



Investment Advisory Newsletter

November 11, 2009

The recovery continues! In spite of a dip in the markets in October, the average diversified equity fund came ahead 4.5% in the past three months. International funds pulled ahead a bit more at 6.3%, while fixed yield investments came ahead a respectable 3.8%. So far the Dow Jones average has recovered 55% since its low in March. This sounds tremendous until you realize that it has to recover 110% in order to get back to where the Dow Jones average topped out in October 2007. However, all in all, I do like the markets direction in the past six months and am eagerly looking for more!

One of the concerns many of my clients are expressing is the potential for a continuation of a decline of the U.S. dollar against other currencies. With the growth in government spending, bailouts, a weakened economy, nagging unemployment, and loss of manufacturing it is easy to paint a picture in which the dollar might continue to decline against other currencies for some time to come. There are several ways to protect against this possibility. First are investments in international securities or mutual funds. In this group one of the better performers has been Dodge & Cox International (DODFX), which appears in most investment portfolios that I manage. A second possibility is the purchase of stock in foreign companies or in multi-nationals. Among many possibilities, I am currently looking at Toronto Dominion Bank, Motorola, and several other options to fill this position. Third, an investor could open and use a foreign denominated brokerage account. This involves opening an account in a foreign country in their currency, something I am looking into the pluses and minuses before jumping in. Fourth, there are appearing a few foreign currency trading funds with the specific goal of protecting the investor against declines in the U.S. dollar. The first of these accounts was the Merk Hard Currency Fund (MERKX), which has been going since 2005. I believe that investors should consider each of these possibilities in today's economic environment. Although these are not for everyone they are a possibility that should be considered in your investment mix.

Please call me at any time that investment questions, opportunities or thoughts arise. In particular, please call me if you think there is a possibility that investment activity prior to the end of the year would be beneficial for you in your tax planning for 2009. Meanwhile I wish you the best for the holiday season and closing out a tumultuous 2009!

Roger D. Werner, CPA