



TAKING CARE OF YOU

ISSUE#: One Hundred-Sixty-Four

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INSIDE THIS ISSUE:

- 1. Markets Section = Current Market Environment**
- 2. Active Investment Management = Allow Managers To Make Short Term Decisions**
- 3. Current Best Funds = Issue# 164 Fund Changes/Why**
- 4. Comprehensive Financial Planning = Identity Theft Protection**

1. MARKETS

Current Market Environment

Recent economic news has turned weaker, particularly in housing, but in other areas as well, such as unemployment insurance claims and new orders for durable goods. One of the issues facing investors is just how much weight to give the latest numbers, in a large part because it is difficult to estimate the effect the January and February bad weather had on these economic numbers – because everyone is well aware that the first quarter numbers will be affected by the weather, the markets may have already fully adjusted. We already know the immediate answer: not too much. Unless the numbers are shockingly weak, we expect them to be shrugged off by the market. What matters now are the numbers we will be getting concerning March and April activity. If they continue to be weak, then expect some rethinking. **We expect somewhat brighter numbers as we move ahead.**

There are some other factors that should help the markets going forward. Two of the major factors are interest rates and corporate earnings which suggest a continuation of recovery in the financial markets, albeit with a much bumpier ride than that of most of 2009. We'd be even more bullish, except that valuations are only fair (certainly not cheap), the employment situation is still awful, the real estate market is weak, and the sentiment among institutional investors is so optimistic as to imply that they have little additional buying power for more equities. Due to these mixed issues, R.O.I. anticipates that the markets for the 2010 year as a whole will be flat or maybe up slightly, with volatility throughout.

Recently (on March 17, 2010), the Fed spoke, and from a policy perspective, the Fed told us nothing new. Rather, it was the positive tone of their statements that did the trick. In effect, the Fed said **the economy continues to get better, but still faces serious problems**. Because of that, and because inflation is not a problem yet, the Fed will stick with our near-zero interest rate policy. At the same time, the Administration was telling Congress that growth over the next three years will be moderate. We see the next important hurdle for the market coming next month when this quarter's earnings are released. Based on what we hear from fund managers, we expect that these earnings reports **will support further gains for the U.S. market**.

A recent article came to our attention from "Investment News." The article was entitled "For most RIAs, '09 proved dismal." The reason for this dreary title was that of the 50 biggest registered investment advisors firms, only five had more discretionary assets on their books at the end of the year than they did at its outset, according to exclusive research conducted by RIA Database for the "Investment News". What this means is that despite the huge market recovery during 2009 (S&P up about 23.5%), most of these large RIA's lost assets under management. That is due to underperforming during 2009, and largely because of clients taking there portfolios

“TAKING CARE OF YOU”, Page 2

elsewhere, i.e., to CD's, annuities or other advisors. **R.O.I. actually had more assets under management at the end of 2009 than at the beginning.** How was R.O.I. able to keep more clients than these large RIAs. **Besides substantial returns that beat most of the popular indexes, the reason is probably due to the fact that R.O.I. has fewer clients, and this enables us to take the time to teach and advise our clients during both good and bad times. We not only send newsletters out every month to each client, but we have annual reviews with each client that meets the requirements (most advisors don't really have annual reviews!), and, we spend an significant amount of time personally fielding client phone calls and emails that address their concerns, not just the market as a whole, but also how it effects their individual situation. These are practices that are part of our objective to “Take Care of You” - we plan to continue into the future.**

2. ACTIVE INVESTMENT MANAGEMENT

ALLOW MANAGERS TO MAKE SHORT TERM DECISIONS

In what areas does R.O.I. have confidence? R.O.I. is very confident about "**Long Term**" areas, like "**Participating In Up Markets**" and "**Controlling Participation In Down Markets**" which should result in the **greatest likelihood of reaching Long Term, Average, Target Returns with reduced Volatility**, by consistently applying (see column at left, “Active Investment Management):

1. Asset Allocation/Modern Portfolio Theory (Including Secular/Cyclical Market Allocations);
2. Using the "Best Funds";
3. Continually Monitoring Fund Choices;
4. Diversifying Manager Styles;
5. Controlling Sector (Industry) Concentration; and,
6. Rebalancing.

