



January 28, 2010

Enclosed are your fourth quarter performance statements to review.

With few exceptions, equity markets around the world continued their strong performance in the fourth quarter of 2009, and extended the remarkable market recovery that started in March 2009. Since March 10, 2009, the S&P 500 has gained 65% finishing the year with a gain of nearly 27%. The developed international markets were even stronger with gains of nearly 32%. The leading performer for the year was the emerging markets which posted their best year on record with returns in excess of 80%.

Not since The Great Depression have we seen markets as challenging as 2009. The lessons learned this last year are not new, but they are worth repeating.

Have a Long-Term Financial Plan – One of the lessons 2009 reinforced was that discipline is necessary for investors to be successful. **Warren Buffet** once said, “The most important quality for an investor is temperament, not intellect.” It is important to remember that bear markets are inevitable and unpredictable. A long-term financial plan will help investors tune out the noise which can be deafening.

We have always suggested that investors turn off the TV and quit reading or listening to those who prognosticate about the direction of the markets. As **Nick Murray** says, “financial journalism is not in the truth business, it is in the news business. Their objectives are antithetical to yours.” Having a financial plan keeps you focused on your goals rather than the markets.

Rebalance – Periodically rebalancing to targeted allocations is a way to ensure that you buy low and sell high. Again, as part of a long term financial plan, rebalancing helps to do the right thing in highly volatile markets.

Market Timing Doesn't Work – Markets move very quickly and the largest gains often come when least expected. Accordingly, timing entry and exit points to the equity markets is next to impossible. The rally that originated on March 10th happened when things looked very dismal, but historically this is not unusual since the stock market is generally a leading economic indicator.

We commend you for staying disciplined this past year which allowed you to enjoy the exceptional returns that the market generated from March 10th through the remainder of the year. We also ask that you think of someone who could benefit from our investment philosophy and ask that they give us a call or refer them to our website for a brief introduction to our team and our investment philosophy.

As always, please feel free to contact us with any comments or concerns. Wishing you a happy, healthy and prosperous New Year!

The Pacific Asset Management Team

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