METROPOLITAN CAPITAL STRATEGIES, LLC

A Different Approach to Investing

MCS Market Update

2013 opened with a relief rally as we averted most of the dangers of the fiscal cliff. Unfortunately, the Congress is about to begin the debate over the debt ceiling which could trigger the possibility of an additional downgrade of the US debt. You may recall that the market dropped about 20% in August of 2011 when the historic, first downgrade of the US debt occurred. When a nation's debt is downgraded it must eventually pay more in interest; in the United States' case a downgrade could put a damper on our recovery, which has been slow at best. Below this email are two publications that may increase your understanding of the Federal Budget and why our country is at a serious inflection point with debt, the deficit, downgrades, and possible defaults.

Some investors have been excited about the recent upward movement in the market indexes. While the current levels are higher than most we have seen in the near past, they are not new highs by any means.

This continuing retest of the highs, or close to the highs, is commonly seen in long term trends of a topping process in the markets. This development, along with the issues related to the debt ceiling listed above, has us on guard for significant market volatility in the next several months. While our clients' assets are strategically invested for maximum security at this time, we will be vigilantly watching the markets to determine if there are any low-risk opportunities to tactically deploy those assets for double digit gains.

MCS is pleased to report that our Tactical Growth strategy's 7 year performance (ending December 31, 2012) is in the TOP 1.5% of all money managers, from all disciplines, in the widely used PSN database. We expect to continue to build upon that strong performance this year with another round trip into the market in a low risk environment. It is important to remember that long term investing always includes protecting principal and having the patience and discipline to invest only in low risk timeframes. One of the key differences in the MCS philosophy and approach is the ability to invest in any asset class that presents solid risk adjusted return opportunities including domestic & international equity markets, the bond market, commodities such as precious metals as well as currencies and real estate.

While the market has bounced up and down over the past five years and is still not back to the Oct 2007 highs, MCS has protected your principal throughout that timeframe and, for most of you, added significant appreciation along the way. Many of the risks that prevented us from entering the markets recently have been mitigated over the past year. Two significant questions from 2012, the US election and monetary policy reaction from the world's central bankers, have been answered so we have a much clearer view of both fiscal and monetary policy and how they are likely to affect the markets as we move through this year. In closing, while we believe the markets will continue to be choppy in 2013, there should also be more opportunities for our investing criteria to be met this year and in the next few years than there have been in the past few years. All of us at MCS welcome any questions or concerns you may have about the information contained in this document or about our investment philosophy.

[Guide to The Federal Budget]

[The Citizen's Solutions Guide - The Federal Budget]

Our best wishes for a prosperous and healthy 2013 to you and your family.