nVEST nSIGHTS

JUNE 30, 2010

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nvest WEALTH STRATEGIES

Delivering financial peace of mind.

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INVESTING WITH THE HERD

Bill Henderly, CFA, Nvest Wealth Strategies, Inc.

The first six months of the new decade have been anything but boring, and have provided more reason for worry. Investors witnessed events that may change the face of free-market capitalism for years. In April, It seemed the stock market was advancing on economic hope, only to be dashed into the depths of despair. Debt has such a huge way of making life seem grand at the time it is borrowed; until the "bill comes due". At the mid-point of 2010, a dichotomy in beliefs has developed. For the moment, it creates too many negatives for the financial markets to advance. The fear factor is overwhelming the fundamentals – stocks and risk in general are cheap.

After peaking in April, all major indexes declined more than 15% through May and June, erasing the gains for the year. However, returns since March 2009 (market low, 15 months ago) remain strong, with each major index still up more than 55%. Trailing 3-year returns are negative, while 5- and 10-year returns are mixed. Bonds provided 6% returns during the last 10 years while most domestic stock indexes were negative. And, all of us still feel the hit to financial net worth because of real estate woes. Directionally, international indexes displayed similar quarterly and year-to-date performance, but worse particularly in Europe.

Client portfolios followed a similar path of the markets, but to less negative degrees. Our diversified, muti -asset approach has provided an attractive positive alpha relative to traditional unmanaged indexes. We also believe the use of actively managed no-load mutual funds focused on higher quality investments aided better relative performance and puts client's portfolios ahead of rotation now underway in the markets.

Is it any wonder why investors are bewildered, even frustrated? Many we talk with question if investing is "rigged" and is an "unrewarding" effort. The odds seem stacked against long-term goals. The safety of money market funds provides negligible yield, stocks are too volatile and inconsistent, real estate is illiquid, and… Well, bonds and CDs are the safe play alternative. Money flows bear proof to investor actions, with 17 to 1 moving from money market funds into bond funds (not stocks). I call it rearview mirror investing, or herd mentality. If one didn't like 10-year Treasury bonds at 4% (in April), why are they better at 2.9% in June? That's emotional investing: buying high (high prices = low yields); we should be buying low (high yields) and selling high (low yields). Caution is appropriate as bond prices are in "bubble" territory.

Our challenge is wide-ranging opinions are leading to increased market volatility and avoidance of risk. Investors cannot agree on what's "good" and "bad". And, all of us like to have our views validated; we *feel* better investing with the crowd. It *feels* better moving with the herd than investing with a contrarian orientation (against the crowd). But, we should know (and need to remind ourselves) that investing by emotions (feels good means buy, and feels bad means sell) leads to poor investment decisions. In the very short-term, feel good investing (or feel bad selling) may provide short-term performance relief; but ultimately emotional investing leads to uninspiring performance. Successful investing and attractive performance requires investing opposite your feelings (emotions) – buying when things look bleak and selling when things look great. At mid-year 2010, investors are at this juncture point – feels bad.

We encourage clients to invest using a "buckets of time" concept. This idea promotes 3 buckets of time to match investments with their need. If one can invest assets to coincide with the time they are needed, short-term market worries should not create emotional unease. Current day events should then remain as news headlines. And, investors should have peace of mind knowing they have a variety of investment assets matched to their time needs. We also help clients regain financial peace of mind via budget and asset analysis to verify the financial plan is progressing.

In the short-term, we anticipate volatility will continue above average. That is typical when systematic problems (private and public debt) require systematic governmental solutions. While solutions are debated, and implemented, the process is unsettling. That promotes volatility and more emotional turmoil. It is exactly what is amplifying the current day lack of market confidence.

