CORE EQUITY REVIEW

First Quarter 2014

"The Pause that Refreshes"

PERFORMANCE COMMENTARY

After an outstanding 2013, we see the first quarter of 2014 as reminiscent of the 1929 Coca Cola advertising slogan, "the pause that refreshes". From our perspective, this quarter might be viewed as a period of assessment and consolidation since it was essentially a flat quarter. It was a series of fits and starts with short run swings in investor sentiment. The issues of sustainability of global growth, geopolitical risk in the Ukraine, uncertainty over the effects of Federal Reserve tightening, and continued domestic political discord contributed to investor anxiety. Continued growth in the US economy and corporate profits, however, provided offsetting optimism. The S&P 500 was up 1.88% for the quarter while Core Equity, lagging the broad market slightly was up 0.20%.

		Periods Ending March 31, 2014				
	YTD	**1 Yr**	**3 Yrs**	**5 Yrs**	**7 Yrs**	**10 Yrs**
Core Equity Composite - NET	**0.1**	**22.9**	**15.8**	**20.9**	**10.0**	**10.5**
Russell 1000 Growth	1.1	23.2	14.6	21.7	8.2	7.9
S&P 500 Index	1.8	21.9	14.7	21.2	6.3	7.4

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

PORTFOLIO COMMENTARY

Reviewing the performance of portfolio holdings, it was a very mixed quarter with disparate signals. Equities in roughly the same sector had dissimilar returns. For example, **Caterpillar (CAT)** was up almost 10% and **Deere (DE)** was essentially flat. These two most often trade in tandem. Within our broadly defined technology holdings several were outperformers, yet **Intel (INTC)**, **Google (GOOGL)** and **Cisco Systems (CSCO)** were essentially flat.

Corning (GLW) was up 17%, after being up 26% in the prior quarter. This was despite headline concerns over a new competitor for Gorilla glass. We own the stock for its next iterations of glass – Eagle (ultra thin) and Willow (flexible/bendable) glass. We see these as being transformative to the application of the use of glass and to the industry itself. **Union Pacific (UNP)** was up 11% and played catch up to one of our other railroad holdings, Canadian Pacific, which was up strongly and a top five performer in the prior quarter. The three next best performers were all technology related but in different segments of the industry. **Microsoft (MSFT)** was up 10%, **Computer Sciences (CSC)** a positive 9% and **Qualcomm (QCOM)** rose 6%.

There were no enterprise issues within the portfolio. The laggards in the quarter generally were correcting a bit after an outstanding year in 2013. Two of last quarter's leading performers fell to the bottom in terms of performance this quarter. **General Electric (GE,)** after being up 17% in the prior quarter, gave ground and was down 8%. **Boeing (BA)**, which was up 80% in 2013, was down 8% while **Cree (CREE)**, which almost doubled last year, was down 10%. **United Parcel Service (UPS)** was down 7% in the quarter on concerns of over demand from the holiday season impacting margins and weather issues in the quarter impacting business, and **Bayer (BAYRY)** was down 4%.

PORTFOLIO ACTIVITY

At the end of March, we added a new holding to the portfolio. We trimmed our position in **Verizon (VZ)** to create a new position in **America Movil (AMX)**.

Vodafone's sale of its minority position in Verizon Wireless spun out Verizon stock, as well as cash, to Vodafone holders. We had positions in both Vodafone and Verizon. We are essentially using the proceeds from the Vodafone distribution to fund the addition of AMX. America Movil is a mobile and fixed voice telecommunications provider. They are the dominant player in Latin America, with over 270 million cellular subscribers, offering wireline services and cable TV services to a potential of 892 million persons. While it is the dominant phone service provider in Mexico with close to a 70% market share, Mexico accounts for only 35% of its revenues. Wireless data and pay TV have been growing recently at double digits and revenues are projected to grow significantly faster than the overall economy. We are anticipating AMX to continue to benefit from an improving Latin American economy and a growing middle class. We also see them as a leveraged way to play the increase in smart phone sales and usage as well as the transition from 2G to 3G and then on to 4G for data transmission.

In doing so we retain the same exposure to the growth in demand trend for ever increasing data utilization and transmission, but tilt our overall exposure slightly away from yield and towards growth opportunities.

MARKET COMMENTARY

Investors seem to have lost their proverbial compasses as to which relevant factors will determine the future value of financial assets.

The world is awash with negative fodder from the press and pundits, resulting in a muted level of investor enthusiasm. After the sharp bull market rise from the March 2009 lows, the great concern among investors now centers around a number of "quantitative" market measures; its five year duration making it long in the tooth, its 150+% gain positioning it as technically extended, and its elevated PE ratio and low absolute yield signaling valuation vulnerability. These "quantitative" concerns are exaggerated by the aforementioned economic and geopolitical issues.

The assessment of stocks should not be overly influenced by rigorous "quantitative" models, but instead on a deeper inspection of the "qualitative" factors that will influence their futures. What are the "qualities" of the economic, industry, and specific company attributes that will provide for business success? If attained, their stock prices will follow.

1. The macroeconomic environment, while subpar in strength, is sufficient for well run companies to flourish. There is ample labor, capital, and productive capacity for the recovery to last for years, not months or quarters. There are no excesses that need to be corrected by government or Federal Reserve. This sustainability is positive for American businesses.

2. There exists in the US today a significant underinvestment in infrastructure from transportation, to energy, to utilities to education. It is not a question of whether, but when these investments will be made. The result will be a return toward our historic 4% rate of GDP growth.

3. In the 1990's, there was a great deal of basic research done in both the physical and life sciences culminating in the Dot Com Boom/Bust. We are now in the midst of reaping the benefits through successful efforts in applied research with a plethora of medical, materials, and manufacturing innovations. The positive effects on our economy and well-being are just beginning to be felt.

4. On the corporate front, our businesses have built fortified balance sheets, maintained excellent returns on capital, and controlled their cost structures. They possess the business and financial flexibility to continue to prosper.

While continually on the alert, we take a very constructive view on the economy and stock market and feel that the positive "qualitative" factors will trump the "quantitative" concerns.

❖ ❖ ❖

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®).