

nvest nsights

SEPTEMBER 30, 2009

ENCORE! ENCORE!

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Different quarter, same results! For the second consecutive quarter, equities and most bonds flourished. The rebound since the March 9 low has been substantial, almost like bungee jumping. So steep was the decline in 2008 until March (2009) that investor emotion was exasperated. The bounce-back is welcomed and refreshing. Though markets still have much recovery needed to recoup the -57% bear market decline on the S&P (requires over 110% rise to reach the former peak), the past 6 month rally of +58% is tremendous! Encore!!

We believe the outlook for equities remains attractive over the next 3 to 5 years. The easy money has been earned. Going forward, returns most likely will require more effort and tactical expertise. That's because there will be plenty of worries for the markets; but history reveals stocks can and often climb a wall of worry.

Your investment reports should put a smile on your face, particularly seeing the rise in portfolio value and the performance pages. There are several different performance reports showing the whole portfolio by quarter, year-to-date, and etc. Also, review the Asset Class Performance Summary by cash, bonds and stocks including the total portfolio performance. A glance will display the performance power of the quarter, "Spring/Summer Rally" (since 3/9/09), and year-to-date. Stock and bond returns are... generally, WOW! Encore! The Position Performance Summary provides returns for each security for the quarter. Again, note the "wow" factor of the returns, and also compare the September 30 portfolio value against the beginning value; the dollar gains are equally (if not more) exciting. Further, you should note herein on page 3, "Benchmarking" and page 4, "Mutual Fund Performance" provide evidence of the 3Q performance and YTD performance experiences. One- and three-year returns are still negative showing the influence of a 17-month bear market (from October 2007 to March 2009). Overall, client portfolios are performing well, but trailing benchmarking returns slightly (due in general to cautious reinvestment of cash as the rally has developed). Active managed funds we utilize are performing very well compared to their peers and benchmarks.

During the 3rd quarter, equities of all types jumped. Small-size stocks of the Russell 2000 were up over +19% compared to gains of +15% for the S&P 500 and NASDAQ (tech oriented) indexes. All three indexes posted positive results in each month of the third quarter.

Further, all 3 indexes are positive for the year-to-date. Foreign stocks have provided bigger YTD returns than domestic. Since the March 9 low, the Russell 2000 gained 77% while the S&P 500 and NASDAQ are up +58% and +67%, respectively. Investments in corporate and municipal bonds have been attractively large in 2009, dramatically outshining Treasury bonds.

Again, we will say the bigger risk going forward is being under-invested (holding too much cash). We continue to invest client portfolios in a diversified mix of corporate related bond funds and different style and market-cap stock funds pursuing different strategies. Tactically, we continue to build exposure to foreign stock funds which will represent approximately one-third of the total stock exposure in client portfolios. Of course, the domestic stock exposure is mixed between large, mid and small using both value and growth style mutual funds. Foreign exposure is important as the "New Normal" environment will be more global focused with faster growth and performance accruing from developing markets compared to developed (e.g.: US, Great Britain, Europe) economies/markets.

As we monitor weekly and other short-term performance intervals, we note client portfolios and the active managed no-load funds we utilize are capturing more up-direction of the markets and less down (when the markets pause). We anticipate that active managed funds will continue to outperform passive indexes. This is key to the next phase of recovery in portfolio values from the bear market. We are optimistic about recovery prospects, and seek many more months of "Encore" performance.

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WEALTH STRATEGIES

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peace of mind.

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“We are tactically investing client portfolios for a life in ‘new normal’.”

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WEALTH STRATEGIES

“We expect the underinvested to capitulate (and buy) as we move toward the end of the year”

DATES TO REMEMBER:

- November 26 - Thanksgiving Day
- **December 9 - COLUMBUS ZOO WILDLIGHTS: Nvest Client Appreciation Night**
- December 25 - Christmas (Markets & Nvest Offices Closed)
- January 1 - New Years Day (Markets & Nvest Offices Closed)
- **REMINDER: You may request a current copy of our regulatory filing ADV Part II at any time.**

WILDLIGHTS AT THE COLUMBUS ZOO! | CLIENT APPRECIATION EVENT

Save the date on your calendars: Wednesday, December 9 from 5:00p - 9:00p come and enjoy the Columbus Zoo's Holiday WILDLIGHTS display with your family or a friend, compliments of Nvest Wealth Strategies. While there, be sure to stop by and see us in the Education Building located near the entrance gate where we will be serving cookies, hot chocolate and cider! For those who missed it last year, it was a great evening! Watch for more details to arrive in the mail soon.

