



March 2, 2009

Dear Client –

Over the past several weeks, I have noticed the development of two groups of investors among our clients (and probably across the country): those who are frightened of our markets and those who are simply tired of them. Regardless of which group you find yourself in, I understand why you're there. We have experienced one of the most startling declines in stock values in a lifetime, and for those of us who are glued to the television, the prospects of a recovery may seem bleak. Indeed, it seems there is a contest in the media to see who can put forth the darkest stock market forecast. However, I believe there are reasons to have hope for our markets (especially over the long-term). I have discussed many of these reasons in previous letters, e-mails, and newsletter articles.

But my goal today is not to make a prediction about the short-term direction of the market, but to outline what we are doing to manage risk in the portfolio and to position it for recovery. I have listed some of those actions below:

- **Fund Replacement:** Within the coming week, we plan to replace Marsico Growth, our current Large Cap Growth fund. The fund has been a member of our portfolios for over 10 years, so the decision to let it go was not an easy one. However, we have been unsatisfied with the fund's recent performance relative to its benchmarks and are convinced that our clients would be better served in a new fund. The replacement will be the Montag & Caldwell Growth fund, managed by industry veteran Ron Canakaris. We believe this fund is better positioned to weather the continued volatility we will experience in the markets and is poised for a recovery when things do turn around.
- **Fund Manager Conversations:** In the past week alone, we have had conference calls or face-to-face meetings with three of our mutual fund managers. The insights gleaned from these discussions are invaluable as they give us a look into what is going on in the "trenches" of the portfolio. Overwhelmingly, the consensus is that stock valuations are truly at historical lows, and that most of the selling we have seen in recent months has been driven by panic and fear, not fundamental investment analysis. When the market finally wakes up to the incredible values that exist, these funds are positioned to benefit immensely.
- **Disciplined Rebalancing:** As we have written about extensively in our quarterly newsletters and other communications, we employ a disciplined, non-tactical rebalancing

strategy. This entails trimming funds that have outperformed and adding to funds that have underperformed – in essence, buying low, selling high. We are, however, making an adjustment to our rebalancing strategy. In previous rebalances, we have made trades in all of the funds in a portfolio to bring the account into perfect balance. We are moving to a more “surgical” approach where we only make trades in those funds that are truly out of balance. This means fewer trades when we rebalance (and lower transaction fees). We will continue to aggressively rebalance your account, using this new approach, as this volatile market presents opportunities to do so.

- Changing Target Allocations: Occasionally, it makes sense to change the overall allocation of a client’s portfolio. These changes can be brought about by life events, like retirement, or by a change in a client’s risk tolerance. Several clients have expressed a desire to ratchet their portfolio down a notch or two, recognizing that being more conservative might prolong the time needed to recover, but staying true to their actual risk tolerance as they perceive it. If this is something you are interested in discussing, please let me know.

I’ll close with a final nugget of truth: Market timing still doesn’t work. While I would very much love to be able to predict the short-term direction of the market (and when to get out and when to get in), it simply isn’t possible. Given that truth, we will continue to make adjustments to your portfolio to manage the risk and position ourselves for the coming recovery.

As always, if you would like to visit about your portfolio or any of the items discussed here, please don’t hesitate to call me or a member of the Financial Synergies team.

Best regards,

Mike Booker, CFP®, ChFC, CFS

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