R.O.I. is not so sure about "**Short Term**" areas like what is going to happen next month, or even in a year, in areas such as:

1. Which will be the best or worst performing –

Asset Class?	Mutual Fund?	Manager?
Management Style?	Industry?	Stock, Bond or Company?

2. What ups or downs there will be in –

The DJIA?	Inflation?	Interest Rates?
Other Indexes?	Economies?	Investor Attitudes?

(Note: During Secular Bear or Blah Markets [i.e., long periods of 10-20 years, e.g., 2000-2009], R.O.I. does have some confidence in participating in Cyclical Bull Markets [i.e., short periods of 1-3 years, e.g., 2003-2007, and 2009]. Therefore, R.O.I. does make significant “Fine Tuning” changes to asset class allocations to take advantage of Cyclical Bull Markets.)

“TAKING CARE OF YOU”, Page 3

Since R.O.I. is not confident about forecasting the "Short Term" areas, it would be nice to have someone working for us who is...and we do! Since we are generally working with the top 25% or so of mutual funds and their managers, in each of twelve Asset Classes, and because each manager is surrounded by his team of "MIT & Harvard Graduates" and economists, we have about 20+ of the most successful and

ACTIVE INVESTMENT MANAGEMENT

OBJECTIVE

- Participate In Up Markets
- Control In Down Markets

ALLOCATIONS

- Asset Allocations (Secular/Cyclical Markets)
- Opposite Categories
- Different Classes
- Independent Classes

FILL ALLOCATIONS

- Use Best Funds
- Monitor Choices

CONTROL SWINGS

- Diversify Manager Styles•
- Control Sector Concentration
- Allow Fund Managers To Make S/T Decisions
- Rebalance
- Fine Tuning Strategies

ADVISOR/CLIENT

- Motivate Advisor
- No Conflicts
- % Of Assets Basis
- Help Build Business

experienced managers and a small army of hand picked helpers and economists working in the "Short Term" areas where R.O.I. (and most likely you) are not very confident. Now these managers never unanimously agree about anything (even if they are in the same asset class!), let alone what will happen in the "Short Term", even though each one is probably fairly confident about what they believe will happen in the "Short Term". This implies they are never all right and they are never all wrong, and this is just fine with R.O.I. (sounds again like "Pigs Get Fed and Hogs Get Slaughtered" thinking).

So, if different fund managers in the same asset class take quite different positions in their holdings because of their different "Short Term" forecasts, R.O.I. usually will not keep or drop a fund because of their "Short Term" positioning, as long as they do not stray too far from their asset class and normal management style. To R.O.I., it just doesn't seem logical that R.O.I. can outsmart the top 25% or so of managers and their teams of bright helpers and economists (who are already "outsmarting" about 75% of their competition). So, ROI doesn't try to, but instead lets them "**fight it out amongst themselves**" as the "cream" (the top 25% or so) rises to the top, realizing that the "Long Term" results will be consistent with our objectives to "**Participate In Up Markets**" and "**Control Participation In Down Markets**" which should result in the **greatest likelihood of reaching Long Term, Average, Target Returns with reduced Volatility.**

3. CURRENT BEST FUNDS

	LAST MONTH	'10 YEAR TO DATE	1/1/97 THROUGH '10
ROI'S MPT INDEX*	+2.0%	-0.7%	+81.6%
ROI'S "BEST FUNDS"***	+3.59%	+1.02%	+122.1%

* ROI's MPT INDEX = An index based solely upon one Modern Portfolio Theory type of Asset Allocation to each of the following 12 Asset Classes, assuming from: (1) 1/1/97, an 11% Target Return (i.e., 70% in Stocks; 15% in Bonds; 15% in Anti-Inflation); and, (2) 3/1/03, a Moderate allocation (i.e., 50% in Stocks; 25% in Bonds; 25% in Anti-Inflation); using the average returns of all mutual funds in each Asset Class, Rebalanced on a monthly basis (data supplied by Morningstar).

** ROI's "BEST FUNDS" = Using the accumulated yearly IRR % of an actual client's account that uses the same Moderate Asset allocation as in ROI's MPT INDEX, but includes all of ROI's other strategies.

“TAKING CARE OF YOU”, Page 4

ISSUE# ONE HUNDRED-SIXTY-FOUR BEST FUND CHANGES & WHY?