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INVESTING WITH THE HERD - CONTINUED

Long-term we believe stocks are attractive and poised to provide +6% to +9% annual returns over the next decade. Bonds on the other hand, will struggle to provide historical returns. Contrarians take note: 10-year stock returns were negative (bonds generated big positive returns); cash flow is 17 to 1 to bonds (not stocks); financial conditions of companies is greatly improved while stock prices are valuation low; and PIMCO (the world's largest bond fund manager) announced it started one new domestic and two foreign stock funds. Long-term investors take note; stocks are attractive (but appear risky) and government bonds are expensive (but appear low risk). Is investing easy (being a herd investor) or difficult (contrarian approach)? To us, it appears risk is upside down.

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TALK STRATEGY SEMINAR SERIES BEGINNING THIS FALL:

Nvest Wealth Strategies will be co-sponsoring a seminar series dubbed, "Common Sentz". The series will cover various topics that we believe you will find helpful and insightful. Topics will range from financial planning considerations, estate and trust planning, tax issues, identity theft, long-term care and more. The first meeting will take place on September 17 at Wedgewood Golf & C.C. at 5:30pm and is entitled, Back to the Future: A Look at Healthcare in the 21st Century. We plan to have a panel discussion with industry experts reviewing the new legislation passed earlier this year, and what it will mean for you. Please mark the date on your calendar. Additional details and will be forthcoming.

STRIPPING A GEAR

There's an old story about a man who jumped out of an airplane only to discover that his parachute was jammed. As the wind rushed by him, he took the thing off and desperately tried to untangle it. Suddenly, a man shot past him, flying upward at tremendous speed. The man with the chute looked up and yelled, "Hey, do you know anything about parachutes?" The other man called down, "No, do you know anything about gas stoves?"

It seems like we're always going up or down. Every day has its high spots and low points, and every year has its peaks and its valleys. Sometimes we're on the mountaintop; sometimes in the pits. We can't avoid the bumpy spots on our life path, but we can make the best of them. Bumps in the road are what provide traction, allowing us to climb.

Recently, it seemed the financial markets were mended. They had recovered much lost value from the debt real estate bubble of 2008. Then in May, all the good seemed to unwind; risk was bad and the world became pessimistic. Patience (a requirement for investing) evaporated.

I've been told never to ask for patience. But with so many things in life, it seems a requirement. With investing, patience is often a difficult trait to maintain. It can be defined as idling your motor when you feel like stripping a gear. It's hard to sit in an instant-gratification world - we like fast food, fast-paced fun; we want high-speed internet, instant messaging. ATM's provide instant cash. We want expedited resolutions to problems, entertainment on demand, and express lanes on freeways.

To be successful investing, it seems critical to be a "time in the market" investor. Those advocating timing (getting in, and timing getting out) is always a recipe for being late. And late means diminished performance. Unfortunately, there is no substitute to the exercise of patience in investing. That's not to say an investor should not sell a loser or mistake. But well developed, diversified investment plans are not obsolete from changing news headlines and mood changes. Ups and downs are the ongoing investment experience. Asset and investment diversification, wrapped in time, provides attractive long-term investment returns.

At mid-year, we believe this market setback is a "hiccup"; it is a pause in the new bull market. We do not believe it is a resumption of the former bear market. Rather, it is a correction in the new bull market. It is normal after a strong first run in a new bull market to experience a hiccup, often created by a rise in interest rates (this time in Europe) which creates a double dip economic alert (worry about slipping back into recession). During this time, many lose patience and sell under pressure.

Helen Keller said, "We could never learn to be brave and patient if there were only joy in the world." Investors cannot experience attractive performance or achieve long term goals without climbing over the low points. Let's mix anticipation with patience, our expectations with labor, and our hope with endurance. So if investment life is getting you down, remember bull markets last longer than bear markets, and you need to be invested (patient) to prosper. We appreciate your patience with us, as we navigate your portfolio through these worrisome times.

