CORE EQUITY REVIEW

Fourth Quarter 2013

HAPPY LAST YEAR

PERFORMANCE COMMENTARY

In a quarter with the broad market, as depicted by the S&P 500, up over 10% and for the year up over 32%, we have experienced an outstanding annual increase in nominal worth. While we were expecting a good year because the fundamentals for a recovery have been in place for several years and the economy is healing, it is uncommon for a conservative wealth preservation strategy to outperform the market so significantly. Our Core strategy was up 12% for the quarter and 37% for the year. Investors began the year with fears of the fiscal cliff and ended the year with cautionary comments of a frothy, overvalued market. Fiscal factors prevailed over emotional and political factors that were recurrently roiling the atmosphere and airwaves with ominous contentiousness. Fundamental progress was often minimized or camouflaged by misguided or specious commentaries. Despite headlines a healing economy was finally recognized by investors, as industrials and technology were both up 13% in the quarter. Because of recent contentiousness, it is difficult to remember the year 2013 with fondness; yet, its legacy does indeed improve the base for increased progress.

		Periods Ending December 31, 2013				
	QTD	**1 Yr**	**3 Yrs**	**5 Yrs**	**7 Yrs**	**10 Yrs**
Core Equity Composite - NET	**11.8**	**36.8**	**17.0**	**18.7**	**10.2**	**10.9**
Russell 1000 Growth	**10.4**	33.5	16.5	20.4	8.2	7.8
S&P 500 Index	**10.5**	32.4	16.2	17.9	6.1	7.4

Composite performance is reported NET of fees and expenses. Please refer to the disclosures at the end of this report.
Performance figures for periods one year and longer are annualized.

PORTFOLIO COMMENTARY

Not surprisingly in a quarter up over 10% only one position was negative for the period. There was a diversified mix among the leaders in positive attribution between technology, transportation, industrials and health care, reflecting investor recognition that the economy was improving. **Google (GOOG)** lead the way up 28% followed by **Canadian Pacific (CP)** up 23%, **Corning (GLW)** up 26%, **Bayer AG (BAYRY)** up 19% and **General Electric (GE)** up 17%.

Cisco (CSCO) was down 4% for the quarter and **Crown Castle (CCI)** was essentially flat. **Universal Electronics (UEIC)**, which was up 28% in the prior quarter, was up 4%, while **Caterpillar (CAT)** was up 10%. While it is less than a 2% position it speaks to the magnitude of the rally in the quarter that a stock up 10% would be a laggard in performance attribution. **FMC (FMC)** which was up 18% in Q3 was up only 4%.

PORTFOLIO ACTIVITY

We made a modest adjustment to the portfolio on a relative valuation basis this quarter. We trimmed three holdings that had seen significant appreciation and were overvalued, certainly in relation to other holdings, and added to three existing positions. We had initiated a position in **Sanofi (SNY)** of slightly less than 2% in the third quarter and increased this weighting to 2.5%. We also added to our position in **Corning (GLW)** and **AT&T (T)**.

MARKET COMMENTARY

The market gains realized already probably reduce the extent of future gains; yet, this also makes future gains more probable. By-and-large (with a due amount of exceptions), market valuations do not excessively capitalize corporate records of well being as registered through recent years of revenue and earnings gains, nor are reasonable expectations (of slower rates of gain) overcapitalized for long established well-managed enterprises.

To be sure, there is froth in a few segments of the market but there is relative attractiveness of share prices for representative companies of the main body of major American enterprises. The amount of realized growth we have had in revenues could not have been possible in an economy so suspect and growing so slowly as national data and indices would have it. Yes, there is a big shortfall in interpretations and in the national count vis-à-vis reality.

How will the pattern change in 2014? Not much, for top line as in official counting; however, within the summation, a very great deal.

1. Interest rates will continue a normalization of which getting the ten-year Treasury rate up to 3% is a big first step. Normalization will be manifested in a widespread, international notching higher — important for the universality of the advance, more than for the extent. There should be no fear from expectations of a persisting bold uptrend that would be hyper competitive to shares.

2. America's balance (a.k.a. imbalance) of trade with the rest of the world would improve, giving support to the dollar, and in turn, encouraging inflows of investment capital, adding to the native American abundance of liquidity. Recent evidence of such is in hand.

