

nVEST nSIGHTS

June 30, 2009

ALL ROADS LEAD OVERSEAS

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What a difference three months make. The second quarter (2Q09) began at the pace the first quarter ended: with stocks soaring. Improvement occurred because the credit markets were thawing. At the financial market bottom (March 9), investors priced in the worst-case scenario: nationalization of banks, protracted recession and no liquidity for any borrower regardless of quality. The depression scenario has since been "priced out" of the market. The torrid pace of the markets slowed in late May and reached a peak on June 12. Altogether, the S&P 500 advanced 16% for the quarter (first positive quarter following six quarterly losses), and is up 3% for the year. The Dow Jones rose 11% but is still about 4% below year-end. Of course, all indexes are way below their peaks of October 2007 (history says it takes about 1.9 years to recoup the average bear market loss of 40%).

Investors started re-acquiring risk, but cautiously. They sold safety of Treasury securities (lost almost 4% during the 2Q) and low-paying money market funds to increase exposure to corporate bonds, stocks and foreign. Corporate bonds gained over 6%, while lower quality corporates generated stock-like returns of 20% or more. Foreign stocks outperformed domestic with average returns above 26%. Most investors, and Nvest included, continue to hold larger-than-normal levels of money market funds; they have not fully reinvested back into stocks and bonds.

Propelling the market upward during the 2Q was the pace of bad news – less bad news allowed the markets to rise from deeply oversold levels. Going forward, the focus has changed. Investors now require "proof", or "show me" tangible evidence of stabilizing/improving home prices, increasing corporate sales and improving profits (not losses), and inflation remaining controlled.

As we move into the final 6 months of 2009 (and the decade), proof is required for the next leg of the rally. History provides some clues regarding what is next. Regularly following a recession and very early into a recovery, interest rates begin to rise (hic-up). That stalls the market rally, like recently since June 12. Investors' thoughts return to recent concerns – bank problems still exist; unemployment is still rising; consumers/businesses are still de-leveraging and saving (not spending); the government is running big deficits and issuing a huge supply of new Treasuries; taxes will rise; and government regulation will abound. "Surely, we are sliding back into prior bear market days."

We must remind ourselves, policy response (here and around the world) has been huge; it is working slowly with a lag. There have been almost 700 various government responses around the world to combat the financial crisis; and more are coming at a slowing rate. Collectively, they are bringing about recovery.

Investors' biggest risk at this point is holding too much in money market funds. Low yielding "cash" will temper the opportunity to recover asset value, just as a parking brake on a car slows it down. The current market hic-up provides long-term investors the opportunity to commit cash and new money to stocks. It's normal to see a pause for a month/six weeks. And psychologically, investors will not feel comfortable about reinvesting due to lingering worries.

We expect the March 9 market low may prove to be the bear market bottom. That means, March 9 may prove to be the start of the next new bull market. Bull markets run almost 5 years while bears decline on average 21 months. Our outlook anticipates a slower domestic and developed foreign markets recovery. A slower "speed limit" of growth will occur due to credit being less available and consumer/business spending being more cautious as de-leveraging continues.

But lots of money will flow into investments seeking higher returns. We expect it will pursue faster growth opportunities – which suggest emerging/developing foreign markets. As we reinvest cash, we remain disciplined to diversification and planned allocations to growth and value, large and small, domestic and foreign stocks. We plan to allocate larger exposure to foreign stocks, allowing them to represent roughly one third of our stock exposure. We will start using an emerging markets fund (5% exposure) in many client portfolios with other developed country foreign funds. That translates for a portfolio of 65% stocks into about 20% foreign and 45% domestic. We have recently swapped a couple of conservative stock funds into new holdings with historically greater up-market capture performance. We want to re-coup depreciated values from the recent bear market, without taking on undue portfolio risk; we strive to manage risk carefully.

In general, our long-term investment process encourages "fully" invested portfolios using a diversified mix of no-load stock and bond mutual funds. Our approach has provided Nvest clients attractive returns over the years.

