

April 2, 2009

Dear friends,

Greetings. When will this stock market downturn finally hit bottom? Or has the bottom already been reached? Are we in just another temporary bear market rally or has the next bull market already begun? How long will it take for the market to recover? Given everything that has happened, are stocks still a smart investment? I assume these questions sound familiar to everyone by now. If you're looking for answers you don't have to search very hard. Take your pick; the internet, TV, radio, newspaper, or your cousin's neighbor who used to work on Wall Street; all will have answers but be exceptionally wary of advice from any source as to specifically where the markets are headed next and when. To a limited degree history can help us understand what behaviors have worked in past difficult financial times; but even faithful historians would be the first to admit that trying to pinpoint the timing of future market movements is a fool's game.

I don't think it will surprise anyone who has been reading my quarterly letter over the years to know that my answer to the first four questions above is a resounding "I, nor anyone else knows." Sorry about that but the truth is the truth. Perhaps more importantly, my answer to the last question is an equally resounding "Absolutely!" One of the few guarantees in the investment world is that risk and return will forever be inextricably linked. It simply must be so for free market economies to ultimately perform to their fullest potential. The quicker the smart investor accepts this truism, and moves forward designing and maintaining a strategy that fully takes this into account the better off he/she will be. To this end I commend all of you who have heeded my advice during these challenging times and either patiently stood pat with your current stock mutual fund allocations or added to your funds by rebalancing back to our initially agreed upon percentages. The strength of our convictions and mettle is being severely tested but provided we continue to invest smartly, and consume smartly, we will be doing everything within our power to ensure ourselves a successful investment experience.

Getting back to my initial idea concerning the folly of financial forecasting let me explain why so many spend so much time and energy attempting to predict the unpredictable. If you use the weight loss analogy for example, people understand that the most effective and permanent way to lose and/or maintain a healthy weight is through proper diet and nutrition; preferably complemented by a consistent and regular exercise regimen. But this tired old message just isn't what many want to hear. Wouldn't it be just a heck of a lot easier if we could swallow a couple of super pills compellingly hyped in a flashy infomercial and in a few short weeks have that magnificent body that will be the envy of all our friends and family? And perhaps next month we could get the new and improved version, the super duper pills, and so on and so forth. You see, the business of investment advice is eerily similar to the business of weight loss. The "stay diversified and think long-term" message just isn't as scintillating and appealing as so many other cleverly pedaled "market beating" systems. Wouldn't it be just great if we could subscribe to a newsletter or go to a weekend seminar that would show us the secrets to becoming the super successful investor that we know we should be? Don't worry, if this magnificent system doesn't work for some inexplicable reason there will be plenty more sure-fire strategies touted next month that will enrich the lucky few who choose to believe and purchase.

Hang in there everyone. We're doing things right. Be patient and be confident. There may not necessarily be a quick fix to all that ails our global financial markets but nevertheless a fix there will be.

Be well all,

*Andrew*