

BWMInvestment
Guidance

2009 Financial Markets Review
Extraordinary Monetary Leverage
Stabilized Private Entities Deleveraging
Mid 2010 markets likely to be volatile

Key Points

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| <ul style="list-style-type: none"> • 2009 Total Returns S&P 500 (1115) 28%; US 10Yr Bond (3.85%) -11%; NASDAQ (2269) 44%; Foreign (EAFE) Stocks 24% • U.S. GDP expected contraction = -2.3% • 2009 earnings expected decline = -5.6% • Stock markets hit bottom in March • Economic recovery in process |
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Executive Overview

The U.S. (S&P 500 6.0% and NASDAQ 6.9%) and EFA (1.0%) 4th Qtr. stock market total returns added to 2nd and 3rd Qtr. recoveries (total 65%) from the brutal 57% decline 2008/09 bear market. Note $(1.0 - 0.57) \times 1.65 = \text{net } -29\%$ from the Oct. 2007 S&P 500 peak. Macro-economic news of positive industrial production, exports gains, and inventory restocking supports a firm 4th Qtr. U.S. GDP growth (3.5%) forecast. The bottom to top view shows far better (median surprises were 7%) than normal positive 3rd Qtr. S&P 500 company earnings. Analysts continue to upgrade forecasts for 2010. The straight up nine month stock market reflex recovery continued through year end. Gold prices (24%) rose during the year to indicate continuing U.S. currency concerns. The U.S. dollar (USD) was down (-2%) versus the Euro and more (-5%) against the total dollar index during 2009. The U.S. 10 Yr Bond yield rose from 2.22% to 3.80% for an adjusted poor return (-11%). The U.S. Treasury securities upward sloping yield curve became increasingly highly stimulative. Other asset prices, including homes, continued to slowly improve in many parts of the country. Leading economic indicators forecast good GDP growth in the 1st Half of 2010. The U.S. executive and legislative branches of government are working feverishly to enact universal healthcare controls in 2010 in an ideological and partisan manner, which will add to future economic hurdles.

Themes

- **Very stimulative monetary policy will result in normal 2010 GDP growth**
- **Poor fiscal policy will limit reduction in unemployment rate; as the FRB must eventually start raising short term rates**
- **2010 investment scenarios in light of irresponsible deficit spending**

Highly Stimulative Monetary Policy stabilized individual and corporate deleveraging

The U.S. economy went into a free fall in September, 2008 as the essentially bankrupt Fannie Mae and Freddie Mac government sponsored housing mortgage agencies were taken over and investment banker Lehman Bros. filed for bankruptcy. The Troubled Asset Relief Program (TARP) eventually recapitalized the banking industry after 6 months of uncertainty. At the end of February, 2009 it was unclear if Citigroup with common stock shares trading for less \$1.00 would survive. The April 2nd Financial Accounting Standards Board (FASB) change to provide greater leeway in illiquid asset mark to market accounting rules supported the FRB's easy (cheap) money policy. These key factors provided banks liquidity and subsequent profits to function normally.

Yet, the uncertainty caused loans, especially to less financially stable small and medium size businesses, to fall significantly. Sales declined, growing inventories were cut, and U.S. and other developed countries' GDPs fell sharply in the 4th Qtr. 2008 and 1st Qtr. 2009. Corporations deleveraged (held cash) to stabilize financial conditions. The fall in housing prices in the context of rising foreclosures also had to run its course. Consumers with reduced net worth were forced to reduce credit leverage and increase savings to stabilize their household budgets.

The Federal Reserve Board (FRB) provided the primary stimulus (buying illiquid, lower quality debt and essentially free (0% interest rate) money to banks) to stabilize the economic free fall. The FRB showed unusual inventiveness in creating many facilities to buy short term, residential related, and non-collateralized debt. The markets as described by the spreads between higher and lower quality debt rates eventually functioned normally as confidence increased. Buying massive amounts of Fannie Mae and Freddie Mac debt is a risky bet. The Treasury Dept. complicated the long term process by effectively guaranteeing more debt leverage for

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Fannie Mae and Freddie Mac in December. That puts the FRB in the politically sensitive position of unwinding or selling back the housing agency debt at the same time Secretary Geithner increased new housing agencies debt without limits. FRB actions will be the key to stock market easy money, leverage, and prices in 2010. Unwinding the poor quality debt facilities and reducing new housing agency debt facilities will probably come before increasing short term interest rates.

