

nvest nsights

June 30, 2008

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SUMMARY POINTS:

- June worst month in 2008
- 2Q down, but much less than 1Q experience
- Oil continues to stay high, at the expense of stocks
- Current storm always seems worst - stay focused on long-term goals

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Get Smart Battles KAOS

Bill Henderly, CFA, Nvest Wealth Strategies, Inc.

Maxwell Smart and Control Agent 99 team up in this summer's all-new action comedy "Get Smart" to thwart the latest plot for world domination by the evil crime syndicate known as KAOS. If you need a good laugh (during these crazy times) this movie will brighten your day.

Chaos has a strong hold on our financial and economic world. All seems out of control. The Dow Jones Industrial Average and the S&P 500 recently reached their lowest levels of the year. The crux of the US economic problem is slowing growth while inflation is rising. It's the worst of all worlds. The Fed has reduced interest rates from 5.25% (in September 2007) to 2% (in April 2008) to help the economy get through the credit crunch that started last summer. Inflation is on the rise (here and worldwide) and raising interest rates to battle it could really hurt a fragile economy and financial system.

June proved to be a horrible month for stocks and bonds; it is the single worst month for stocks in 2008. Both lost money as investors stressed over rising oil, food, and commodity prices. In essence, inflation roiled the markets. June performance torpedoed a nice rally that ran from March 17 to May 30. The second quarter ended negative, with the S&P 500 losing 2.7%. That was not nearly as bad as the index's first quarter loss of 9.5%. But the combined quarters drop the value of stocks by almost 12% in the first half of 2008; a very bad start. Since the market peak in October (now 9 months later) stocks are in bear territory, down 20%. Many financial stocks (banks, brokerage firms, and REITs) are at depression levels, off 50% or more.

Bad news is overwhelming. Daily, it seems, bad news hammers at stock prices. It appears as though the market is bi-polar, or it's a tale of two markets: oil and everything else. We are caught in a negative feedback loop that appears difficult to turn. But the law of economics, of supply and demand, will prevail. Oil prices will turn and fall because demand is already falling. Herb Stein stated, "If something cannot go on forever, it will stop." During bear markets ultimately all asset classes lose value; none are immune from correction (not even oil, it's time is coming).

But when? Is there any ray of hope? All news seems bad. Watch closely; change is starting, but slowly. There is talk GM may fall into bankruptcy. But did you notice how bad news can be interpreted as good? GM announced sales declined 18% in June when the market expected a decrease of 25%. Stocks rallied on the "good" bad news.

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Your Investment Classroom - What Have You Learned?

Bill Henderly, CFA, Nvest Wealth Strategies, Inc.

Whether you are an investor with many years of market experience or a client joining Nvest over the past year or so, all generally approach the current market experience with exasperation. The recent investment year feels like the infliction of a chronic disease that is wearing you down. It's a feeling that one has given all they can give (or I can't afford to see my life-effort-compressed evaporate) and it seems there is no end in sight; no cure. Long-time investors will attest to having this feeling many times before, except this experience seems to be much worse. Oh, how quickly we forget how bad a past hurt was; or said differently, the current hurt is always the worst.

What's an investor (long or short experience) to do? Do you sell now (when values are low) or stay invested for what may be more pain? Or do we worry because we don't know how long this bad experience will last? "And don't forget, I don't have many years before I retire (or I am now retired)."

All of life is about storms. It has been said we are either moving into a storm; we're in a storm; or we are coming out of a storm. Investment life is that experience. We have "stormy" years when it seems we are in a torrential rain, while others are characterized as beautiful "sunny" days. History reveals the "sunny days" in the stock market are many more than the "stormy" ones. If there's a good to any "storm", it is that they clean or purge the excesses that developed from the longer running "sunny" days. The current storm is purging risk that was excessive and damaging.

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Get Smart Battles KAOS (Continued from page 1)...

Someone once said, "It does not take good news to end a bear market; only bull markets end with good news." This bear market will end and stocks will start a new bull market before news turns entirely good. By the time we focus on good news, a new bull market will be well underway.

