

QUARTERLY RETIREMENT REVIEW

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PUBLISHED BY:

S.L. REED & COMPANY

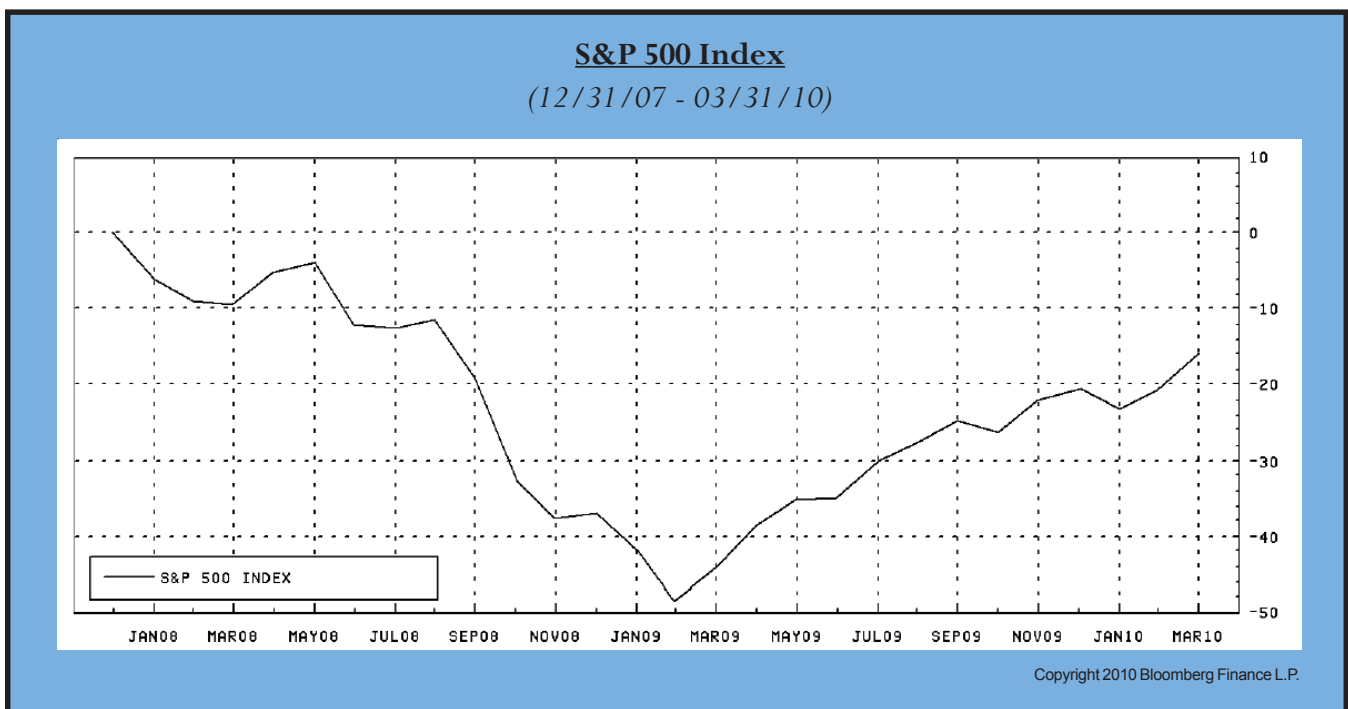
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MARCH 2010 ISSUE

WHAT A DIFFERENCE A YEAR MAKES

The year 2010 began with investors gaining more confidence that the U.S. would, in fact, weather the financial storm that began in the latter half of 2007. The stock market, coming off of the bottom of March 6, 2009, has climbed more than 72+% in the following 12 months as you can see from this chart.

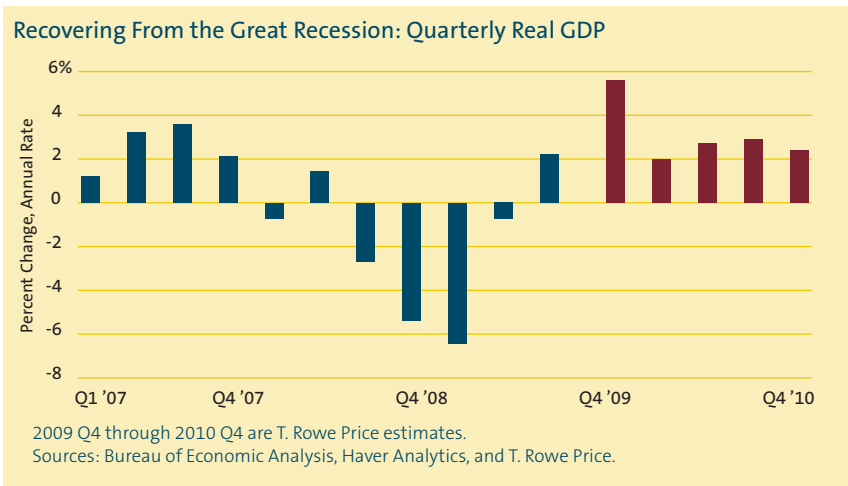


Yet, by the time the market had bottomed and begun to recoup its losses, many plan participants had already fled from the equity markets in a panic, thereby missing an opportunity to recover a major part of their losses. We are reminded of the sage advice, given many years ago, by one of history's greatest investors, John Templeton. "Bull markets are born on Pessimism, grow on Skepticism, Mature on Optimism, and Die on Euphoria." Our newsletter this quarter will examine some of the issues that many plan participants will be facing in the aftermath of the great global financial crises we have just experienced with the hope that plan participants will be able to gain some insight into their investment goals and what the future might hold for their retirement.

Real gross domestic product (GDP) has continued to expand from a 2.2% annual rate in the third quarter to an estimated 5.6% rate in the fourth quarter of last year.