Poor Fiscal Policy choices have consequences

The choice of the Obama Administration and Congress to pass an extremely large, unfocused spending stimulus, American Recovery and Reinvestment Act of 2009, has had mixed results that even partisan supporters acknowledge. The declarations of Economic Council Director, Lawrence Summers, to justify the extraordinary deficit spending experiment have not occurred. The largest error in his economic model and statements was in February, 2009, when he declared that passage of the massive \$787B (plus interest) American Recovery & Reinvestment Act would result in an unemployment rate not to exceed 8%. About half of the stimulus funds have been spent and it is unclear if the unemployment rate will be low enough for voters at the 2010 and 2012 elections to allow the legislature and chief executive another term in office. Voters will decide if the experiment, which must be financed by future taxpayers in interest payments on increasing debt, continues.

To be precise, the impact of the specific stimulus in terms of the GDP (total goods and services produced) must be estimated and compared to alternative stimulus approaches. Some models estimate that the fiscal stimulus added to 2nd Qtr. (2%) and 3rd Qtr. (2%) GDP growth and reduced unemployment rates (1%) below what they would have been without the fiscal stimulus. Thus, the unemployment rate may have topped above 11% and exceeded the rate (10.7%) in the previous worst post-1930s recession (1982) without it. Yet, this is only part of a rigorous analysis. Alternative stimulative fiscal policies have been enacted over the past 125 years by both Democratic and Republican presidents. The least politically acceptable approach, cutting and controlling spending, was used by Democratic President Grover Cleveland in his non consecutive 1885-1889 and 1893-1897 terms. He was famous for honest small government

through the use of vetoes and in spite of significant, but brief depressions. The net effect was opportunities and overall significant overall GDP growth. Tax cuts have been enacted by both Republican (Coolidge and Reagan) and Democratic (Kennedy) Presidents that stimulated growth in the 1920s, 1980s, and 1960s. President G.W. Bush signed into law both tax cuts and increased government spending, which limited the economic value of tax cuts to taxpayers. The tax cut approach has historically been effective because of an extended period of so called multiplier effects in the private sector. There simply are incentives for taxpayers to produce more and actually pay more total taxes, when their after tax income increases. I expect that a detailed analysis of implementing President Kennedy or Reagan's smaller stimulus size tax cuts would show that 4th Qtr. 2009 and 2010 economic growth would be dramatically higher than current policy forecasts. The big political advantage of tax cuts for incumbent politicians is lower unemployment and higher chances to be re-elected. In any case, President Obama's following President Franklin Roosevelt approach and significantly expanding extreme fiscal deficits is not working as Mr. Summers declared. The United States is currently following the social democracy models of Japan and developed Europe, while also trying to be the world's stabilizing defensive power.

More than Keynesian economic policy is being sponsored. Subtly controlling the population is the bigger issue. Most tea party activists do not know Cass Sunstein, Office of Information and Regulations Czar, and have not read his book, *Nudge*. Yet his concept of government *Libertarian Paternalism* to encourage behaviors does not align with their American free spirits. Controls are controls, regardless of how well they are packaged and how eloquently they are articulated. When people repeatedly ask what exactly the new regulations and controls are for, then the great orator will be viewed as a phony that is only looking to grab more power.