Client portfolios, while generally lower at the end of the 2Q, performed better than the markets. If all your money was in US stocks, the S&P 500 index, you would have lost over 16% since October, or 12% since December 31. But our client portfolios split their money between stocks and bonds. A basic 65/35 stock/bond mix lost approximately half that amount during the 9 or 6 month intervals. That's because we own a diversified mix of stock and bond mutual funds in client portfolios.

So what should investors do now? Before heading for the exits, we need to "get smart" and remember 5 investing rules:

1. Stick to your long-term investment strategy – bonds and cash are expensive assets today; stocks are looking cheap.
2. Resist the temptation to *try* to time the market – highly difficult maneuver.
3. Don't chase performance – retain a diversified investment approach.
4. Consider going shopping – bargains exist in the stock market (but rigorous research is critical).
5. Keep contributing to long-term investment accounts – falling prices discourage saving and investing. Dollar-cost averaging enables you to buy more shares of mutual funds than when prices are high. When the markets rebound, recovery of value is quicker.

As we write, investor sentiment is low and "KAOS" rules the day. We know that control will return to the stock market. Tough markets present opportunities that have not been available since 2003. We don't know the timing of better days, but they are nearer at hand than a few days ago.

Your Investment Classroom - What Have You Learned? (Continued from page 1)...

Over the past 60 years (since 1946), the S&P 500 has experienced 9 sunny/stormy cycles. The average bear market (storm) lasted 14 months with a decline of 32%, while the average bull market (sunny day) lasted 70 months and climbed 185%. At June 30, the S&P has corrected about 20% in 9 months. No one knows if this will be an average storm.

Over the last 20 years (ending 12/31/07), the S&P 500 generated an average annual return of 12%; bonds averaged 7.5%; while the average equity investor earned 4.5%. Why did the average equity investor do so poorly? Most low performance investors invest by following their feelings (emotions). When they feel bad (after the fact) that the markets are in a storm, they sell; locking losses into their performance experience. They reinvest (buy) when the sun is shining, chase a story stock or two, which means they re-entered the markets late missing the big jump at the beginning. Performance is sub-par. Added together, long-term returns are trivial and uninspiring. Using emotions, investing is a low return experience.

Long-term successful investors avoid investing by emotion. They have learned in the investment classroom that success accrues to time in the market; enduring the entire market cycle of "stormy" and "sunny" days. They avoid story stocks and the latest investment fads and know from their studies that there are more "sunny" days than "stormy" ones. Nvest Wealth Strategies strongly endorses long-term time in the market investing. We don't believe we can get out, sidestep a temporary decline, and get back in effectively.

Abraham Lincoln was quoted during the Civil War saying, "... an Eastern monarch once changed his wise men to invent a sentence to be ever in view, and which should be true and appropriate in all times and situations. They presented him with words, 'And this too, shall pass away'."

During the investment storms of life, we need to be steadfast to our goals and plans. Too often we quit just before it gets better. There is no "early retirement" for successful investing.

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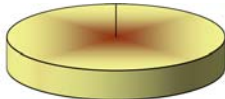
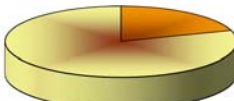
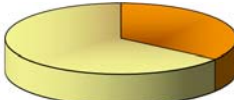
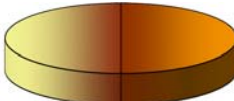

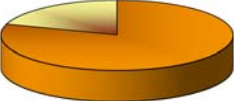

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Please visit www.nvestwealth.com weekly for investment commentary and mutual fund performance updates!

BENCHMARKING AS OF June 30, 2008

Summary of index portfolio returns compiled by Nvest Wealth Strategies, Inc.



