


**Spectrum Investor® 3rd Quarter 2009
 Investment Review**

Enclosed are your investment returns for the 3rd quarter 2009, along with the H. Beck privacy notice. The US stock market has risen 56.2% over the past six and a half months, starting with a market low of 6547 on March 9, 2009. For the quarter ending September 30, 2009 the S&P 500 Index was up 15%. Having moved away from the panic levels early in the year, stocks rose while yields on 10-year treasuries have fallen from a peak of 3.95% to 3.31%, which has helped keep mortgage rates down. **Now is a great time to refinance your mortgage** (WSJ 10/3/09). This year the strong market advance has occurred because of the Federal Reserve's monetary policy of keeping short-term rates near zero and buying huge amounts of government related debt (Income Performance 10/09).

The recent expansion of manufacturing activity, growth in consumer spending and improved home sales, indicates that the US economy is slowly on the mend. While the US government acted swiftly to save the biggest banks, the balance sheets of many US banks, big and small alike, are still loaded with toxic assets, which builds a case for a slow recovery. The Institute for Supply Management reported that its index of manufacturing activity was at 52.6 for September 2009. This is up from a recent low in manufacturing activity where the index was at 32.9 in December 2008, down from a five year high of 61.4 in May 2004. A reading over 50 indicates growth and manufacturing activity; below 50 indicates contraction in manufacturing activity. The current fourth quarter has the potential for a decent gain from a year ago, largely because the 2008 fourth quarter was so bad, which should make the year-over-year earnings comparison numbers look better. However, the market historically rallies about 20% after a recession. Having already climbed by 50%, stocks could be getting close to being overpriced. With robust growth already priced in, it will take a major catalyst to send stocks up much higher once we get beyond the fourth quarter (The Complete Investor/WSJ 10/09).

So what is an investor to do? **Rebalance annually** (your provider's website has an automatic rebalance option). If you are more aggressive, **rebalance at 10% or a minimum of once every three years**. The built-in advantage of rebalancing historically enhances performance without increasing risk. Rebalancing annually will adjust your holdings by selling stocks in strong markets and buying stocks when the market falls, which generally means buying low and selling high. For the average investor we suggest balanced portfolios, which typically have an asset mix of 60% stocks and 40% bonds and cash. Balanced portfolios provide a middle-of-the-road approach that has enough stock exposure to keep ahead of inflation, but not so much that your portfolio can't recover from a bear market. Balanced portfolios are a prudent way to invest, especially in tough times. The name for this strategy is **"asset allocation"**. The above chart illustrates the value of rebalancing.

In my entire career, the best example of a content investor who could sleep at night with his own investments was my father Dominic. He was, by far, the most conservative investor I have ever worked with. Dominic was a retired dairy farmer who lost \$500 (his entire savings) in the 1929-30 depression because his bank failed. Despite his low risk tolerance, an investment that my father was comfortable with was a balanced fund, which he held until the day he died at the age of 88.

In summary, if you are in your 20s or 30s we suggest an allocation of 70% stocks and 30% bonds. For those of you who are in your 40s and 50s, we suggest 60% stocks and 40% bonds. For those closer to retirement, we suggest a 50% stocks, 50% bonds position. In all three allocations we strongly suggest a rebalancing strategy. This is a broad interpretation of an asset allocation strategy, however, each individual case can be different, subject to your age, other assets and risk tolerance. You can access your provider's website and rebalance your portfolio through our website at www.spectruminvestor.com. To assist you in rebalancing, our website includes instruction pages for each provider's website or call our office at 800-242-4735 and speak with an advisor. To service your account more efficiently, we now have eight licensed advisors in our office.

We appreciate your business.

Spectrum Investor® Update 9/30/09

Category Average	3rd Qtr	1 Year	3 Year
Intermediate-Term Bond	6.13%	11.81%	4.47%
Moderate Allocation	12.20%	1.38%	-1.56%
Large Cap Value	16.48%	-7.18%	-6.72%
Large Cap Blend	15.59%	-5.46%	-5.13%
Large Cap Growth	14.76%	-2.69%	-3.25%
Mid Cap Value	20.43%	-2.80%	-4.34%
Mid Cap Blend	18.96%	-3.19%	-3.87%
Mid Cap Growth	17.13%	-3.10%	-2.83%
Small Cap Value	21.32%	-6.39%	-4.72%
Small Cap Blend	19.04%	-6.97%	-5.19%
Small Cap Growth	16.50%	-5.25%	-4.00%
Foreign Large Blend	18.75%	1.06%	-3.95%
Real Estate	32.45%	-25.86%	-13.42%
Natural Resources	13.85%	-10.73%	0.14%

Source: Morningstar, 3 yr return is annualized by Morningstar. Past Performance is not an indication of future results.

How Often Should I Rebalance My Portfolio?

60/40 Allocation 1990 to 2008	Annualized Return**	Bear Market Loss 2000-2002	Bear Market Loss 11/07-12-08
No Rebalancing	7.64%	-22.8%	-27.6%
Annual Rebalancing	8.16%	-13.3%	-21.8%
*10% Rebalancing	8.38%	-11.8%	-23.7%
100% Stocks	7.75%	-37.8%	-40.0%

*Rebalance when your target allocation is 10% out of alignment
At 10% you would have rebalanced 5 times since 1990.
 (May 1-1997, Jan 1-2000, Sep 1-2001, Oct 1-2002, Dec 1-2006)

**Combination of Lehman Bros Aggregate Bond Index (40% original allocation) and S&P 500 Stock Index (60% original allocation).

Source: John Waggoner@USA Today.com 11/27/02, Morningstar 2008

Dow: 9712	10Yr T-Note: 3.31%
NASDAQ: 2122	Inflation Rate: -1.5% (8/2009)
S&P 500: 1057	Unemployment Rate: 9.8%
Barrel of Oil: \$70.61	Source: www.bls.gov (6/09)
09/30/09	Source: USA Today 10/1/09