The most controlling policy of immediate concern is the near universal healthcare reform that has passed as bills on strictly partisan votes in the House of Representatives and Senate. Democratic liberal committee leaders achieved needed Democratic moderate support, by working through a complex process with Obama Administration Chief of Staff, Rahm Emanuel. The process resulted in bills of approximately

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2,000 pages that must be resolved in a Congressional conference committee prior to final vote and signing into law by President Obama. The complexity of the law will create extreme uncertainty as its legality under the U.S. Constitution is reviewed in court cases. Not only will the "commerce clause" related to taxing individuals for not doing something (buying insurance) be reviewed, the constitutionality of new "non-uniform taxes" (exempting Nebraska, Louisiana, and the privileged few) will be challenged. The court system will be busy and the health care industry eventually will learn what is permitted and what is forbidden.

2010 Investment Scenarios in an unsound big government deficit spending environment

Investment themes can be formulated by viewing the world through the perspective of noted economists and possible opportunities. They recognize that although the investment landscape could be better, there are usually opportunities to be offensive and accumulate wealth or defensive and preserve wealth. Time frames are important factors. Let's look at the world through views of two 19th century classical economists, David Ricardo and Thomas Malthus, a 20th century Austrian eclectic economist, Joseph Schumpeter, and the 20th century opposites, free marketer monetarist, Milton Friedman, and government demand spending supporter, John Keynes.

David Ricardo developed the concept of comparative advantage and international trading to maximize the use of valuable resources. He generally encouraged free trade, discouraged protectionism, and noted either demographic or capital leverage for economic growth. Ricardo would see opportunity in countries that supply goods or support international growth, such as Australia, South Korea, and Singapore. He would approve of countries making new trade agreements, such as China and India. He would be cautious of countries that rely on protectionist techniques and finding excuses not to complete trade agreements (with Columbia, South Korea, and Panama), such as the United States.

Thomas Malthus focused on demographic concerns and controls or taxes to slow economic transactions for fear of unstable growth. He feared running out of resources and would likely support energy carbon controls and population controls. He would find opportunities in material commodities, which rise in price due to limited supply and inelastic demand. Oil and

industrial metals may be attractive in 2010 as emerging countries grow at a fast rate and developed countries grow near their long term potential. Commodity suppliers, such as Australia, South Africa, and possibly Brazil may provide commodity price inflation opportunities.

Joseph Schumpeter is the entrepreneur's sponsor. He was concerned about the stable growth of corporations with new ideas and patents. Yet, he wanted them to earn their competitive intellectual capital advantage. He also expected the best organizations to find new ideas that are superior and "creatively destroy" old, less profitable inferior products. Technology and pharmaceutical companies, such as Apple and Genentech, understand Schumpeter's message. The technology sector had superior earnings growth driven by new products and services in 2009 and best fits Schumpeter model. Government policies of reduced taxes to increase entrepreneur incentives do not currently exist.

Milton Friedman would focus on monetary policy to stimulate an economy, but would use empirical data to keep the money supply X turn over (velocity) stable. He would knowingly have watched FRB actions over the past 15 months and predicted that they would avert a depression. Friedman would have expected that monetary policy to stimulate 2nd Half 2009 growth without any big government fiscal stimulus. Monetarists concentrate on actions of the FRB. If they continue highly stimulative policies, then economic growth will expand. However, the federal deficit will also be pressured by higher long term interest rates on the debt. Asset inflation (oil and commodities) will appear faster than consumer price inflation. The market place is aware of the FRB 2004 mistake of keeping interest rates low far too long. If the FRB bows to political pressure in an environment of high unemployment and remains stimulative, the dollar value will fall, debt values will fall, and non export related equity values will fall.

John Keynes would notice and write about U.S. stimulative demand deficit spending. He favored more government spending during recessions; yet politicians ignore that he advised spending surpluses when the economy is growing. Unfortunately, he wrote little about budget surpluses and spending cuts which are inconvenient political disciplines.

