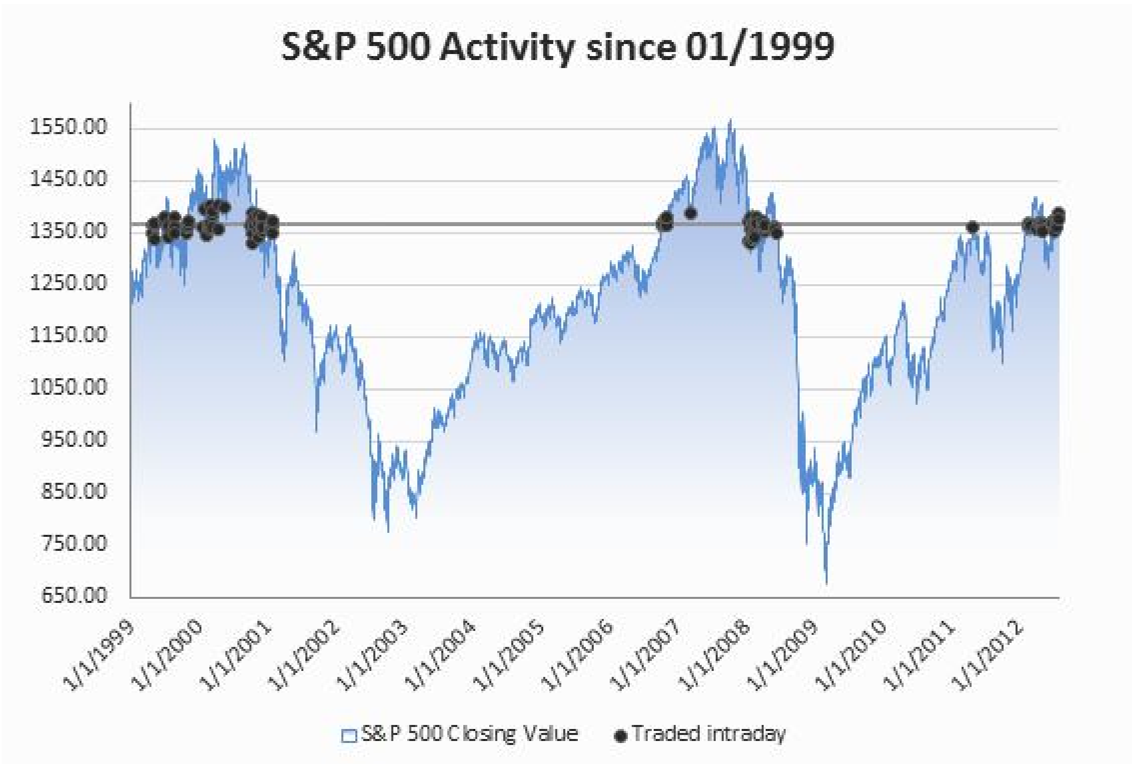
Thursday, August 2, 2012 the market closed at 1365.00. As you are aware, this isn't the first time that the market has traded at this value. Looking at the history of the S&P 500, the market has traded at and around this value intraday 120 times since it first crossed this level on April, 27th 1999. That was over 13 years ago!



The truth is that this lost decade has become longer than just 10 years. In fact, since we reached this price back in 1999, only 20% of the trading days closed above this level. Inevitably during this time period, we've heard from our clients. In the good years, clients expressed concern that they were not exposed enough to the markets. The same clients were voicing concern that they still held any position when their portfolios were heavily defensive and the market was tanking.

Our clients (all clients) are emotional beings. Consequently, we as advisors are also emotional. However, we can't and don't let our emotions lead our investment decisions! A regulator will not like the explanation that a portfolio's investments were adjusted due to client emotions. If this were the case, why not just name the portfolio "The Gut Portfolio." That would probably have difficulty getting compliance approved.

Cooler Heads Prevail

When working with our clients, it can be easy to associate the voices of a few with the voices of all. We've heard from a few new clients voicing their concerns about recent performance. But as always, there needs to be an emphasis on process over attitude. If investors had used a buy and hold strategy on the S&P 500, they would likely be no better today than they were13 years ago, excluding dividends.

Furthermore, the risk tolerance of our typical client makes it so they do not own the S&P 500. If a client wanted those exact returns, they could buy an ETF on their own and live and die buy it. Obviously, that's not a prudent thing to do so clients look to us as advisors for our expertise and resources.

We could share countless times where a client called the office in a panic to sell everything they had. They typically wanted to put everything in gold. Regardless of their participation in gold, this example is not a valid investment strategy. This is a reaction.

We have had an especially unique last 16 months. During this time, we have been regularly discussing the potential dissolution of a world currency. This is not commonplace in the market's history. One day a politician will make a statement and the markets will react, only to have the truth come out later and the market to swing back the other direction.

"No matter how fast a man can run, he can never catch his shadow"

-African Proverb

Undoubtedly the markets have been challenging for us and our clients over the last few years. Even if the investment approach was to buy, hold, and hope since 12/31/2010, clients would have had to endure a wide range of returns and emotions. The S&P 500 has had a 25% trading range during this time period.

What we want our clients to know is that there is a strategy and process in place and that we as your advisor will stand by it. We do not want to chase the next 12 months with the next greatest product that is sold. While we do not agree with Bill Gross and his view that the stock market's annual returns are a "historical freak," we do believe that there are times of protracted sideways ranges which require a longer-term view and more work to generate returns before the next major rally.