(Funds or % in < > are new funds and allocations replacing prior choices. Current through Newsletter date.)

<u>STOCKS</u>	<u>BONDS</u>
Aggressive Growth	US/LT, ST, Mtg, Convertible
Fidelity Capital Apprec 1 st Source (117%)	Fidelity Convertible (67%)
	DWS Short Duration (100.0%)
Growth	<Delaware Corporate Bnd> (33%)
<Morgan Stanley Inst. Mid Cap>(100%)	
<Aston/Optimum Mid Cap> (113%)	Junk
	Security High Yield (75%)
Small Cap	
<Marshal Small Cap Gth> <153%>	Global
Sterling Cap Small Val (50%)	Alliance Bern Glb Bond (100%)
AIM Triamark Small Co (50%)	TCW Emg Mkts (62.5%)
Equity Income	<u>ANTI-INFLATION</u>
Sun America Fixed Div (125%)	Asset Manager
	Henderson European Focus to <Oppenheimer Global Opp> (100%)
Stock Index	
Fidelity Spartan Market Index (100%)	Ntrl Res, Utilities & Metals
	MFS Utilities (75%)
Overseas: Int'l, World, SC, EM	Fidelity Sel Material Port (50%)
Janus Overseas (85.7%)	Black Rock Energy Resource (50%)
Oakmark International Gth (69.8%)	Real Estate
Oakmark International <43%>	Fidelity Advisor Real Estate (66.8%)
Causeway Emerging Markets (64.3%)	Dryden Global Real Estate <44.5>
<AIM Dev. Mkt > (85.7%)	

THE “WHYS”

Allocation Changes - We have increased our allocation to our **Small Cap Growth (Marshal Small Cap Growth Fund)** asset class in order to participate more in a continuing recovery. Generally, small cap stocks perform better than large caps in a recovery period. We have decreased our allocation to our **International Small Cap asset class (Oakmark International)** to decrease our exposure overseas. Overseas funds are more likely to be effected by the credit problems in Europe (i.e., Greece, Spain etc.). We increased our allocation to our **Overseas Real Estate asset class (Dryden Global Real Estate)** in order to provide our portfolios some inflation protection if the dollar continues to weaken.

Fund Changes-

1. **Morgan Stanley Institutional Mid Cap for Columbia Acorn-** Much to our disappointment, **Columbia's** (a fine fund) performance has struggled recently, **Morgan Stanley** has a strong track history and a reasonable risk return ratio;
2. **Aston/Optimum Mid Cap for Yatchman Focused-** **Aston** has a high star rating and a reasonable expense ratio, **Yatchman's** (Yatchman is better in struggling economies) performance has been lagging and we anticipate this will continue;
3. **Marshal Mid Cap Growth for Wells Fargo Admin Small-** Wells Fargo's performance has been lagging as of late, **Marshal Mid Cap Growth** has a high star rating and ranks well with its return and risk ratios;
4. **AIM Developing Markets for Lazard Developing Markets-** **Lazard Developing Markets'** performance has been struggling lately and we anticipate this may continue, while **AIM** has recently been one of the top competitors in this asset class, and has a

“TAKING CARE OF YOU”, Page 5

low expense ratio;

5. **Delaware Corporate Bond for Delaware Extended**- Extended is a good fund but has been performing poorly lately, while Corporate is in the same mutual fund family (Delaware) and has a good track history and has been doing well recently;
6. **Oppenheimer Global Opportunity for Henderson European Focus**- Henderson has been doing poorly and there is a good chance that it may continue to struggle due to the financial problems in Europe, Oppenheimer is a great fund family and has a strong track history.

[R.O.I. tracks each month’s consensus predictions for the Dow Jones Industrial Average (DJIA) for the upcoming six months, by the panel of “experts” in the Investment Advisor Magazine.]