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A 2010 investment scenario should be built primarily on the focuses of Ricardo, Friedman, and Schumpeter. The comparative advantage of international efficient economies mentioned above should be considered in selecting and holding relatively volatile emerging market equity funds. The monetarist must watch the FRB. Its stimulus is more powerful than fiscal policy. In the short term, fast 1st Qtr. 2010 high GDP growth (5%) could actually force the FRB to take away the high liquidity money supply and debt facility punch bowls. That would be a negative equity market surprise and reason for a 10% or more correction. Schumpeter's perspective will help select the truly long term entrepreneurial companies that are not overvalued, in the above mentioned economic sectors. They must be selected carefully. Malthusians will fit in a secondary way, under those who primarily focus on comparative advantage. Keynesians will call for more stimuli regardless of the circumstances. Therefore, monetarist should be able to see when Keynesian failures are causing market uncertainties.

Stock Markets – 2009 – A Heck of a Ride

The U.S. stock market (S&P 500) fell far more (22%) in the first 10 weeks of the year than I or most others expected after the 2nd largest annual fall (37%) in S&P 500 history. Poor communications by Treasury Secretary Geithner about bank toxic derivative purchase programs and added TARP bailout swaps for Citigroup preferred stocks in late February added uncertainty and maximum fear to security markets. However, markets hit bottom in early March as the FRB continued to buy poor quality securities and relaxed FASB mark-to-market accounting rules on April 2nd allowed banks to more easily meet capital requirement rules. Lower job losses and positive leading indicators, based primarily on stimulative monetary components, beginning in the spring signaled positive 3rd Qtr. GDP growth. Speculators and investors correctly bet that earnings would improve and both stock and bond prices would recover after a 57% decline in stock (S&P 500) prices from the October, 2007. Please understand that the stock market recovery is based on liquidity reflation. An unprecedented monetary base increase, FRB purchases of poor quality securities, and financing extreme deficits added credit through printed fiat money for credit and debt based transactions. Economic growth will increase money flow rates (velocity) and the FRB should follow the more independent

European Central Bank in approximately the spring to sell debt securities back to the market and begin raising interest rates. If the FRB does not begin controlling its asset balance sheet, then stocks may advance in price with easy credit through the 2nd Qtr. until asset inflation and a falling dollar become an obvious concern.

Positive 1st Half 2010 market factors

Mergers and acquisitions are starting to fuel stock market demand. Technology companies, such as Dell, Cisco, and Hewlett Packard made purchases to strengthen their software, hardware, and service offerings in 2009. Merck acquired Schering Plough and other pharmaceutical companies are buying biotech and other companies with drugs in their advanced testing phase. Tech and healthcare sector companies have better profit margins and cash flows than other sectors and will lead the M&A demand.

Investors focused new purchases conservatively in 2009 after extreme equity losses last year and with current near zero money market rates. New 2009 bond fund purchases (\$349B) through November were more than 10 times similar 2008 period purchases (\$34B). On the other hand, in the same 2009 period stock funds were sold (\$4B), while stock funds were purchased (\$213B) in the 2008 period. A 10% decrease in money market assets to \$3.72T almost fully accounted for the net 2009 bond fund purchases. Normal psychology implies that investors will take more risks in 2010, as bond funds are unable to provide good 2009 type returns in a rising long term interest rate environment. More normal early 2010 stock fund new purchases will add to 1st Half 2010 stock market demand.

Cautious 1st Half 2010 Factors

The FRB monetary policy and unemployment rate are complex related fundamental factors that should be monitored weekly or at least monthly. As long as the unemployment rate remains above 9%, politicians with an eye on 2010 elections will press the FRB to keep the highly stimulative monetary policy intact. When the FRB eventually reins in the monetary stimulus or the markets clearly sense asset price inflation, expect earnings uncertainties and a market correction. That will more likely occur in the 2nd and 3rd Qtr. than in the 1st Qtr. 2010.

The unemployment rate is economically and politically critical. In November, 1982 the unemployment rate peaked at 10.7% with 3% of

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total jobs lost. In October, 2009 the unemployment rate hit a 10.2% level and 5.1% of total jobs were lost. Normal demographics require 150,000 jobs to be created monthly to keep the unemployment rate constant. More indirectly, new weekly claims for unemployment benefits must drop from the current 432,000 reading to about 360,000 for the unemployment rate to remain stable. The tax cut stimulus fiscal stimulus policy of 1982 resulted in the unemployment rate dropping 2.2% to 8.5% and more importantly the lost jobs to be fully recovered in 8 months. That will not occur with current policies. Yet, watch the unemployment rate. At 9.0% or possibly higher the FRB will be forced to reduce its stimulative easy money policy either due to a weak dollar or asset price inflation. The stock market will not like that.

