasy

By Dheenu V. Sivalingam and Kevin M. Wilson

Tactical events generally unfold slowly in the late summer, as reduced volume, activity and trading interest take their toll on markets. In general, short-term patterns are unreliable as most markets see short term moves with no follow through. Even slightly longer-term 1-3 week patterns are less reliable than normal, and many market participants will probably postpone trading activity until volume comes back in early September. However, there are two tactical themes that demand attention: 1) equities have rallied, although volume has been weak and market internals have been negative; and 2) there appears to be a sector rotation towards cyclical stocks, in spite of the global economic slowdown. Market sentiment is more bullish compared to a few weeks ago, which is a contrary indicator suggesting that the rally will need a catalyst to continue. But with the Federal Reserve meeting on August 31 in Jackson Hole, Wyoming, and the ECB meeting on September 6, a catalyst might be on the way.

There is simultaneous commentary that, with obvious correlation risk to equities, there is a possibility we may have seen a very long-term turning point in Treasury futures. However, others believe the long term (30-year) Treasury's yield will continue to fall all the way to 2.0%.[18] Either way there will be money to be made – the problem is determining which way seems more likely. Given the current trend of deleveraging and deflation, it may make sense to opt for lower yields in spite of the consensus that yields may have bottomed. Though the low-volume, low-volatility summer regime continues to rule equities, there are a few points to consider. First, major domestic indexes are within a short distance from year-to-date highs. It is quite likely that we will soon test those highs again, at which point we will be able to derive important tactical information from price action around that level. If there is a failure of such a test, it will have negative implications for many kinds of assets. Or will the market consolidate around that level, in preparation for a breakout? If there is a clean and easy break higher, the implications may be very positive right through to year-end. Though we believe far too much attention is paid to "levels" in markets (since we first hit the present level in 1998), this may be a case where a previous pivot point could be very significant in shaping market action into the end of the year.

Comments from the Fed suggest that anything can happen.

The VIX volatility index continued its relentless march downward last week to close near its lows at 13.45. To put this in perspective, the index has not registered levels this low since the summer of 2007. Total S&P 500 option volumes were slightly higher than we've seen in the past few weeks, and the weekly average S&P 500 put/call ratio rose to an average of 1.55. It appears that some investors are starting to take advantage of the cheap volatility environment and recent market advances to lock in some profits going into the 4th quarter. With many risk markets failing to price in any risk at all (due to complacency) and with all hopes pinned on politically motivated central bank intervention, the temptation to leave portfolios on auto-pilot has been stronger than normal this year. Activity measures clearly indicate and confirm we are still stuck in muddle-through mode. Consensus suggests that more direct Fed intervention in the bond market would have neither a significant nor a symmetrical impact on the real economy, and any action will be based on political expedience and attempts to restore confidence. Although employment signals have improved recently, the job market remains fragile and uncertainty about the health of the global economy in general continues to cast a shadow over prospects for domestic growth. The consensus believes that a U.S. recession is plausible though still not likely based on current data, and we therefore do not anticipate dramatic action from the next FOMC meeting. However, comments from the Fed suggest that anything can happen. We have doubts that a recession will be avoided, and we expect that since this eventuality is not priced into markets, they would react strongly to a negative shift in this outlook. Despite softening fundamentals, for now it remains our view that both the U.S. economy and the U.S. corporate sector are poised to maintain their relative strength versus the rest of the wealthy world for a bit longer. However, the onset of recession and a bear market remain possible within the next few months as global conditions continue to deteriorate.

Last week high ranking Chinese officials took multiple opportunities to guide expectations downward based on near-term softening of export demand, and internal activity measures for July were a mixed bag at best. And finally European expectations still hinge on ECB intervention that, by definition, will merely allow debtor nations to manage to stay solvent without impacting their structural ability to stimulate growth. In other words, investors taking sides on the debate over the health of the global economy should take notice of the bigger point that "less-bad" is not the same thing as good, and "muddling-through" is not the same thing as strength. Yes, central bank "put options" are in place under markets, but the pain in the system can't be brushed aside indefinitely. If the Euro area fails to deal with their problems, the patience of the markets will at some point have been exhausted. Likewise if lawmakers in the U.S. fail to deal with the fiscal cliff, markets will react violently. Naturally the Federal Reserve and ECB will act to contain any damage from these potential events. But in this context, it is important to remember that in the bear market that began in 2008, markets continued their collapse after the demise of Lehman Brothers, even after the TARP rescue package was rolled out, in classic "sell the news" market action.[19] Those who were properly hedged back then fared pretty well, and the bolder ones even made money as the market dropped 42% in just five months. We do not plan to get caught out if such a major sell-off happens, and we also have plans for how to take advantage of the rally, if it continues. ■

