Ferguson | Johnson
Wealth Management

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April 9th, 2014

Quarterly Report

John Ferguson, President

> *"If you are depressed, you live in the past. If you are anxious, you live in the future. But if you are at peace, you live in the present."*
>
> *-Lao Tzu, philosopher*

On average, April is considered to be the second best month for the stock market with an average return of 1.5%. December is the best month with an average return of 1.7%. This doesn't mean the markets will close higher this month, but it does give me some peace.

Response

Thank you for your positive comments, congratulations, notes and emails regarding the addition of Derek Johnson to an ownership role. We've progressed from Ferguson and Company to Ferguson Asset Management and now Ferguson-Johnson Wealth Management. I am excited for the future of our company.

Past

John Ferguson first became a Registered Investment Advisor in 1978. Prior to that, I had just completed an extensive study for my employer of the effect of calamities on commodity and security markets. The study went back to the time of the Code of Hammurabi, about 1770 BC. The analysis showed that markets and prices recover in a reasonably short time after a calamitous event.

During the early years of managing money, I made mistakes. I believed that corporate management put its best foot forward, and did so with honesty and integrity. I thought that a mutual fund's stellar performance one year was an indication of things to come. I trusted large economic institutions to provide solid economic forecasts for the economy, interest rates, and employment. I believed government forecasts. I saw and listened to investment pundits highlight stocks for future superior performance.

This faith, I quickly realized, was ill-conceived.

Present

We have conducted numerous studies of markets, past calamities and recoveries. We have witnessed the significant benefit for reward and reduced risk due to a diversified portfolio of asset classes. Our organization, while we always expect to learn, is not in the early or middle stages of the wealth management curve. Did you know that only 51% of mutual funds survived from 2003 to 2012? (Think the “famous” Legg Mason Value Trust, now called ClearBridgeValue, which experienced a 90% withdrawal rate after declining over 40% in value). The survival rate is a winner compared to the success rate. Only 17% of mutual funds beat their benchmarks during the time period.

Your funds are managed by professionals who do not speculate on or chase the next hot thing. Our investment strategy is based on academic research that has been tested again and again. We are disciplined, and that discipline has led to happy returns for our clients.

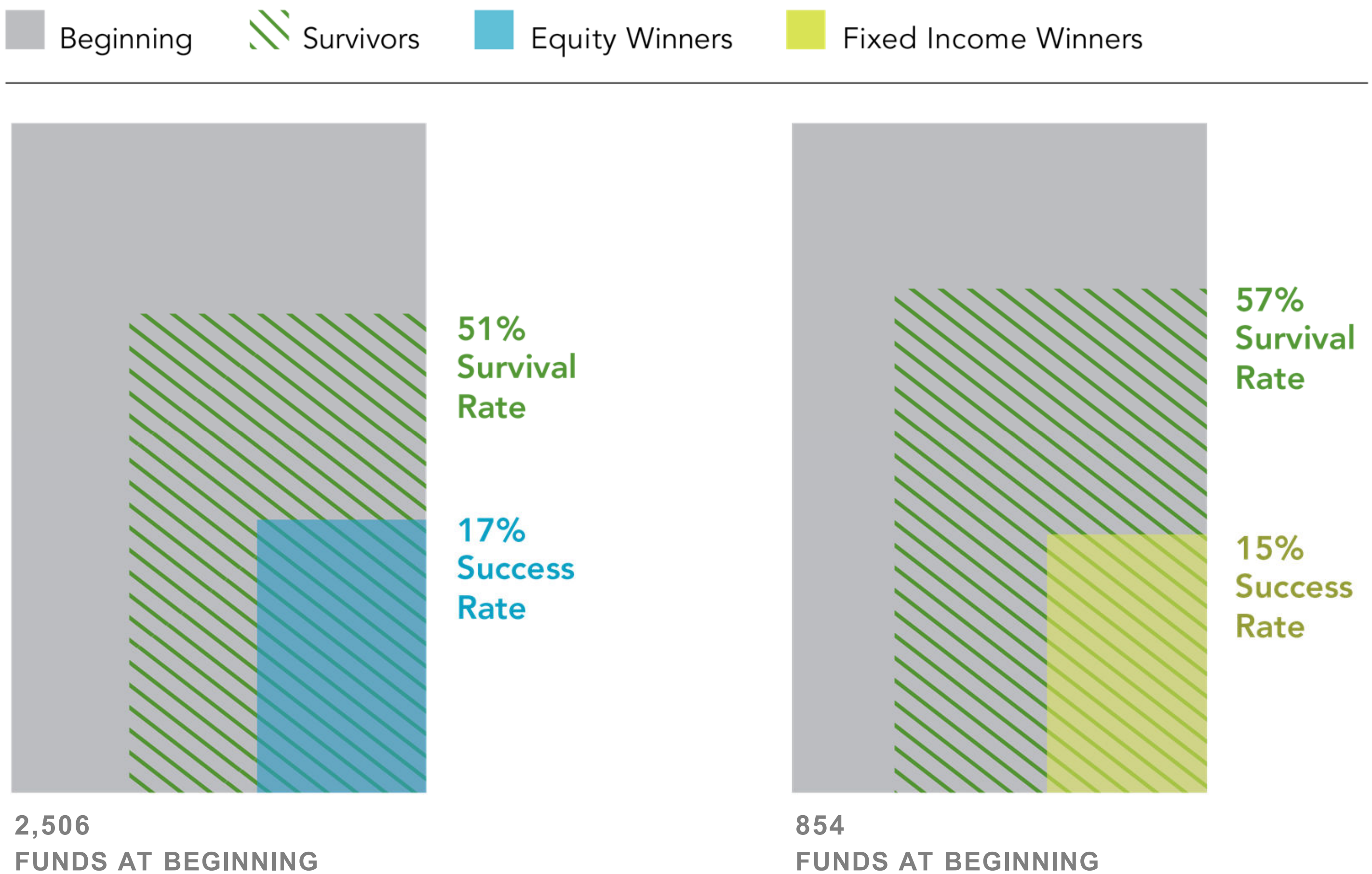
Please don’t hesitate to give us a call if there’s anything you need, we’re always happy to help. We wish you a wonderful Spring.

Best regards,

John, Derek, Jon, & Christina

Few Mutual Funds Survive and Beat Their Benchmarks

10-year performance period ending December 31, 2012



Past performance is no guarantee of future results. In US dollars. Mutual fund data is from the CRSP Mutual Fund Database, provided by the Center for Research in Security Prices, University of Chicago. Beginning sample includes funds as of the beginning of the 10-year period ending in 2012. The number of funds as of the beginning is indicated below the exhibit. Survivors are funds that are still in existence as of December 2012. Winners are funds that survive and beat their respective benchmarks over the period, as indicated by Success Rate. Funds are identified using Lipper fund classification codes and are matched to their respective benchmarks at the beginning of the sample period. Loser funds are funds that did not survive the period or whose cumulative return did not exceed their respective benchmark.