Investment newsletters are a secondary stock market indicator that has registered extremely low bearishness during the 2nd Half of 2009. Recently, non-professional investor sentiment as measured by the AAII weekly survey shows above average bullishness. Be aware, when everyone is positive (greedy?), the buying party may continue for a while, but eventually demand will be satisfied and prices will no longer rise.

Another negative factor may occur, if the capital gains 15% tax rate expires and rises to the pre Bush tax cut levels at year end as President Obama pledged. Investors will have an incentive to sell assets with capital gains to take their higher after tax returns prior to the higher capital gains rate. The federal government will gain added tax revenue of perhaps \$150B based on past similar situations. Yet, with 2010 and 2011 forecasted budget deficits of more than \$1,000B, federal deficit reduction impact will be minor.

2010 Good (Not Great) Economic Outlook

The intermediate term time frame, where the macroeconomic outlook matters, is relevant. The Conference Board Leading Economic Indicators (LEI) rose 0.9% in November. The LEI rose faster in the past 6 months than in any other period since the deep 1982 recession. Monetary factors and slightly increased employment are leading the positives. The LEI indicates there will be at least 2 or 3 quarters of 3.5% growth. The FRB 2010 forecasts have a central tendency of 3.0% GDP growth and 9.5% unemployment rate.

The macroeconomic forecasts support solid S&P 500 companies 2010 earnings growth of 25% according to Zacks Research after 2009 (-5.6%) and 2008 (-22.8%) earnings declines. Alternatively, note that if 2010 forecasts are met, then 2010 earnings will be 8.8% less than 2007 earnings. The S&P 500 companies revenue change shows an expected 2010 sales growth of 4.2% after a 2009 sales (-9.6%) decline and 2008 sales (7.2%) increase. For most economic sectors, cost controls and productivity gains will impact increased 2010 earnings more than added employment. The 2010 earnings forecasted upgrades/downgrades ratio (1.9) continues to be solidly positive.

The good news is that 3rd Qtr. earnings were great with very high 7% median positive earnings surprises and will most likely continue for at least 2 or 3 quarters. Business Services and Medical sectors led 2009 earnings growth with very good Technology sector earnings surprises. The S&P 500 using Zacks methodology is trading at a 2009 Price/Earnings ratio of 17.6 and a 2010 forecasted P/E of 14.1. That is about a long term normal relationship. Stocks are fairly priced after a long significant (65%) recovery.

Investors Business Daily (Jan. 4, 2010) studies of 8 stock market recoveries from major downturns since 1900 show that 50% to 70% advances after market bottoms are normal prior to a 10% to 15% correction. (The 1929-32 89% crash was followed by a violent 2 month 101% correction, a 6 month 39% final downturn, and 4½ month 122% recovery. Poor monetary and fiscal policy caused massive uncertainty and fear.) Thereafter a second leg up averaged 10% to 25%. The lessons learned at this stage of the equity market game are: Be able to play defense, because a second leg up may not reach a new high. Keep expectations modest. The sample set is limited and monetary policy can not fully compensate for poor fiscal policy, added regulations, and future tax increases.

Foreign Economies

Developed economy 2009 GDP declines stabilized after extreme 2009 1st Qtr. declines. 2010 GDP forecasts continue to improve. Germany's export focused economy is expanding similar to the U.S. Emerging countries China, India, and Brazil show good 2010 forecasted GDP growth. Japan, the ECM, and Britain will lag behind the U.S. Key forecasts according to the *Economist* follow.

