

March 31, 2006

Dear clients,

Happy Spring! This quarter I want to briefly summarize some of the longer-term projects I am working on to hopefully make me a more valuable financial advisor to you all. Most of these projects relate to finding even better, more cost-effective, and more efficient ways to manage your investment portfolios. One other project relates to helping those of you who wish to create and maintain truly comprehensive and current financial plans. Below is a brief summary of four of my projects:

1. As I have mentioned in the past I am continuing to diligently investigate optimal uses of commodity investments in your portfolios. I am very confident that injecting a mix of broadly diversified commodities to long-term portfolios otherwise comprised of broadly diversified stocks and bonds is a good idea. What I am now studying and researching is the most effective percentages of your portfolios to dedicate to commodities and which specific mutual fund(s) or other investment vehicles will work best for us.
2. Somewhat related to my belief in using commodities is my research into more effectively using correlation data to construct your portfolios. In a nutshell the idea of using correlation information is to try and create a mix of investments inside a portfolio that will not always act in lock-step with one another (the old when one zigs sometimes the other zags idea). This is an effective tool for portfolio management because if done well it reduces risk/volatility inside an investment mix without giving up return. This is of course one thing that we are always striving to achieve.
3. Another project is to further explore uses of the concept of "regression to the mean" to bolster your investment returns. I have written about my belief in regression to the mean in the past and the idea is that when an investment strays from its long-term historical average there are powerful market forces in place which tend to offset these "abnormal" returns and return them more toward their long-term average. In other words, investments that have been performing better than their long-term averages of late may tend to underperform in the near future and conversely those that have recently been underachieving may tend to overachieve in the near future. This is a long way from a perfect science but I believe portfolios can be slightly skewed in one area over another to capitalize on this ever-present powerful market force.
4. Whether good or bad, today we live largely in an era of specialization. The field of financial planning is no exception. It is wrong-minded for a financial planner to think that he/she can effectively be the only advisor for a client when it comes to important financial matters. To this end, I am creating an informal and non-remunerative loose affiliation of complimentary financial professionals who will have the ability to act as a coordinated team to make sure any of my clients who want to have a truly comprehensive and effective financial plan will be able to do so. At this point I have two CPA's, two estate planning law firms, and two insurance specialists, who in addition to myself, will help comprise a team that can effectively create and maintain comprehensive financial plans that will meet just about all of your needs.

As developments warrant I will keep you up-to-date on these projects. I always more than welcome any ideas you have on ways that I may better serve your financial planning needs. My goal is to intelligently and as best I can help educate you on all the financial planning issues that may relate to your particular circumstances. And I believe success can truly best be measured by your ability to sleep comfortably and confidently every night knowing that you have a well thought out financial planning program in place that appropriately matches your needs, goals, and objectives. Until next quarter, be well all!!