	INDEX PORTFOLIO	STOCK/BOND ALLOCATION		TOTAL RETURN THROUGH 6/30/08				
				2QTR	YTD	12 MTHS	3 YEARS	5 YEARS
	Capital Preservation	0% / 100%	<i>Cumulative</i> <i>Annualized</i>	-0.5% N/A	-0.4% N/A	2.2% 2.2%	8.7% 2.8%	12.0% 2.3%
	Income	20% / 80%	<i>Cumulative</i> <i>Annualized</i>	-0.4% N/A	-2.5% N/A	-1.0% -1.0%	9.5% 3.1%	19.3% 3.6%
	Balanced Conservative	35% / 65%	<i>Cumulative</i> <i>Annualized</i>	-0.3% N/A	-3.8% N/A	-3.1% -3.1%	10.7% 3.4%	26.2% 4.8%
	Balanced	50% / 50%	<i>Cumulative</i> <i>Annualized</i>	-0.1% N/A	-5.2% N/A	-5.0% -5.0%	12.8% 4.1%	34.8% 6.2%
	Balanced Growth	65% / 35%	<i>Cumulative</i> <i>Annualized</i>	-0.1% N/A	-6.7% N/A	-7.1% -7.1%	14.4% 4.6%	42.5% 7.3%
	Growth	80% / 20%	<i>Cumulative</i> <i>Annualized</i>	0.0% N/A	-8.2% N/A	-9.5% -9.5%	15.8% 5.0%	51.4% 8.7%
	Aggressive Growth	95% / 5%	<i>Cumulative</i> <i>Annualized</i>	0.0% N/A	-9.0% N/A	-11.5% -11.5%	16.2% 5.1%	57.4% 9.5%

The index returns reflect returns of various mutual fund averages compiled by Morningstar and allocated as follows: Capital Preservation: 90% Bond Average, 10% Treasury Bill Index; Income: 80% Bond, 10% Large Cap Growth, 10% Mid Cap Value; Balanced Conservative: 65% Bond, 15% Large Cap Growth, 15% Mid Cap Value, 5% Small Cap Value; Balanced: 35% Bond, 20% Large Cap Growth, 15% Mid Cap Value, 8% Small Cap Growth, 7% Small Cap Value, 15% International; Growth: 20% Large Cap Growth, 20% Mid Cap Value, 10% Small Cap Growth, 10% Small Cap Value, 20% International; Aggressive Growth: 10% Bond, 20% Large Cap Growth, 30% Mid Cap Value, 10% Small Cap Growth, 10% Small Cap Value, 20% International. You cannot invest in these indexes or averages. The level of diversification represented by these benchmark averages is materially different than actual client accounts; therefore, clients may experienced different levels of performance volatility. Past performance is no guarantee of future results.