FIRST LAW OF EMOTIONAL INVESTING

Following a long stay in intensive care, the markets and economy are now in recovery. The journey back to normality will be long and subject to disruptions (like hic-ups) from many sources. We expect life going forward will be much different. In two earlier writings, we wrote about a “New Normal” as coined by renowned bond investor, Bill Gross (of PIMCO). Life changing events always affect our emotions, particularly when they correspond with later stages of our lives and working careers. Individuals recognize there is no returning to a lifestyle before intensive care; there is a “new normal” life that will evolve going forward. We are tactically investing client portfolios for a life in “new normal”.

Recent events in our financial and investing world have altered individual investor emotion. Unfortunately, the result can be pessimism, remaining skeptical about reinvesting cash fearing new losses, and/or investing based on feelings. An investor utilizing feelings as a guide invests when “it feels good or right” and sells when it “feels bad”. Unfortunately, when it “feels good” a rally has already occurred and investing is late with long-term results being mediocre at best. Vice versa, when an investor “feels bad”, they sell after the investment price has fallen, locking in losses. In essence, investing with emotions always leads to poor performance experiences – mediocre returns at best and/or losses. As all will agree, investors must buy at low prices and sell at high prices to succeed. Buying low usually means investing when it doesn't feel right; it's uncomfortable. Selling requires taking action at high prices when emotions say “everything is good”. Invest when feeling exasperated; sell when feeling exuberated. Key: invest opposite of your feelings.

Sir Isaac Newton's first law of motion might be reapplied to long-term investing: an investor at rest tends to remain at rest, even when acted upon by an unbalanced force.

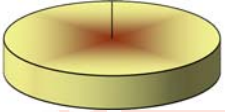
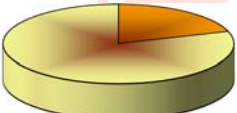
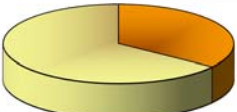
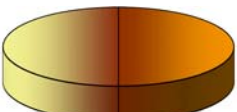
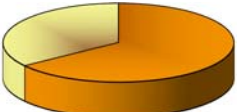
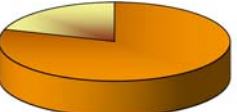
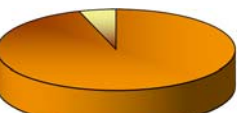
Another recent related quote (9/19/2009), “The error of optimism dies in a crisis, but in dying it gives birth to an error of pessimism. This new error is born not an infant, but a giant.”

As we write this quarterly, more cash than ever resides on the sidelines held in low yielding money market funds and short bonds. Following a second strong quarterly performance from stocks and corporate bonds, cash holding investors are emotionally trapped – skeptical of a six-month rally, yet holding onto concerns about the future.

Easy money has been made over the past 6 months. The next phase of the recovery will raise new questions and doubts, creating emotional angst to invest. A key concern from emotional investors is sustainability of the rally, growth of revenues and earnings, re-employment, and dealing with the winding down of global policy stimulation (dealing with deficits via taxes). But, with each rally pressure is building. We expect the underinvested to capitulate (and buy) as we move toward the end of the year.

We expect any near-term weakness in equities (driven by emotional worries about the future) will be short and shallow. It is generally more dangerous to be short (underinvested) and in “cash” than long (invested). Market technicals (trend, moving averages, formation, breadth, and leadership profile) show a financial market in recovery. “Keep a lid” on those emotions when buying and selling. Use fundamentals and a lot of facts to guide investment decisions. Most of all, stay invested for the long-term as it is key to building attractive growth of portfolio value and performance.

BENCHMARKING AS OF SEPTEMBER 30, 2009

INDEX PORTFOLIO	STOCK/BOND ALLOCATION		TOTAL RETURN THROUGH 9/30/09					
			3QTR	YTD	12 MTHS	3 YEARS	5 YEARS	
	Capital Preservation	0% / 100%	<i>Cumulative</i> <i>Annualized</i>	3.2%	8.1%	6.7%	10.9%	16.7%
						6.7%	3.5%	3.1%
	Income	20% / 80%	<i>Cumulative</i> <i>Annualized</i>	6.1%	11.8%	4.6%	5.9%	15.2%
						4.6%	1.9%	2.9%
	Balanced Conservative	35% / 65%	<i>Cumulative</i> <i>Annualized</i>	8.4%	14.6%	3.0%	2.4%	14.8%
						3.0%	0.8%	2.8%
	Balanced	50% / 50%	<i>Cumulative</i> <i>Annualized</i>	10.7%	18.0%	2.1%	-0.6%	16.2%
						2.1%	-0.2%	3.1%
	Balanced Growth	65% / 35%	<i>Cumulative</i> <i>Annualized</i>	12.9%	20.8%	0.7%	-3.9%	16.3%
						0.7%	-1.3%	3.1%
	Growth	80% / 20%	<i>Cumulative</i> <i>Annualized</i>	15.2%	23.7%	-0.7%	-7.2%	16.6%
						-0.7%	-2.5%	3.1%
	Aggressive Growth	95% / 5%	<i>Cumulative</i> <i>Annualized</i>	17.0%	25.7%	-1.7%	-9.5%	16.5%
						-1.7%	-3.3%	3.1%