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Y2K: ALMOST 10 YEARS AGO

Time flies. There are about 180 days remaining in 2009, which also concludes the first decade of the 21st century. It seems like yesterday that Y2K was a big issue for computers. Looking back, we realize it has been quite a decade for investors, too.

It seems very likely the decade will end with the S&P 500 showing a loss. If the decade ended at June 30, the S&P lost over 25% cumulative, or over -3% on average per year. Very discouraging. An investment in the Vanguard Index 500 fund would be less than 75% of the value it was at the start of 2000. Investor psychology would conclude, why stocks? Why real estate? Why not CDs? At least I would not have lost money?!

Nvest client portfolios, even those owning all stocks, show *positive* returns for the current decade. And those returns, while not too exciting, are hugely better than if one invested in the popular Vanguard Index 500 fund.

If you were to conclude after a miserable decade of stock investing, that it may not be worth it for you (particularly since we're not any younger), please consider the historical facts. Also dismiss investing by emotions. Very rare is a 10 year interval where stocks generate zero return, let alone a negative return. Following the last period of below average returns (1930's), the 1940's and 1950's were stronger than historical 10% per year experiences. When emotion (often the result of a bear market) scares you into avoiding an asset class, think again; great opportunities abound for those willing to keep a long-term perspective and level attitude.

Our Benchmarking and Funds Performance pages 3 and 4 allow you to see the power of rebounding performance during early days of a new bull market. Generally, the recent short-term quarterly returns in client portfolios lag the quarterly returns of the custom benchmarks due to large cash positions. A glance at YTD returns and longer, along with asset returns for bonds and stocks reveals very attractive better than index returns. We need to get cash reinvested by phasing it back into the mix of mutual funds. Time is approaching wherein stepping back in with cash is appropriate.

THE "NEW NORMAL" FUTURE | A SERIES OF THOUGHTS (PART II)

In our June 5 Monthly Commentary (visit www.nvestwealth.com) we summarized comments from PIMCO's "Secular Outlook" wherein they outlined views about how our future financial environment might look. It is particularly insightful in its outlook, as we too expect our future investment environment will create a "new normal" from what we are familiar.

It has been almost 2 years since the cracks in the domestic and global credit markets roiled the financial markets for stocks, bonds, real estate, and eventually the global economy. In that short time, we have witnessed dramatic shifts in the economic, political, and corporate landscapes around the world. A synchronized global recession was the result; but now recovery is anticipated and appears underway. Beginnings are always fragile and uncertain, however. For all investors, particularly part-timers, the future will look vastly different and challenging to navigate.

Prior paths of travel for the domestic and world economies hit a "dead-end". It's like we experienced a "sudden stop" or "cardiac arrest". There is no turning back to prior days. The future will develop a "new normal" for our financial health; we must adapt or be passed by.

It is difficult to describe a "new normal" since we have not seen it yet; it will evolve slowly over many years. As PIMCO explains it, "DDR" will entail de-leveraging, de-globalization, and re-regulation. These 3 key experiences will result in subdued economic growth in the US and developing foreign markets. A slower "speed limit" of economic growth will result because of a structural change in how savings are mobilized and allocated, nationally and across borders. The financial system is under major realignment. Changes go beyond massive government increase in deficits and new debt. It is more about the shifting balance between private and public sectors. If we think about it, we all anticipate greater public involvement in our world.

Thus, for the next 3 to 5 years, we expect a world of muted slower growth with a continued shift away from the past big 3 economic powers and toward the emerging economies, led by China. It will be a world where the public/government sector influences the production of resources, products and capital that was directed by the private sector in the past. The historical pace of growth will face many headwinds (regulation, taxes and government intervention) contributing to slower economic growth.