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WEALTH STRATEGIES

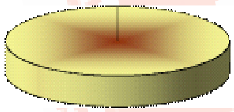
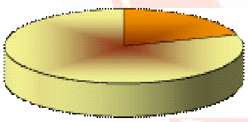
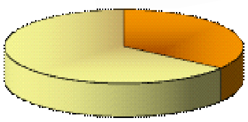
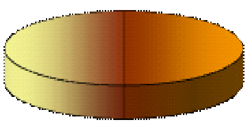
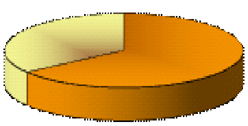
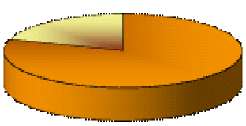
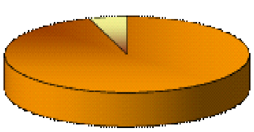
"At mid-year, we believe this market setback is a 'hiccup'; it is a pause in the new bull market"

DATES TO REMEMBER:

- Early-July - Quarterly Reports Sent; 3Q 2010 Investment Management Fees Collected
- July 5 - Independence Day (observed): Markets & Nvest Offices Closed
- September 17 - Financial Talk Series Seminar: A Look At Healthcare in the 21st Century | Wedgewood G&CC
- September 30 - End of 3rd Quarter
- REMINDER: You may request a current copy of our regulatory filing ADV Part II at any time.

BENCHMARKING AS OF JUNE 30, 2010

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

	Index Portfolio	Stock/Bond Allocation		Total Return Through 6/30/10				
				2QTR	YTD	12 MTHS	3 YEARS	5 YEARS
	Capital Preservation	0% / 100%	*Cumulative*	1.0%	2.4%	6.9%	11.1%	18.7%
			Annualized			6.9%	3.6%	3.5%
	Income	20% / 80%	*Cumulative*	-1.4%	1.0%	9.1%	3.1%	14.6%
			Annualized			9.1%	1.0%	2.8%
	Balanced Conservative	35% / 65%	*Cumulative*	-3.1%	-0.0	11.1%	-2.4%	12.0%
			Annualized			11.1%	-0.8%	2.3%
	Balanced	50% / 50%	*Cumulative*	-5.1%	-1.8%	11.9%	-8.6%	10.1%
			Annualized			11.9%	-3.0%	1.9%
	Balanced Growth	65% / 35%	*Cumulative*	-7.0%	-3.3%	13.0%	-14.3%	7.6%
			Annualized			13.0%	-5.0%	1.5%
	Growth	80% / 20%	*Cumulative*	-8.8%	-4.5%	14.6%	-19.8%	5.3%
			Annualized			14.6%	-7.1%	1.0%
	Aggressive Growth	95% / 5%	*Cumulative*	-9.9%	-5.0%	16.2%	-23.1%	3.7%
			Annualized			16.2%	-8.4%	-0.7%

