

December 31, 2007

Dear clients,

Happy New Year! As another year comes to a close, a new tax preparation season will soon be upon us. As a reminder, always rely on your Fidelity 1099's as the official tax form for your accounts (I have copies if you lose or misplace). If your mailing from me this quarter contains a report entitled "Realized Gains and Losses," please use this for tax preparation as well. It will complement your 1099's and fill in any blanks. Please never hesitate to call me or have your tax preparer call with questions. I'm happy to help. On to this quarter's message ...

Every once in a while I happen upon a statistic I just can't believe. A couple of weeks ago when I was working on a long-term project I had reason to research the comparison between the average equity fund investor's performance over the last twenty years vs. the S&P 500's performance. I already knew from reading countless studies that the S&P 500's performance would be superior but I either forgot, or never realized, by just how much.

Dalbar, Inc.'s most recent study provides the shocking and disturbing truth:

	<b>Annualized Return 1987-2006</b>
<b>Average Equity Fund Investor</b>	4.3%
<b>S&amp;P 500</b>	11.8%

The average investor's returns are absolutely dreadful! Thankfully, your equity fund returns are nothing like the average investor's. And unless the average investor dramatically improves his performance in the future, you can rest assured your returns will continue to outshine.

Why? Human nature is an awesome force. The average equity fund investor above is doing at least two things very wrong. He is consistently buying funds only **after** they have demonstrated a recent track record of solid returns and conversely he is selling out of funds **after** recent periods of disappointing results. Also, he is choosing funds that have expenses and fees that are way too high. The reason I can so confidently assure you that your actual results will not resemble the average investor's is that we will never fall into these two traps.

We will maintain a mix of funds in our portfolios that will closely mirror the underlying performances of their corresponding benchmarks. We will continue to maintain this broadly diversified mix full well knowing that at any point in time some of our investments will be outperforming and some underperforming others. This isn't magic. It's just basic diversification in action. Further, we won't invest in funds that cost too much. The old adage "you get what you pay for" may be true when comparing a Mercedes to a Yugo but it doesn't hold true when selecting investments. The consistently best long-term performing funds are those with the lowest cost. There will always be funds with glittering short-term track records. But to capitalize you must presciently recognize these **in advance** not after the fact. Sorry. ☹

Why else can we be so sure you we won't wake up one day with the average investor blues? Because as long as you're paying me a fee for the best advice I can give I won't let it happen. Sometimes you may question me (which I emphatically encourage) but I will do everything I can to rationally and clearly explain the why's and what for's of the composition of your portfolio. I'm always eager to improve your investment acumen so please don't ever hesitate to let me help you better understand what is going on behind the scenes with your nest egg.

If you have friends, family, or colleagues you fear may be wallowing in the very large "average investor" abyss please have them call me. I am confident I can get them on the road to recovery.

Be well all,

