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Dear Investor,

Market Update for First Quarter of 2010

"I have no idea what the stock market will do next month or six months from now. I do know that, over a period of time, the American economy will do very well, and investors who own a piece of it will do well."

- Warren Buffett in a CNBC interview, Oct. 10, 2008

After the market roller coaster of 2008 and 2009, the first quarter of 2010 has been blessedly uneventful by comparison—the S&P 500[1] ended the first quarter up 5% and up almost 73% from its low on 3/9/2009.

That said, there is still a cloud of uncertainty that is making many investors nervous.

Causes for concern…and reasons for optimism

Even with the stabilization of the global economy, there's no shortage of short-term causes of concern:

- Continued questions on the direction and timing of the economic recovery in the United States and Europe
- U.S. housing prices that are staying stubbornly low and unemployment levels in North America and Europe that are stubbornly high
- And, in late March, the deputy director of the International Monetary Fund made headlines as he talked about the need for advanced economies to cut spending in order to reduce deficits

The good news is that there are offsetting positives, even if the media headlines that feature them aren't quite as prominent:

- On Monday March 22, the *Wall Street Journal* ran a story about dividend hikes as a result of rising profits by U.S. companies. The article also mentioned that cash on hand on U.S. corporate balance sheets was at the highest level since 2007.
- On the same day, the *Financial Times* ran a similar story about dividend increases in Europe.
- The jobs picture is improving. In March, the economy created 162,000 new jobs which may mark the long awaited turn in the economy. This may be the beginning of the sustained economic recovery.

Forecasting the future

Whether you choose to focus on the positives or the negatives, there's broad agreement that the steps taken by governments stabilized the financial crisis that we were facing a year ago, and there is almost no talk today of a global depression.

So, the issue is not whether the economy will recover, but when and at what rate—and whether there might be another stumble along the way.

If you look for investment advice in the newspaper or on television, the discussion tends to revolve around which stocks will do well in the immediate period ahead: this week, this month, this quarter.

When it comes to short-term predictions - whether about the economy or the stock market - there's one thing we can say with virtual certainty: most of them will be wrong. Quite simply, no one has a consistent track record of successfully forecasting short-term movements in the economy and markets.

This is why in uncertain times, such as today, one of the people I look to for guidance is Warren Buffett.

Advice from Warren Buffett

In an investment industry poll a couple of years ago, Buffett was voted the greatest investor of all time; among the runners-up were Peter Lynch, John Templeton, and George Soros.

Buffett's returns are a testimony to the power of compounding. From 1965 to the end of 2009, the growth in book value of his investments averaged 20% annually. As a result, $10,000 invested in 1965 would currently be worth a remarkable $40 million. By contrast, that same $10,000 invested in the U.S. stock market as a whole, returning just over 9% during this period, would be worth $540,000.

In one of his annual letters to shareholders, Buffett wrote that it takes only two things to invest successfully: having a sound plan and sticking to it. He went on to say that of these two, it's the "sticking to it" part that investors struggle with the most. The quote at the top of the letter, made at the height of the financial crisis, speaks to Buffett's discipline on this issue.

I try to apply that approach as well, putting a plan in place for each client that will meet their long-term needs and modifying it as circumstances warrant, without walking away from the plan itself.

Boom times such as we saw in the late '90s and scary conditions such as we've seen in the past two years can make that difficult, but those conditions can also represent opportunity. Indeed, in his most recent letter to shareholders, Buffett wrote that *"a climate of fear is an investor's best friend."*

I share Buffett's mid-term positive outlook; many of the positives that drove market optimism two years ago are still in place, among these the continued emergence of a global middle class in developing countries like Brazil, China, India, and Turkey. This educated middle class will fuel global growth that will make us all better off.

In closing, please know that I would welcome the opportunity to talk with you about your wealth management plan. Should you ever have questions, or if there's anything you'd like to talk about, my team and I are always pleased to take your call.

Sincerely,

Mike Ovshak, CFP®

[1] *All indices are unmanaged and investors cannot invest directly into an index. Past performance is not indicative of future results. The S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks.*