Table 2. Economic Forecasts

Economic Market	2009 GDP	2010 GDP	2009 CPI
United States	-2.0	2.7	-0.4
Japan	-5.4	1.3	-1.3
China	8.2	8.6	-0.8
Great Britain	-4.5	1.3	2.1
Euro Common Mkt ECM	-3.8	1.2	0.4
Russia	-7.0	2.5	12.2
India	5.5	6.3	9.8
Brazil	0	3.8	4.9

The total global economy is likely to show a 2009 contraction (-2.2%) and 2010 expansion (3.0%) with Asia leading the way. In Table 3 the U.S. extremely positive sloped yield curve continues to show the most stimulative monetary policy. Most countries also have stimulative positively sloped yield curves.

Table 3. Current Global Yields

Economic Market	3 month	10 Year
United States	0.18	3.8
Japan	0.4	1.2
China	1.8	3.7
Great Britain	0.7	3.8
Euro Common Mkt ECM	0.7	3.1
Russia	9.0	8.3
India	3.3	7.7
Brazil	8.6	6.2

Economic Sectors and Investment Outlooks

A Technical Overview (BPNYSE, etc) indicates U.S. and foreign stock are moderately over bought with slightly positive speculative investing. Money supply growth (M2) is normal (4.2%) over the past 3 months and below normal (1.2%) over the past 6 months. **Suggestion: Hold normal portfolio asset weights, but don't expect more than a 7% return (S&P 500 @ 1200) prior to a 2010 market top.**

Economic Sector Analysis and Outlook

Telecom sector stock demand is neutral, as noted by neutral sector price Relative Strength (RS). No Opinion. **Utility** Sector forecasted 2010 earnings are stable. Dividends are around 4%, and sector RS is negative. No opinion. **Consumer Staples** sector 2010 earnings growth is forecasted to be stable (12%) but below other sectors, while RS is in line. Consider selectively holding positions. **Energy** sector 2010 earnings growth (44%) is expected to recover from 2009 declines (-56%). Stock demand has been in line with \$79 per barrel oil. OPEC is holding output

at current levels. No Opinion. The above sectors have dividend candidates for value investors. **Healthcare** sector 2009 earnings were solid and earnings growth (9%) is forecasted in 2010 with potential universal healthcare controls reflected. Hold positions. **Technology** Sector stocks led (60%) the 2009 market advance with positive earnings surprises (APPL, GOOG, AMZN, and ORCL) from major leaders. This is the growth (Schumpeter) sector with good cash flows and solid 2010 forecasted earnings (19%). Hold gainers. The **Consumer Discretionary** sector remains cyclical. Earnings surprises are positive. The cyclical **Materials** sector RS is positive with 2010 good forecasted earnings growth (93%) after poor 2009 (-62%) earnings decline. Purchase carefully (Ricardo, Malthus favorites). **Industrial** sector exports (and earnings) to developing countries are positive and the sector RS is neutral. No opinion. The **Financial Services** sector remains very volatile. No opinion. **Earnings improved more than forecast in the 3rd Qtr and the market is anticipating 4th Qtr and 2010 better earnings.**

Summary Suggestion: Cautiously hold normal stock and bond portfolio positions. Note high yield bonds are much overvalued. The Tech sector is volatile, but with positive potential. Market demand is stable with positive earnings trends. Stock markets usually advance in price along with earnings during the first 2 quarters after the end of a recession.

International Markets Are Advancing

Foreign stock markets rose along with U.S. markets, while the USD (0.70 Euros) was stable (-2%) versus the Euro and down (-5%) vs the dollar index. Emerging market stocks rose nearly 100% since the March bottom. Normal weights may be considered if you can withstand large declines and high volatility (-50% in 2008).

Fixed Income - Less Volatile but fully priced

After negative 2009 returns (-11%) U.S. 10 year Treasury bond returns may be negative in 2010 as increased supply finances huge deficits. Investment grade corporate and GNMA bonds provided very good 2009 returns, as risk adverse investors purchased record levels of bonds. A small TIPS portfolio weight is suggested. Muni bonds may be considered for taxpayers in high tax states, although they are now priced richly. Mid single digit after-tax returns at modest risk are possible, but watch the credit ratings.

