

Monthly Commentary

NOVEMBER 5, 2009

JUMP BALL

Bill Henderly, CFA, Nvest Wealth Strategies, Inc.

Volatility returned to the financial markets in the final days of October. Investors seem to be transitioning from one view to another; like summer switching to fall; like football to basketball. During the last third of October, investors' focus shifted from rebound after deep losses to sustainable recovery. The shift in focus raised up/down volatility in the markets and erased early month performance. In essence, the markets are entering a transition hiccup that is typical following a strong rebound from depressed levels. The usual question following a "V" shaped down/up experience is, "is the bounce back too great or ahead of itself?" It is natural and normal to see a moderation of a reflex rally. Going forward, after a pause and hiccup, fundamental developments (real earnings and sales, improving employment trends) need to be substantive to help this financial market recovery.

In our view, the equity and bond market rally is legitimate. It is not a bear market bounce. We believe the easy money has been made in the financial markets, and phase 2 (future) will require focus on active managed funds most tied to global growth (own foreign sales trade). Below are style and client objective performances for October and year-to-date.

nvest
WEALTH STRATEGIES

Delivering financial
peace of mind.

Style	August	YTD
Large Growth	-1.9%	+23.6%
S&P 500	-1.9%	+17.0%
Large Value	-2.2%	+15.1%
International	-2.4%	+26.2%
Mid Value	-4.1%	+25.3%
Mid Growth	-4.4%	+26.8%
Small Value	-5.5%	+20.7%
Small Growth	-6.1%	+21.9%

Client Objectives (Stocks/Bonds)	August	YTD
20/80	+0.1%	+11.9%
35/65	-0.3%	+13.7%
50/50	-0.8%	+14.6%
65/35	-1.0%	+16.2%
80/20	-1.7%	+18.9%
95/5	-2.4%	+21.7%
S&P 500	-1.9%	+17.0%

During the next phase of the game many doubts will surface – is the recession over or will it double-dip; are bailouts working and credit markets functioning; how will regulation reform affect recovery efforts?

By an economist's definition, the recession is probably over. GDP rose for the first time in 4 quarters. By the media's implied definition (GDP is still below its prior peak and unemployment is well above its prior trough), the current recession will last a while. By the investor's definition (a chance to buy good investments cheap), the current recession has been fulfilled. The 50% rebound in the stock market since March is a sizable move by any definition.

The credit markets, in most respects, are back to functioning rather well. Some of the federal bailout money put into the banking system has been returned, with interest. Other progress will take longer to work out (but we knew that going in). The tricky issue is continued deleveraging by businesses and consumers which is expected to take more time, lending to a slow recovery relative to past experiences. It bears close watch as to when the "bill comes due" (for stimulus spending) resulting in higher taxes, interest rates, and/or a weaker US currency. The government cannot "kick the can (problems) down the road" indefinitely; the "bill will come due". Generally, it is not the first act to remove stimulus (raise interest rates) that causes problems for stocks/bonds; more often it is the cumulative effect, particularly the last (first Fed interest rate hike from 0% will not hurt; plenty of room for "tighter" before being "tight"). Real estate loans and small business credit are two sizable issues affecting the near-term recovery pace. Despite being a lagging indicator, stubbornly high unemployment will also continue to nag at investors' confidence.

CONTACT US:

2310 Home Road
Delaware, Ohio 43015
740.917.9234

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

-Continued on Page 2-

JUMP BALL -CONTINUED-

Government regulations are on the rise. It is difficult to define what tax rules will be a year from now. Or what regulation banks, insurance companies, or health insurance companies will be under. We fully expect new regulations (taxes, bank/finance reform, etc) will have an effect on the velocity of the economy, which subsequently slows the pace of financial market returns.

In the interim, over the next couple of years, we anticipate the financial markets will have a "Jump Ball" experience. There may be increased volatility (like recent couple of weeks), as a slow growth recovery creates uncertainty. We anticipate the economic recovery will be choppy; at times feeling like the economy is slipping back to darker days. Economic readings (unemployment, GDP, housing) might improve, only to later take a temporary step back in the wrong direction. We do not believe the economic recovery will look like a perfect "V"; but we do expect it to be muted and slower.

We firmly believe investors need a "global" attitude when investing; not the US/domestic focus of heretofore. The world is very global. Looking at investing that way, it is somewhat easy to anticipate the US and other developed countries may provide slower growth opportunities (in general) compared to developing countries. Thus, portfolio structure and performance will be greatly influenced by a global growth focus (including domestic large companies which possess global sales). Global tactical allocations are being incorporated in client portfolios. Let's meet to review this concept being implemented in your portfolios.

ANNOUNCEMENTS

IRA DISTRIBUTIONS: Required minimum distributions (RMD) are NOT required to be taken during 2009. Congress passed a waiver that 2009 RMD's are optional following the drop in portfolio values during late 2007 and 2008. Thus, we will not be initiating paperwork for distributions; but if you need a distribution, please contact us to start the paperwork.



WILDLIGHTS AT THE COLUMBUS ZOO: Nvest is again hosting a Columbus Zoo "Wildlights" evening on Wednesday December 9 from 5:30 to 9:00 pm. Watch for a separate flyer/announcement being sent via email in the next couple of weeks! This was an enjoyable holiday event last year; you should mark the date on your calendar.

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

www.nvestwealth.com

2310 Home Road

Delaware, Ohio 43015

Ph: 740.917.9234

Fax: 740.917.9234

Email: info@nvestwealth.com