Wealth Management Commentary: **Investing for Income**

By Ted A. Pavlovich and Kevin M. Wilson

Cash was King when the market collapsed in 2008. Now it seems that Income is the new King, especially for the retired investor who needs cash flow for their daily living expenses. We are hearing that the average American worker may now have to put off their retirement a bit, and perhaps settle for a haircut on their retirement plan benefits if they worked for a big firm with an underfunded pension plan. For example, if their plan assumed 8% to 12% returns on their retirement assets over the last few years, when the actual returns were 4 to 5%, then the projected benefits are not fully funded. The companies involved could of course play catch-up ball by overpaying their contributions for the next few years, but they have little incentive to do so. This is because the U.S. government has decided to go easy on firms that have underfunded their pensions. The government ruled recently that retirement plans can use the average returns of the last 25 years as the control on their corporate contributions. This is an attempt to release companies from the consequences of the much lower returns of the last ten years (in which the

S&P 500 only made on average 4.23% annually). This 25-year assumption therefore allows firms to set aside less money for their plans because they have discounted their retirement funding liabilities. The opinion of the government was that it was better to have a company currently employing people (although underfunding the employee pension plan), versus properly funding the plan in a weak economy and possibly harming or even bankrupting the company because of its obligation to catch up on funding shortfalls in its plans.

It stands to reason then that many of us are probably on our own with respect to providing for our retirement income needs. We at Blue Water tend to worry about our clients' capital preservation, but in addition to that, we are concerned about the strength of each client's cash flow (income) stream as well. We like the idea of Safety and Income at a Reasonable Price, otherwise known as S.I.R.P.[20] Our Tradewind Retirement Income Portfolio dovetails nicely into that kind of model. It is designed to generate relatively high (currently 4-6%) income, but of course there are risks involved. We are aware that we must be nimble and remain watchful for the effects of government intervention on interest rates and the effects, both negative and positive, of such interventions on the stock and bond markets.

That is why we daily monitor the markets and adjust the investments accordingly, in order to hedge against capital risk (i.e., losing our clients' retirement money).

Bill Gross, the world's largest bond investor (after the Fed) believes that the magic potion that our policy makers have always applied in a predicament like our current debt crisis is to inflate their way out of a corner. So far policymakers have kept interest rates low to aid in the recovery, but at some point that will end. How should the huge debt burden generated by the federal government's actions be dealt with at that point? The easiest way for policy makers to proceed then may eventually be to inflate bond yields to 7-8%, which would reduce the value of the government's debt by a huge amount over time. Woe to the holder of long-term bonds or bond funds if they are not vigilant during this process! The problem with all that of course is that inflation doesn't create real wealth and it doesn't fairly distribute its pain and/or benefits.

Mr. Gross goes on to discuss the negatives of the equity markets and their historical appreciation. The only thing we would question in his view of equities is the difference between appreciation and return. We believe the appreciation of stocks (price) over time, after adjusting for inflation, have only risen about 2% per year for the past couple of centuries. So where has the rest of the return come from? The answer is dividends. Over the past century, companies have paid out cash to their shareholders, and these shareholders have either used the cash to buy more shares (from someone else-not usually from the company) or used the cash to buy other stuff. Either way, the dividend part of the stock return is then recycled back into the economy. Knowing this, we at Blue Water try to mix dividend paying stocks in with government and corporate bonds to provide a steady stream of income to investors. This is what we are doing in our Tradewind Retirement Income portfolio.

Special Topic:

Some Major Investment Themes Worth Watching

By Kevin M. Wilson

The Global Agricultural Crisis

The global food crisis continues, taking a turn for the worse in this, its fifth year. After a period of hiatus that made some observers seemingly forget about the issue, many will now be forced to think about this complex problem whether they want to or not. The reason for this is simply that the worst appears to still be ahead of us. Famous investor Jeremy Grantham of GMO[21] has written a call to arms in the fight against malnutrition and starvation which has served to draw attention to the long range problem with food supplies. It appears, according to Grantham, that we will need to increase food production by 60-100% over the next 35-40 years, but although the consensus sees this as quite doable, there is reason for concern. The consensus may therefore be too complacent.