Alternative Investments – Diversification

The Real Estate Investment Trusts (REITs) index continued an impressive 4th Qtr. (20%) recovery after plunging in the 1st Qtr. 2009 based on financing concerns. Commercial and retail vacancies are issues. Knowledgeable partnerships may be an effective way to profit from income producing real assets. Gold funds are diversifiers. Only a 5% weight in a less volatile direct gold exchange traded fund (GLD) is suggested. The 2009 return (24%) was very good in a noninflationary environment concerned with fiat money credit rating risks.

Portfolio Management

Funds have little cash (3.5%) to boost stock prices higher. The S&P 500 index is trading at a normal P/E. Be flexible and remains diversified. Positive economic surprises may cause FRB money controls. Political uncertainty may result in volatile stock demand.

- Current portfolio themes are:
 Normal Investment Weights
- U.S. large stock funds normal weight
 - U.S. small stock funds normal weight
 - Foreign EAFE funds below normal weight;
 - Emerging stock funds normal weight
 - Fixed income – TIPS and short term notes
 - Gold – Entry Positions only

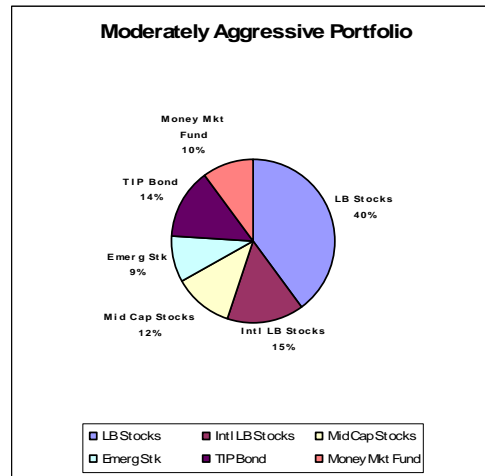
Disclosure: Personal holdings: Normal weights
39% Domestic & Intl Large Cap stock funds,
 (15% Total International funds)
47% Small/ Mid Cap funds,
14% short term bonds and cash
Changes in bold

**Sample Portfolios are models
 Not Client Recommendations**

- Sample Portfolio A - **Moderately Aggressive**
 Example 45 year old college educated parents with 1 high school child and 1 college child.
- 40% Large Blend Stock Index Funds
 - **15%** Large Blend International Fund
 - 12% Mid or Small Cap Stock Fund
 - **9%** Emerging Market Stock Fund
 - 14% TIP Bonds
 - 10% Money market cash

If I buy, hold, or sell securities discussed herein, then I will disclose my positions. Prices shown are approximate. Joseph Banach, Chartered Financial Analyst. www.BanachWealthManagement.com

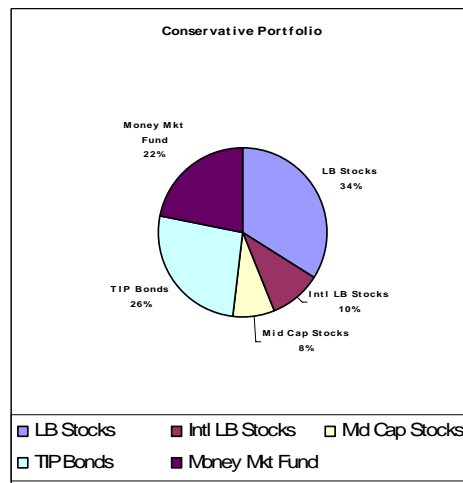
Normal Capital Accumulation –



Sample Portfolio B - **Conservative**
 Example 65 year old couple with Social Security Income (20% of spending needs) and Retirement

- 401K or Pension Plans converted to IRA's
- 34% Large Blend Stock Index Funds;
 - **10%** Large Blend International Fund;
 - 8% Mid or Small Cap Stock Fund
 - 26% TIPS Bonds
 - **22%** Money market cash

Normal Capital Preservation –



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Note client portfolios use available 401K plan funds and multiple funds in each category to reduce risk.