

## I'VE GOT FIVE; WHO'LL MAKE IT SIX?

Bill Henderly, CFA, Nvest Wealth Strategies, Inc.

"Who's got five? Give me five; I've got five; who'll give me six?" That's a familiar chant of the auctioneer as he entertains bids. It may also be the chant of investors looking for the "Spring Rally" (starting March 9) to continue its string of monthly advances, now at 5 consecutive months (through July 31). Can we get six? In any case, 5 consecutive months of stock market advance is a welcome encouragement following 17 months, or six straight quarters, of declining investment values. The markets still have a long way to recover in order to match or exceed their October 2007 heights.

Client investment portfolios have rebounded in value nicely during this 5 month "Spring Rally". Maybe soon, we can change the label from "Spring Rally" and define it as the new bull market. Bull markets historically last an average of 57 months (rising 165%) while bear markets last 21 months (and decline 40% on average).

US and foreign funds rewarded investors nicely during July (5<sup>th</sup> monthly advance), providing the longest monthly winning streak since January 2007. All categories of stock funds advanced with foreign rising faster than the average domestic: 9.4% versus 7.4%, respectively during the month. Year-to-date, foreign again holds the lead with a 25.4% advance compared to 14.5% for the average domestic stock fund. All stock funds still sport 20% declines in value for the latest 12 months (through July).

**nvest**  
WEALTH STRATEGIES

Delivering financial  
peace of mind.

Style	July	3 Mos	YTD	Client Objectives (Stocks/Bonds)	July	3 Mos	YTD
Small Value	+10.3%	+15.6%	+15.5%	20/80	+2.5%	+5.6%	+8.2%
Foreign	+9.4%	+23.4%	+25.4%	35/65	+3.1%	+6.5%	+9.3%
Mid Value	+9.4%	+14.4%	+18.0%	50/50	+3.9%	+7.6%	+9.9%
Mid Growth	+7.8%	+12.8%	+21.9%	65/35	+4.6%	+8.9%	+10.8%
Large Value	+7.7%	+14.0%	+8.7%	80/20	+5.6%	+10.7%	+13.5%
<b>S&amp;P 500</b>	<b>+7.5%</b>	<b>+13.7%</b>	<b>+10.7%</b>	95/5	+6.9%	+12.5%	+15.6%
Small Growth	+7.2%	+14.5%	+19.5%				
Large Growth	+7.1%	+12.6%	+18.9%				

Corporate bonds, including high yield, also generated strong performances as the credit markets continue to improve and return to more normal trading activity. Treasury securities were weak performers and have negative performance results for the year-to-date (due to huge new supply and investors selling to re-acquire other risky investments with better return prospects).

Client portfolios are advancing nicely. Values are recovering (see the above chart) from their depressed early March levels. For the year-to-date, most objectives (except most conservative holding more bonds than stocks) are beating the S&P 500 in general. That means stock and bond segments of the portfolio, and the various mutual funds being used in each, are performing very well. Portfolios have less risk than the S&P 500, yet better returns than the index (YTD). This verifies 3 key investment ideas we hold for the "New Normal" future.

1. Asset values will inflate (rise in value) because of the global tsunami of policy initiatives. They number over 700 different responses; truly global and colossal. The responses are inflating asset prices (from stocks, corporate bonds, to gold); then with a lag, will inflate economic activity; and with a later lag, will inflate prices (i.e.: inflation).

(continued on pg 2)

CONTACT US:

2310 Home Road  
Delaware, Ohio 43015  
740.917.9234

WWW.NVESTWEALTH.COM  
Email: info@nvestwealth.com

## I'VE GOT FIVE; WHO'LL MAKE IT SIX? -CONTINUED-

2. International equities are likely to maintain dominance. As much as the recent rally in US stocks feels powerful, it pales in comparison to many international stock indexes, particularly the developing/emerging markets. We are enthusiastic about US equities, suggesting we are more bullish about the rest of the world.
3. Active management will likely outperform passive (index) strategies. In the past, when economic growth is muted, volatility was elevated, and a sector or two dominated performance, active managers performed better than indexes; they could exploit winners and avoid losers. A winner-take-all environment. We see our active fund managers putting up some very strong returns during this "Spring Rally" and expect it will continue.

We believe (and hope) the bear market is over; additional passage of time will allow that perspective to be definitive. Can we make it 6? How about 7, 8 and 9? Keep in mind, the markets don't rally continuously upward month after month. We will get a pause, hic-up, even a 5% or 10% setback. And recall that bull markets run a lot longer than bears. Thus, it is good to be invested and continue to invest for long-term bull market returns.

We expect to invest cash and return to almost fully invested portfolios in the coming couple of months. It is also a great time for long-term investors to deposit low- or no-yielding cash at the bank, or refer a troubled friend who is uncertain about what to do. Our disciplined approach to portfolio investing should contribute to financial peace of mind.

**Nvest Wealth Strategies, Inc.** | *Delivering financial peace of mind.*

[www.nvestwealth.com](http://www.nvestwealth.com)

Ph: 740.917.9234

2310 Home Road

Fax: 740.917.9234

Delaware, Ohio 43015

Email: [info@nvestwealth.com](mailto:info@nvestwealth.com)

### MOSES ON HIS WALKIE-TALKIE

Turning Points, Dr. David Jeremiah, July 2009

Nine year old Kyle was asked by his mother what he learned at Sunday school.

"Well, Mom, our teacher told us how God sent Moses behind enemy lines on a rescue mission to lead the Israelites out of Egypt. When he got to the Red Sea, he had his engineers build a pontoon bridge and all the people walked across safely. Then he used his walkie-talkie to radio headquarters for reinforcements. Then God sent bombers to blow up the bridge and all the Israelites were saved."

"Now, Kyle, is that really what your teacher taught you?" his mother asked.

"Well, no. But if I told it the way the teacher did, you'd never believe it!"