For example, grain productivity growth has been fading for decades, with the recent level of 1.5% suggesting that there is a natural upper limit to further increases. The enhanced yields derived from increased global fertilizer usage have shown signs of leveling out, with most of the big gains already behind us. Global climate change appears to be increasing the incidence of droughts and floods, destroying an increasing share of global crop yields. Increased plantings over the last five years have in fact been offset by higher demand, falling grain reserves, increased crop failure, and higher prices. In spite of higher prices, the price signal for advanced economies is still too weak to inspire fundamental changes. For example, the USA is still burning 40% of its world class corn crop to make ethanol under a completely uneconomic federal mandate.[22] In spite of food shortages, there is no sign that this will change. Sharply rising energy costs aggravate the problem in many countries, and may cause food prices to rise beyond the reach of average people in developing economies. In just the last few weeks, corn, wheat and soy prices have soared 30-50%; it will not be surprising if social upheavals soon follow in some countries, as they have before.

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Erosion of soils as a side effect of agricultural tilling is a big problem, and is now costing us 1% of our arable land globally each year, due to the effects of both wind and runoff. This means we have to turn things around over the next few decades or literally starve. This problem will be greatly exacerbated by climate change (remember the dust bowl of the 1930s?), and we must plan accordingly. This part of the food crisis can be readily solved by using organic farming practices, but potentially at the cost of seeing permanent 20-30% decreases in productivity. Any switch to organic farming methods will take decades to achieve. On the other hand, replacing lost top soils is a non-starter.

Because the costs of fertilizer and fuel are expected to rise rapidly over the next few years, investing in these areas should provide an effective long-term growth theme. It may also be useful to invest in biotech firms that are working on seed engineering, since it may take a breakthrough in this area in order to end the global agricultural crisis. In the event that these efforts fail, a likely alternative investment theme might be the defense industry, given the likelihood for social upheaval.

Global Water Supply

A related problem to the agricultural crisis is the ever more frequent occurrence of water shortages in Africa and southern Asia. Ethiopia, Sudan and Egypt are already arguing over the Nile's water. In Asia, huge countries like China, India, and Pakistan, as well as Bangladesh and Cambodia, are squabbling over the water rights to the big Himalayan rivers (i.e., the Indus, Ganges, and Brahmaputra).[23] In the former Soviet Union, the Aral Sea is now half its original size, leaving behind a huge swath of devastation, all because of the diversion of rivers for agriculture. In the USA, the Colorado River has lost so much water to irrigation that it no longer reaches the sea. It is not hard to imagine a fight at some point for the rights to the water in the Great Lakes, especially when huge cities in the western deserts (think Phoenix or Las Vegas) finally run out of water, as has been predicted for many years.

Aquifers that supply urban areas are being over-pumped in many countries. For example, over 300 million Chinese and Indians live in urban areas where the water table is falling rapidly due to over-pumping. In the USA, many mid-western cities such as Chicago and Minneapolis have seen really substantial draw-downs in the level of the aquifers lying beneath them. A few decades from now this is going to be a serious problem, and some are predicting it may be much sooner than that. Western cities like Phoenix, San Diego and Las Vegas have perennial water problems that threaten to overwhelm the aqueducts and deep wells that supply them. Much of the fresh water on earth is actually tied up in ice, so it is not currently available. This may have to change over time, but moving icebergs is unlikely to work until water prices are much higher. Water prices are still set in most places in a bizarre way, such that the more you use, the cheaper it is. This will have to change as well. Investing in water utilities may well be a lucrative long term way to make money, given these trends. Water

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Some Major Investment Themes (Continued)

filtration and water technology companies may also be good things to own over time.

Global Energy Supply and Demand

Another global resource problem lies in the energy sector, where demand has risen beyond all expectations for many years now. The recent demise of nuclear energy after the Japanese disasters of 2011 has put a new focus on the potential for exporting natural gas from North America to Asia. Right now there is a huge surplus due to the recent shale gas drilling boom, and prices have fallen to around $2.50-$3.50 per thousand cubic feet of gas. This compares to a current range of around $15 per thousand cubic feet of gas in Asia.[24] However, this huge gap in pricing, which would seemingly be a lucrative arbitrage trade, is not as simple as it looks. The costs of liquefaction, shipping, and re-conversion to the gas phase raise the price for U.S. natural gas from about $3.00 to about $9.20 in Japan.[25] This is still quite lucrative, but not as easy as it first looks on paper. Meanwhile, falling natural gas prices should reduce electricity costs in some areas to a mere $0.06/kilowatt-hour, some 20% cheaper than even coal. This price structure could remain in place for decades, causing the decline of coal mining and generally cheap energy supplies for manufacturers. I will write more in future about this, but for now, let's just say that this cheap energy may confer a huge advantage to U.S. exporters over the next few years. This cheap energy could help clean up the air a bit as well, which is certainly a nice additional benefit.