In the "new normal" future, investing will require a forward outlook influenced by developing events and actions. There are many risks to deal with, not the least of which is the management of public debts and unfunded entitlements. Let's not sound too gloom and doom. The shifting to a "new normal" provides opportunities. The challenge for investors and Nvest is to assemble the jigsaw puzzle pieces without a picture of what it should look like, and invest portfolios to benefit from future opportunities. During times of great uncertainty about the future, is when opportunities are greatest. We cannot sit and wait for them to unfold; we must be forward looking to capture opportunities. [Watch for another commentary on The "New Normal" Future]

"Dismiss investing by emotions. Opportunities abound for those willing to keep a long-term perspective and level attitude"

"Time is approaching wherein stepping back in with cash is appropriate"

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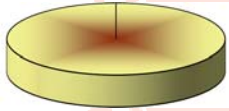
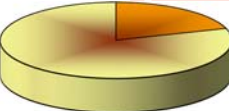
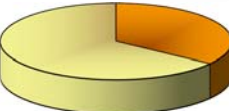
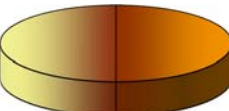

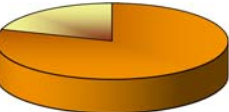
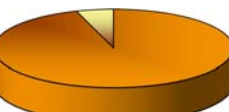
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DATES TO REMEMBER:

- September 7 - Labor Day (Markets and Nvest offices closed)
- September 30 - End of 3Q 2009 (reports sent early-October)
- REMINDER: You may request a current copy of our regulatory filing ADV Part II at any time.

BENCHMARKING AS OF JUNE 30, 2009

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

INDEX PORTFOLIO	STOCK/BOND ALLOCATION		TOTAL RETURN THROUGH 6/30/09				
			2QTR	YTD	12 MTHS	3 YEARS	5 YEARS
 Capital Preservation	0% / 100%	<i>Cumulative</i> <i>Annualized</i>	3.7%	4.7%	1.3%	9.0%	13.4%
					1.3%	2.9%	2.5%
 Income	20% / 80%	<i>Cumulative</i> <i>Annualized</i>	6.5%	5.5%	-4.2%	1.8%	8.9%
					-4.2%	0.6%	1.7%
 Balanced Conservative	35% / 65%	<i>Cumulative</i> <i>Annualized</i>	8.5%	6.0%	-8.4%	-3.3%	6.2%
					-8.4%	-1.1%	1.2%
 Balanced	50% / 50%	<i>Cumulative</i> <i>Annualized</i>	11.4%	6.9%	-12.7%	-7.8%	5.2%
					-12.7%	-2.7%	1.0%
 Balanced Growth	65% / 35%	<i>Cumulative</i> <i>Annualized</i>	13.9%	7.6%	-17.0%	-12.4%	3.1%
					-17.0%	-4.3%	0.6%
 Growth	80% / 20%	<i>Cumulative</i> <i>Annualized</i>	16.5%	8.2%	-21.2%	-17.1%	1.3%
					-21.2%	-6.1%	0.3%
 Aggressive Growth	95% / 5%	<i>Cumulative</i> <i>Annualized</i>	17.9%	8.4%	-23.9%	-20.2%	-0.3%
					-23.9%	-7.2%	-0.1%