SELECTED MUTUAL FUNDS—TOTAL RETURN PERFORMANCE SUMMARY

As of June 30, 2008



BOND FUNDS - TAXABLE	STYLE	2ND QTR	YTD	12 MTHS	3 YEARS	5 YEARS
BOND FUNDS - TAXABLE						
<i>Taxable Intermediate Bond Average</i>						
Wells Fargo Ultra Short	AS	-1.1%	-0.7%	3.4%	2.6%	2.9%
Vanguard Short Federal	HS	-0.3%	0.1%	-0.1%	2.9%	2.6%
PIMCO Low Duration	HS	-0.3%	1.1%	7.6%	4.8%	3.4%
Vanguard Short-Term Investment Grade	HS	-0.2%	1.0%	7.7%	4.4%	3.4%
American Century GNMA Income	HI	-0.7%	1.6%	4.8%	4.3%	3.4%
Wells Fargo Government Securities	HI	-1.5%	1.6%	7.6%	4.4%	3.8%
PIMCO Real Return	HI	-0.8%	4.7%	7.8%	3.9%	3.4%
PIMCO Total Return	HI	-1.3%	2.0%	15.5%	5.4%	6.1%
PIMCO Diversified Income	AI	-1.2%	-1.1%	10.8%	5.0%	4.7%
Diamond Hill Strategic Income	AI	-1.6%	-1.8%	2.4%	4.4%	N/A
Neuberger & Berman Lehman Bros High Income	LI	0.8%	-0.8%	-9.1%	0.9%	3.9%
Victory Convertible Securities	LI	2.2%	-2.0%	-2.1%	3.2%	4.7%
				-1.9%	6.1%	6.4%
BOND FUNDS - TAX EXEMPT						
<i>Tax-Free Intermediate Bond Average</i>						
Vanguard Muni Limited Term	HS	0.6%	0.0%	3.2%	2.9%	3.5%
T. Rowe Price Tax Free S/I	HS	-0.1%	1.2%	4.5%	3.1%	2.5%
Vanguard Muni Intermediate Term	HI	-0.3%	1.3%	4.6%	2.9%	2.4%
Vanguard Ohio Long-Term	HL	0.4%	0.4%	3.7%	2.9%	3.0%
		0.7%	0.1%	3.3%	2.9%	3.3%
STOCK FUNDS - DOMESTIC						
<i>S&P 500 Index</i>						
		-2.7%	-11.9%	-13.1%	4.4%	7.6%
<i>Equity Fund Average</i>						
		0.5%	-9.9%	-13.7%	4.5%	9.5%
Janus Advisor Risk Managed Growth	LG	1.5%	-11.6%	-7.7%	3.8%	7.5%
Marsico 21st Century	LG	-3.0%	-16.7%	-10.9%	10.4%	13.9%
Vanguard Index 500	LB	-2.8%	-12.0%	-13.2%	4.3%	7.5%
TCW Galileo Dividend Focus	LV	-8.1%	-16.7%	-22.6%	0.8%	8.0%
Diamond Hill Long/Short	LV	-1.9%	-2.4%	0.9%	10.0%	13.2%
Munder Mid-Cap Growth	MG	1.6%	-9.9%	-7.2%	8.6%	14.6%
Columbia Mid-Cap Value	MV	-0.3%	-11.5%	-15.5%	6.7%	13.6%
Muhlenkamp	MV	-5.9%	-15.5%	-26.9%	-6.1%	5.4%
Weitz Value	MV	-7.4%	-18.9%	-30.2%	-4.1%	2.2%
Century Small-Cap Select (Closed)	SG	1.2%	-9.7%	-14.5%	1.0%	8.0%
William Blair Small-Cap Growth	SG	-1.9%	-16.4%	-24.9%	-0.5%	9.3%
Neuberger & Berman Genesis (Closed)	SB	8.3%	3.9%	11.6%	13.8%	17.7%
Diamond Hill Small-Cap	SV	0.4%	-1.4%	-10.5%	3.9%	13.7%
James Small-Cap	SV	0.4%	-8.1%	-18.0%	0.5%	10.3%
Wells Fargo Small-Cap Value (Closed)	SV	5.6%	-1.1%	-4.3%	12.1%	17.3%
STOCK FUNDS - INTERNATIONAL						
<i>Morgan Stanley EAFE Index (Foreign)</i>						
		-2.3%	-11.0%	-10.6%	12.8%	16.7%
American Century International Discovery	MG	1.8%	-8.9%	-3.1%	24.8%	24.6%
Harbor International	LV	-0.5%	-7.3%	-0.7%	21.9%	22.4%
Oakmark International (Closed)	LV	-9.0%	-19.0%	-25.6%	5.6%	12.3%
Tweedy Brown Global Value	LV	-8.0%	-16.3%	-18.7%	5.5%	12.4%
William Blair International Growth	LG	-1.6%	-11.6%	-6.5%	15.5%	18.8%
STOCK FUNDS - SPECIALTY						
PIMCO Commodity Real Return	LB	14.3%	30.7%	57.1%	20.5%	21.0%
Vanguard Special Health Care	LG	0.9%	-9.3%	10.3%	4.8%	8.3%
JP Morgan US Real Estate	MV	-6.6%	-2.3%	-13.3%	6.1%	15.7%
Columbia Technology Z	MG	3.1%	-17.3%	-9.2%	11.2%	17.2%

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WHO DO YOU CALL WITH QUESTIONS???

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