<u>THE PREDICTION WAS:</u>			<u>THE DJIA WAS:</u>	<u>THE PREDICTION WAS OFF BY:</u>	
<u>MADE</u>	<u>FOR</u>	<u>DJIA</u>	<u>ACTUALLY</u>	<u>POINTS</u>	<u>PERCENT</u>
10/08	03/09	12268	7262	+5006	+68.0%
11/08	04/09	12255	8022	+4233	+53.0%
12/08	05/09	10955	8306	+2649	+32.0%
01/09	06/09	9567	8859	+708	+8.0%
02/09	07/09	9644	8883	+761	+8.6%
03/09	08/09	9152	9325	-173	-1.8%
No Issue					
05/09	10/09	8641	9713	-1072	-11.0%
No Issue					
06/09	12/09	8668	10428	-1760	-16.8%
07/09	01/10	8824	10067	-1243	-12.3%
08/09	02/10	8808	10325	-1517	-14.7%
TWELVE MONTH ERROR RANGE =				-1760/+5006	-16.8%/+68%

!!R.O.I. believes it is impossible to predict the short-term future. If the “experts” can’t reliably do so, what chance do you or R.O.I. have? Should we make large bets on short-term predictions?

4. COMPREHENSIVE FINANCIAL PLANNING

IDENTITY THEFT PROTECTION

Because identity theft is becoming such a widespread problem that can victimize any of us at any time, we thought it wise to again publish and to encourage our clients to follow ***THE TEN COMMANDMENTS OF IDENTITY PROTECTION***:

1. **Social Security #, Uninitiated Calls/Emails** (e.g., “update records” calls/emails): Do not give out your Social Security number to people or companies that you do not know. Under no circumstances should you give out personal information on the phone/email to someone you don’t know or if you did not initiate the call. If someone calls/emails looking for personal information to “update records,” get their name, phone number, and address. Call/email them back at the number you have on file or that is printed on your billing statements. Before disclosing personal information, make sure you know why it is required and how it will be used;
2. **Review Credit Reports**: Get a copy and review your credit report from each of the three major credit reporting agencies (TrnsUnion, Equifax, and Experian - consumers are entitled to a free credit report once/year, go to www.annualcreditreport.com) at least once a year so that you can check your record and

“TAKING CARE OF YOU”, Page 6

dispute any inaccurate information. Make sure that there haven't been inquiries by people you haven't initiated business with;

3. **Credit Card Statements**: Review all your monthly credit card statements as soon as possible after they arrive each month. Make sure there aren't any charges that you didn't make. Also make sure you actually receive the statement each month. If it's late, contact the card issuer and make sure no one has changed the address on the card;

COMPREHENSIVE FINANCIAL PLANNING

INCOME & EXPENSE

- Emergency Planning
- Budgeting
- Taxes

KIDS/GRANDKIDS' GOALS

- "Teach Them To Fish"
- Missions, Education, Marriages,
and Home Down Payments

RETIREMENT

LONG TERM CARE

DEATH & DISABILITY

IDENTITY THEFT PROTECTION

ESTATE PLANNING

BUSINESS & ASSET PROTECTION PLANNING

4. **Shredding**: Shred everything, and cross-cut so that none of the numbers remain in a readable row. This may seem extreme, but "dumpster diving" occurs more frequently than you realize. Destroy any and all unwanted credit card and refinancing offers;
5. **Mailbox and Mailing Bills**: Guard your unlocked mail from theft by collecting it regularly, and, forwarding it to a post office box if you will be out of town. Always take bills or documents with personal data to the post office or an official postal service mailbox. Never leave them for pickup in your unlocked personal mailbox;
6. **Personal Information and Checks**: Keep the personal information you have at home and at work in a safe place. Don't put any information other than your name or address on your checks;
7. **Deposit Slips**: Guard deposit slips as closely as checks. Not only do they have your name, address, and account number, but they can also be used to withdraw money from your account. All the thief has to do is deposit a bad deposit slip and use the "less cash received" line to get money out;
8. **If Ever Denied Credit**: If you're ever denied credit, find out why, especially if you haven't reviewed your credit report lately. If you get a call from a merchant or card issuer about charges you didn't make, react quickly. This may be the first warning that your identity has been stolen;
9. **Wallet and Carrying Identification Information**: Do not carry your birth certificate, passport, or other cards that display your Social Security

number in your wallet, except when necessary. Only carry as many credit cards as necessary. Photocopy everything that you carry in your wallet to make canceling and replacing things easier if your purse or wallet is lost or stolen;

10. **Passwords and PIN#s**: Create unique passwords and personal identification numbers (PINs) and avoid using easily available information such as mother's maiden name, date of birth, or the last four digits of your Social Security number.

Keep the commandments and receive the blessings! If you almost keep the commandments, you almost receive the blessings

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