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, 2010

Bond Funds - Taxable	Style	2nd Qtr	YTD	12 Mths	3 Years	5 Years
Taxable Intermediate Bond Average		*2.7%*	*5.2%*	*13.1%*	*6.0%*	*4.5%*
Wells Fargo Ultra Short	AS	0.5%	2.0%	7.6%	1.3%	2.6%
Vanguard Short Federal	HS	1.7%	2.7%	4.2%	6.0%	5.0%
American Century Short Duration	HS	1.0%	2.0%	4.6%	5.7%	N/A
PIMCO Low Duration	HS	0.8%	2.8%	9.0%	7.0%	5.3%
Vanguard Short-Term Investment Grade	HS	1.1%	3.1%	8.7%	5.1%	4.7%
American Century GNMA Income	HI	3.2%	5.1%	8.2%	8.0%	5.9%
Wells Fargo Government Securities	HI	3.4%	5.0%	7.9%	7.5%	5.3%
PIMCO Real Return	HI	3.8%	5.0%	12.9%	8.5%	5.1%
PIMCO Total Return	HI	2.8%	5.8%	13.4%	11.1%	7.5%
PIMCO Diversified Income	AI	1.3%	6.2%	22.7%	7.5%	6.5%
Artio Global High Income	LI	-2.2%	2.1%	22.7%	6.1%	7.5%
Calamos Convertible Securities	LI	-4.2%	-1.8%	15.5%	0.9%	4.3%
Bond Funds - Tax Exempt						
Tax-Free Intermediate Bond Average		*1.6%*	*2.6%*	*8.3%*	*4.7%*	*3.7%*
Vanguard Muni Limited Term	HS	1.0%	1.5%	4.2%	4.4%	3.6%
T. Rowe Price Tax Free S/I	HS	1.0%	1.6%	5.2%	5.1%	3.9%
Vanguard Muni Intermediate Term	HI	1.8%	2.6%	7.9%	5.3%	4.1%
Vanguard Ohio Long-Term	HL	1.5%	2.4%	8.4%	5.2%	4.2%
Stock Funds - Domestic						
S&P 500 Index		*-11.4%*	*-6.7%*	*14.4%*	*-9.8%*	*-0.8%*
Equity Fund Average		*-10.3%*	*-5.2%*	*17.6%*	*-9.2%*	*-0.1%*
Janus Advisor Risk Managed Growth	LG	-9.7%	-5.2%	15.0%	-9.0%	-1.9%
Marsico 21st Century	LG	-12.1%	-7.2%	17.6%	-11.4%	1.0%
John Hancock Large Cap Equity	LB	-12.0%	-7.8%	11.5%	-3.8%	7.1%
Vanguard Index 500	LB	-11.4%	-6.7%	14.5%	-9.8%	-0.8%
TCW Dividend Focus	LV	-12.6%	-7.0%	16.6%	-13.9%	-3.3%
Diamond Hill Long/Short	LV	-8.6%	-9.6%	3.7%	-5.6%	2.1%
Munder Mid-Cap Growth	MG	-7.6%	-1.2%	21.3%	-8.7%	1.0%
Columbia Mid-Cap Value	MV	-11.2%	-4.0%	22.6%	-10.8%	0.4%
Century Small-Cap Select	SG	-6.3%	-0.4%	19.3%	-9.6%	-2.3%
William Blair Small-Cap Growth	SG	-11.5%	-3.5%	17.8%	-7.7%	0.8%
Neuberger & Berman Genesis	SB	-6.9%	-2.2%	18.4%	-3.8%	3.3%
Diamond Hill Small-Cap	SV	-6.6%	0.4%	23.7%	-4.5%	1.7%
Wells Fargo Small-Cap Value	SV	-7.8%	-3.4%	30.6%	-4.3%	5.2%
Stock Funds - International						
Morgan Stanley EAFE Index (Foreign)		*-13.6%*	*-12.5%*	*7.0%*	*-12.6%*	*1.5%*
American Century International Discovery	MG	-10.7%	-8.6%	17.8%	-14.5%	4.6%
Harbor International	LV	-12.3%	-11.8%	13.6%	-9.1%	6.5%
Oakmark International	LV	-10.7%	-5.6%	22.1%	-7.2%	4.8%
Allianz NFJ International Value	LV	-10.4%	-9.9%	13.5%	-9.4%	6.1%
Tweedy Brown Global Value	LV	-6.1%	-2.0%	22.5%	-6.8%	3.2%
William Blair International Growth	LG	-7.4%	-4.2%	16.4%	-11.8%	2.5%
Oppenheimer Developing Markets	LG	-6.3%	-3.6%	27.1%	1.4%	14.8%
Stock Funds - Specialty						
PIMCO Commodity Real Return	LB	-3.2%	-6.4%	14.1%	-4.1%	-0.6%
Vanguard Special Health Care	LG	-9.0%	-6.4%	11.3%	-3.0%	3.2%
JP Morgan US Real Estate	MV	-2.6%	7.5%	56.3%	-10.5%	-0.2%

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WHO DO YOU CALL WITH QUESTIONS???
RE: Schwab or NWS Statements: Steve
RE: Portfolio Management & Strategy: Bill
RE: Request Current Disclosure Form ADV Part II: Steve

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