3. Expect widespread price weakness in fuel costs, centered on liquid fossil fuels. The effectiveness of political pricing of past decades is over. The price of a barrel of crude ranged in the low teens of dollars before our first Gulf war in 1991. Much of that rise since (scaling beyond $120 per bbl) will disappear owing to new sourcing of natural gas, huge development prospects for oil under the salt seas, and in all directions (it seems) from the Caspian Sea, alternative sourcing of energy from sun and wind, and increased conservation in use. The folly of ethanol from food-grade starch (to run through internal combustion engines) will diminish or disappear. Ethanol produced from byproduct

biomass or from waste can be sustained. The world is entering the other side of former political sponsorships, and of politically driven pricing. Such a prospective reduction in fuel costs would comprise a vast pervasive boost to spending for other things, in comparative effectiveness beyond that of a great tax reduction. Except for the providers of oil, this would be a widely spread stimuli to persons and to industries (especially in lower-cost feed stocks for chemicals).

4. The automobile-producing industry that has so spectacularly improved designs and elevated production schedules cannot be expected to bring another such incremental boost to economies. If current output can be sustained throughout the new year, that would continue to help and match best expectations. Auto sales have large unfilled prospects in Asia, Latin America, Russia, and a few smaller nations.

All things considered, there seems to be (net) prospective swelling of supportive factors underway for equities, along with some major offsetting industry changes. As always, count on a multiplicity of wealth-creating new products emanating from creativity in the life and physical sciences. This source of national growth seems never to be fully appreciated as it unfailingly gains impetus. Expect another good year for those who respond to these major prospective changes.

DISCLOSURES:
Princeton Capital Management, Inc., ("Princeton") is an independent investment management firm registered with the U.S. Securities and Exchange Commission based in Princeton, NJ.
The Core Equity composite was created on October 1, 1988, representing actual separately managed taxable and tax-exempt equity client portfolios managed on a discretionary basis according to Princeton's conservative, equity-oriented investment strategy without client restrictions for the period(s) indicated. Prior to 1/1/2008, this strategy and composite were marketed as Princeton's Balanced Tax-Exempt composite and was comprised of only tax-exempt accounts. While the strategy, whose portfolios may be fully invested in stocks, has not changed, it was renamed to make it more distinct from traditional balanced products that typically maintain ongoing bond allocations.
Performance results are calculated internally using Advent portfolio accounting software. Accounts are included in each composite and its performance at the beginning of the first full calendar month in which the account is fully reflective of the investment strategy. Performance and index valuations and calculations include cash and cash equivalents and also include the reinvestment of dividends, interest and other earnings and are computed and stated in US dollars. All performance figures for periods one year and greater are annualized. Returns are weighted for the size of each underlying account. Net returns are reported net of management fees and commissions. A client's return will be reduced by our advisory fees and other expenses a client may incur in the management of the client's portfolio. Our advisory fees are disclosed in our Form ADV 2A. Also, there is a compounding effect of advisory fees over time on the value of a client's portfolio. As an example, the deduction of investment management fees would reduce the annualized return for the five years ended December 2013 from 19.4% to 18.7%. Actual investment advisory fees incurred by clients may vary.
The **S&P 500 Index** is an unmanaged index generally considered to be representative of the US stock market as a whole. The **Russell 1000 Growth Index** is an unmanaged index that measures the performance of the large-cap growth segment of the US equity universe. These indices are unmanaged and include the reinvestment of dividends and earnings. Individuals cannot invest directly in any of these indices
Performance results, and advisory fees, for individual client portfolios will vary due to the timing of investments, additions/withdrawals of funds, diversification guidelines, length of relationship, and size of positions, among other reasons. For additional information about the performance of the composite or our current fee schedules, please contact Princeton Capital Management.
Any securities listed in this material do not represent all the investments purchased, sold or recommended for client accounts by our Firm and may only be a representative list. Our investments and recommendations may and do change from time to time or at any time. Individual portfolios may have different characteristics due to a portfolio's start date, particular client needs, portfolio manager preferences, or other factors. The securities listed have been selected on an objective and non-performance based criteria. One should not assume that an investment in any of the listed securities was or will be profitable or equal the performance of the securities listed. Princeton offers to provide a list of all recommendations for the prior one year period on request.

The stocks named as the top or bottom contributors to performance for the period are based on a model portfolio structured to represent the Core Equity composite. Further detail on the contribution to performance calculation, which takes into consideration the weighting of every holding in the representative account, as well as a list showing every holding's contribution to performance for the period, is available by contacting Princeton Capital Management at info@pcminvest.com

PAST PERFORMANCE SHOULD NOT BE CONSTRUED AS A GUARANTEE OF FUTURE PERFORMANCE

Princeton Capital Management claims compliance with the Global Investment Performance Standards (GIPS®).