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, 2009

BOND FUNDS - TAXABLE	STYLE	2ND QTR	YTD	12 MTHS	3 YEARS	5 YEARS
<i>Taxable Intermediate Bond Average</i>		7.4%	8.8%	-0.5%	3.0%	3.2%
Wells Fargo Ultra Short	AS	2.5%	3.0%	-3.2%	0.5%	1.7%
Vanguard Short Federal	HS	0.4%	1.3%	6.3%	6.4%	4.7%
PIMCO Low Duration	HS	7.1%	6.9%	4.4%	5.5%	4.1%
Vanguard Short-Term Investment Grade	HS	6.0%	8.1%	2.0%	4.2%	3.6%
American Century GNMA Income	HI	0.3%	2.7%	8.2%	7.1%	5.2%
Wells Fargo Government Securities	HI	-0.2%	0.8%	6.8%	6.6%	4.9%
PIMCO Real Return	HI	3.4%	8.2%	-2.3%	5.3%	5.1%
PIMCO Total Return	HI	4.7%	6.3%	9.3%	8.4%	6.4%
PIMCO Diversified Income	AI	13.0%	13.7%	-0.4%	3.4%	5.2%
Diamond Hill Strategic Income	AI	16.5%	14.5%	-0.6%	-0.1%	2.7%
Artio Global High Income	LI	21.9%	28.6%	-2.3%	3.1%	5.5%
Calamos Convertible Securities	LI	11.1%	14.0%	-10.3%	-0.5%	1.5%
BOND FUNDS - TAX EXEMPT						
<i>Tax-Free Intermediate Bond Average</i>		3.4%	8.5%	0.1%	1.9%	2.7%
Vanguard Muni Limited Term	HS	1.0%	2.7%	4.5%	4.2%	3.3%
T. Rowe Price Tax Free S/I	HS	1.3%	3.6%	5.4%	4.5%	3.4%
Vanguard Muni Intermediate Term	HI	1.7%	4.8%	4.2%	4.1%	3.7%
Vanguard Ohio Long-Term	HL	2.6%	6.9%	3.9%	4.0%	3.9%
STOCK FUNDS - DOMESTIC						
<i>S&P 500 Index</i>		14.5%	3.6%	-26.2%	-8.1%	-2.0%
<i>Equity Fund Average</i>		17.6%	7.9%	-27.2%	-8.6%	-1.3%
Janus Advisor Risk Managed Growth	LG	15.0%	9.4%	-29.1%	-9.3%	-3.5%
Marsico 21st Century	LG	20.9%	1.1%	-33.6%	-10.2%	-0.2%
John Hancock Large Cap Equity	LB	16.2%	10.6%	-35.0%	0.8%	6.3%
Vanguard Index 500	LB	16.0%	3.2%	-26.2%	-8.3%	-2.3%
TCW Dividend Focus	LV	18.9%	5.9%	-28.7%	-12.1%	-4.4%
Diamond Hill Long/Short	LV	12.9%	2.9%	-19.5%	-4.1%	4.9%
Munder Mid-Cap Growth	MG	15.9%	7.8%	-32.4%	-8.3%	0.3%
Columbia Mid-Cap Value	MV	17.8%	3.8%	-31.6%	-10.4%	-0.1%
Century Small-Cap Select	SG	19.0%	8.1%	-27.6%	-10.7%	-4.0%
William Blair Small-Cap Growth	SG	37.3%	39.3%	-11.4%	-7.7%	-0.7%
Neuberger & Berman Genesis	SB	16.3%	4.4%	-32.6%	-3.5%	2.9%
Diamond Hill Small-Cap	SV	21.6%	4.7%	-21.4%	-8.3%	1.1%
James Small-Cap	SV	15.9%	1.6%	-28.9%	-14.6%	-3.6%
Wells Fargo Small-Cap Value (Closed)	SV	19.6%	12.4%	-29.9%	-7.0%	2.4%
STOCK FUNDS - INTERNATIONAL						
<i>Morgan Stanley EAFE Index (Foreign)</i>		25.5%	9.5%	-29.2%	-7.5%	2.6%
American Century International Discovery	MG	20.9%	4.4%	-45.1%	-10.0%	3.8%
Harbor International	LV	26.7%	7.6%	-33.4%	-3.8%	6.6%
Oakmark International	LV	33.2%	20.8%	-12.1%	-6.6%	3.6%
Allianz NFJ International Value	LV	26.3%	12.1%	-34.6%	-2.5%	N/A
Tweedy Brown Global Value	LV	21.8%	10.3%	-18.7%	-5.8%	1.7%
William Blair International Growth	LG	28.3%	17.1%	-36.8%	-8.5%	2.6%
Oppenheimer Developing Markets	LG	38.3%	37.8%	-19.2%	6.2%	17.9%
STOCK FUNDS - SPECIALTY						
PIMCO Commodity Real Return	LB	15.5%	14.5%	-50.4%	-7.8%	0.2%
Vanguard Special Health Care	LG	10.6%	1.8%	-8.5%	-2.0%	3.1%
JP Morgan US Real Estate	MV	34.5%	-14.4%	-47.0%	-20.7%	-3.3%
Columbia Technology Z	MG	16.0%	19.9%	-29.0%	-9.2%	0.7%

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