Crude oil demand has also risen rapidly over time, and supply has been tightening for several reasons, in spite of the global economic slowdown. For example, the trade embargo on Iranian oil has cut their production by as much as 1.4 MM BOPD, far more than many observers expected.[26] U.S. imports have dropped recently, and total crude in storage has also fallen, putting support under oil prices after months of gradual decline. The rebound has taken oil back up to about $97 per barrel in late August. With this as a backdrop, it is clear that additional domestic oil production would be helpful. And that is what we can expect to get, based on the huge success of the industry in exploiting oil shale resources in several states, using newly enhanced technologies like fracking and horizontal drilling. The Bakken/Three Forks shale play in North Dakota has jumped to a production level of 600,000 BOPD, helping to partially reverse the long decline in U.S. production over several decades.[27] This production increase will be greatly expanded in the next few years, both in North Dakota and in states like Texas and Oklahoma (where the Eagle Ford Shale is the play), due to the addition of about 45 billion barrels of recoverable reserves from various oil shales.

The obvious investment play is to buy North American crude producers and the service companies that supply them. We have bought some of these already, and are looking at more to buy in the near future. Of course, the energy sector will suffer if there is a bear market, but it tends to recover very rapidly once conditions improve, and recent prices for some of the mid-sized producers seem rather cheap. Assuming oil prices stay elevated for a while, this should be a good place to invest in the short term. Over the long term, the energy sector is likely to lead the pack, based on rising demand and globally increasing supply problems. This should favor U.S. producers over time.

Mining and Metals

With the recent economic slowdown in Asia, one would think that there are no current issues with respect to supply and demand for industrial metals. That is true in the short term, but in the long term there are going to be some problems. The main reasons for this are that while demand for industrial metals like copper, lead, zinc, iron, and aluminum has been steadily increasing for years, mainly due to urbanization of the rural population in Asia, the finding rate for metals reserves has been falling for over 20 years. Primarily this is due to the basic rules of economics, which mandate that miners go after the biggest, easiest targets first, leaving less desirable targets for later. Now it's later, and all we have left is poorly concentrated ore deposits. This puts pressure on supply in the long run, and has supported higher overall pricing trends for about ten years now. We see the effects of this global trend right here in the Upper Great Lakes, as disseminated metal ores in mining prospects in Minnesota and Wisconsin are deemed viable based on higher prices, when a few years ago they would not even have been considered prospective. In the short term these new projects may or may not work out, but over the long run these new mines should prove valuable to their owners. Investors will do well over the long term if they allocate some of their assets to metal mining stocks, based on the long term trend towards scarcity. Just remember that these are the most cyclical of stocks and are subject to high volatility when recessions and bear markets occur.

Please Share Our Newsletter or Refer Others To Our Firm, Blue Water Capital Advisors, To Help Them Preserve and Grow Their Wealth.

We encourage you to share our newsletter with business associates, friends and family. Let them know what we have done for you to preserve and grow your wealth. We would be glad to help your contacts benefit as well. We are not a "stay the course" or a "do nothing" type of firm. We are actively researching, analyzing, and managing risk every day. We do not take our fiduciary responsibilities lightly. We work hard on your behalf to anticipate economic trends and take action accordingly based on our assessment of risk and potential returns. We have made significant investments in our business to make sure we have the best information and people that are capable and intellectually equipped to make important and timely decisions managing your wealth.

Also, please visit our revised and updated website at www.bluewatercapitaladvisors.com, and our blog at http://bluewatercapital.wordpress.com.

Please attend our next "Monthly Market Review" if you can; we'd love to see you, your relatives, and your friends there. Scheduled meetings will be held at 5:00pm - 6:30pm on September 20, 2012 at our offices in the Medical Arts Bldg. ("Top of the MAB"); and on October 18 at a Location TBD. If you can attend in September or some later time, please RSVP to Blue Water. Business casual attire suggested.

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