More and more it is becoming clear that the economy is on the mend, and the worst is behind us. Nevertheless, it appears that this economic recovery may be a little slower than past recoveries. Consumers are continuing to save, and will probably continue

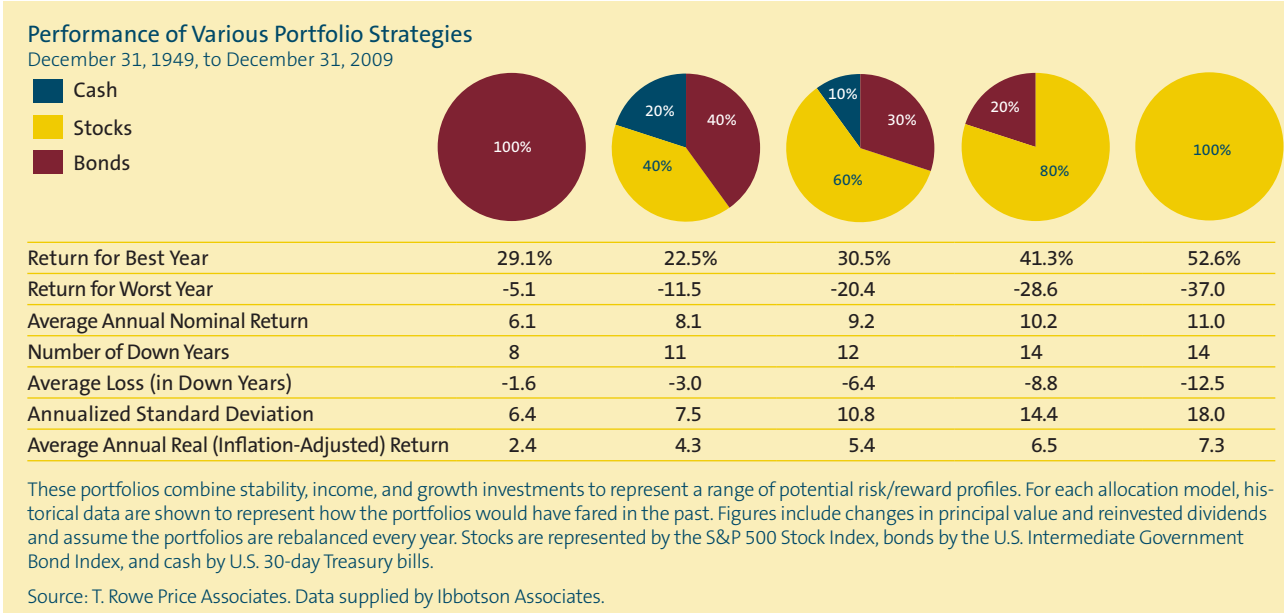
to be reluctant to spend until they are absolutely sure that the recovery is for real. Fully, 63% of the U.S. gross domestic product is consumer related. When the consumers begin to shop again, all of us will breathe a little sigh of relief.



The Equity Markets:

Stocks entered this year with some very positive developments to build on. First, the economy is emerging from a steep recession, stock valuations are still reasonable, and corporate earnings have held up much better than expected.

Adding to the more reasonable stock valuations, we would also point out that companies have regained access to the capital markets as the financial system continues to heal. Interest rates remain low, both investor and corporate confidence seem to be improving and merger and acquisition activity is reviving. On top of these points, let's not forget that there is now \$7 trillion sitting in money market funds; earning next to nothing, a portion of which will return to the stock market in the future.



Revisiting Asset Allocation

The S&P 500 Stock Index declined 37% in 2008, but a portfolio of 80% stocks and 20% intermediate-term government bonds would have only fallen 28.6%. A portfolio of 60% stocks, 30% bonds, and 10% cash (Treasury bills) would have declined even less, 20.4%.

Looking at these returns, produced by the recent bear market, it is painfully clear that even well-diversified and conservative equity investors saw their portfolios decline substantially. It is important to note, however, that corporate bonds also had a negative return in 2008, turning in their worst performance since 1974. Nevertheless, while bonds did offer some downside protection, obviously, diversification alone, did not assure investors that their portfolios would be immune from the stock market's decline. The Chart on the bottom of Page 2 will give you a general idea of long-term performance for a number of asset allocations.

INVESTING THROUGH PEAKS AND VALLEYS

Generally, it can be said that investors who have chosen to try to call the turns in the market have tended to lag the performance of mutual funds in which they have invested. While there are many reasons cited by researchers for this disparity, the most important reason offered is the tendency of many investors to move in and out of funds, too often at the wrong times with negative consequences.

Certainly, it would be desirable to be able to buy funds when the prices are low and sell them when the prices are higher, however, this has historically proven to be an extremely difficult task to accomplish.

This past year was a perfect example with the sharp fall in global markets suddenly reversing

course into a steep recovery. Investor emotions were running high, and many so-called "market timers" found themselves on the wrong side of the market.

Stock Funds:

Given the financial confusion generated by the near global "financial meltdown," many investors were tempted to change their investment strategies by reducing their exposure to the stock mutual funds offered by their retirement plans. Plan participants who listened to their emotions instead of following their investment goal, could have completely missed the 72+% recovery of stocks during the year.

Bond Funds:

Fixed income investors, over the past 15 months, have also lived through the best of times and the worst of times.

Most of the bond sectors, other than U.S. Treasuries, lost money when global credit markets seized up in the fall of 2008. After investors stampeded to increasingly low-yielding Treasuries, the bond market changed direction and shifted into riskier sectors like high yield, emerging market, and investment-grade corporate debt. The returns generated by this shift were somewhat remarkable during 2009.

The dramatic cycles experienced by the bonds markets has produced a wide range of returns, as you can see from the chart below:

