STRATEGIC BALANCE, LLC

December 2, 2013

	Strategic Balance Partners, LP	S&P 500
November (estimate)	**-2.1%**	**3.0%**

The information provided is historic and should not be taken as any indication of future performance. SBPLP returns are unaudited for this year and net of 1% management fee and 10% incentive allocation. Actual returns may differ due to differences in contribution date, fee structure and new issue eligibility. All returns are time weighted with dividends reinvested. S&P 500 returns are provided strictly for informational purposes to reflect general equity market performance. Fund Inception 8/1/03.

Dear Fellow Investor:

Our long positions subtracted 0.9% from our capital and our short positions subtracted 1.1% during November based on our estimates. Closed-end bond funds (71% of capital) endured the most pressure for us on the long side as year-end tax loss selling was in full force. Last month we mentioned that on a price-to-sales basis the median stock in the S&P 500 has never been more expensive in looking back at about one hundred years of history. We can now add to that the fact that margin debt just hit a record high. Also, the percentage of bearish investors at 14.4% neared the lows of 1987 according to Investors Intelligence, yet earnings warnings are running at an alarming 10-to-1 versus positive comments.

With most markets including that for the virtual currency Bitcoin and art surging on a sea of global central bank liquidity, it seems more than bizarre that precious metals and higher quality bonds have been punished so severely this year. Meanwhile, in the real world, retailers Wal-Mart and Target are bracing for a very difficult Christmas. The National Retail Federation reported that Black Friday weekend sales are down about 3% versus last year. That seems bond friendly to us!

We are focused on bond funds at discounts of 10-15% because it is an astounding anomaly that higher quality municipal bonds and long treasuries trade near the yields of those of more risky credits. We continue to fade the mania in equities on both the long and short sides because timing the duration of irrationality is often fruitless and risky. That said, on the short side, we are positioned quite near what we expect to be a core position size for some time as we look to benefit from the likely hangover to come in future quarters. We are 130% long and 37% short, with a risk-adjusted market exposure of 19%. Please call with questions and comments.

Sincerely,

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