



# Pacific Asset Management

October 15, 2009

Enclosed are your third quarter statements for review.

The strong gains posted during the second quarter continued through the third quarter. The old Wall Street adage that "A bull market climbs a wall of worry" never seemed more appropriate as investors were confronted with a daunting list of worrisome news from continued increases in unemployment to the continuing consumer confidence slump.

Despite the worries, in the third quarter every equity asset class both domestic and international posted double digit gains. The gains for the US Equity Markets ranged from 15.54% to 26.87% in large cap and small value respectively. The International Equity Markets posted gains ranging from 18.74% for large value to 24.38% for small value.

It's always encouraging to have our investment philosophy validated by a well-respected financial professional. Since 1985 David Swenson has been the highly successful chief investment officer of the Yale University Education Endowment, which is the second largest education endowment fund in the U.S. with assets at about \$17 Billion. We would like to share his words of wisdom from a recent interview with the Financial Times. "Ultimately, **market timing** is an exercise in futility. When you've got dramatic movements in the markets you can identify after the fact a handful of investors that succeeded in the short run. But making big, aggressive asset allocation moves isn't a strategy that's likely to prove successful in the long run." Mr. Swenson went on to say "the overwhelming number of investors should be completely invested in **low cost index funds**." Given the extreme volatility of the markets over the last year, your current year results speak for themselves as to the validity of Mr. Swenson's words. Please congratulate yourselves for embracing the wisdom of this sage.

We would like to thank you for the referrals you have sent our way. When you know of someone you believe would benefit from our investment philosophy please have them contact us so we can provide them with information about our approach to investing and financial planning.

In closing, we would like to introduce you to our new operations manager, Christina Bonney. Christina comes to Pacific Asset Management with several years of experience in the financial industry and is well suited for the position. We are excited to have this dynamic young lady as part of our team and invite you to stop in and meet her.

As always, if you have questions or would like to review your portfolio, we encourage you to call or schedule an appointment with us.

**Pacific Asset Management, LLC**