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 September 30, 2009

BOND FUNDS - TAXABLE	STYLE	3RD QTR	YTD	12 MTHS	3 YEARS	5 YEARS
<i>Taxable Intermediate Bond Average</i>						
Wells Fargo Ultra Short	AS	6.7%	16.2%	10.0%	4.1%	4.0%
Vanguard Short Federal	HS	3.7%	6.8%	1.8%	1.4%	2.3%
PIMCO Low Duration	HS	1.4%	2.7%	6.7%	6.0%	4.7%
Vanguard Short-Term Investment Grade	HS	4.5%	11.7%	13.4%	6.3%	4.8%
American Century GNMA Income	HS	4.1%	12.6%	9.9%	4.8%	4.1%
Wells Fargo Government Securities	HI	2.6%	5.3%	9.3%	6.8%	5.3%
PIMCO Real Return	HI	2.8%	3.7%	8.4%	6.4%	4.9%
PIMCO Total Return	HI	5.7%	14.4%	12.3%	5.3%	5.1%
PIMCO Diversified Income	HI	6.0%	12.7%	18.3%	9.2%	6.9%
PIMCO Diversified Income	AI	11.7%	27.0%	18.9%	5.7%	6.3%
Diamond Hill Strategic Income	AI	11.2%	27.3%	25.9%	2.4%	3.9%
Artio Global High Income	LI	14.4%	47.1%	19.2%	6.7%	7.4%
Calamos Convertible Securities	LI	14.1%	30.1%	14.2%	3.2%	4.8%
BOND FUNDS - TAX EXEMPT						
<i>Tax-Free Intermediate Bond Average</i>						
Vanguard Muni Limited Term	HS	7.8%	16.9%	12.0%	3.3%	3.5%
T. Rowe Price Tax Free S/I	HS	2.3%	5.1%	6.7%	4.4%	3.4%
Vanguard Muni Intermediate Term	HS	2.9%	6.7%	8.4%	4.7%	3.6%
Vanguard Ohio Long-Term	HI	6.1%	11.2%	13.1%	5.1%	4.3%
	HL	6.7%	14.0%	14.3%	5.0%	4.5%
STOCK FUNDS - DOMESTIC						
<i>S&P 500 Index</i>						
		15.6%	19.3%	-6.9%	-5.4%	1.0%
<i>Equity Fund Average</i>						
		16.7%	25.2%	-5.7%	-4.6%	1.9%
Janus Advisor Risk Managed Growth	LG	12.8%	23.4%	-7.6%	-6.3%	-0.6%
Marsico 21st Century	LG	20.2%	21.4%	-9.9%	-4.2%	3.7%
John Hancock Large Cap Equity	LB	16.2%	28.5%	-2.1%	6.3%	9.9%
Vanguard Index 500	LB	15.6%	19.3%	-6.9%	-5.5%	0.9%
TCW Dividend Focus	LV	19.0%	26.1%	-7.8%	-8.7%	-0.7%
Diamond Hill Long/Short	LV	8.0%	11.1%	-6.2%	-1.6%	5.3%
Munder Mid-Cap Growth	MG	16.4%	25.5%	-6.2%	-3.2%	3.7%
Columbia Mid-Cap Value	MV	20.9%	25.5%	-9.6%	-5.3%	3.7%
Century Small-Cap Select	SG	14.0%	23.2%	-9.7%	-6.9%	-1.0%
William Blair Small-Cap Growth	SG	19.2%	66.0%	16.5%	-2.4%	3.2%
Neuberger & Berman Genesis	SB	13.4%	18.4%	-13.1%	1.0%	5.8%
Diamond Hill Small-Cap	SV	17.3%	22.8%	-4.4%	-1.7%	3.5%
James Small-Cap	SV	14.9%	16.7%	-7.6%	-9.9%	-0.0%
Wells Fargo Small-Cap Value (Closed)	SV	21.9%	37.0%	2.9%	-0.1%	6.3%
STOCK FUNDS - INTERNATIONAL						
<i>Morgan Stanley EAFE Index (Foreign)</i>						
		19.5%	29.0%	3.2%	-3.6%	6.1%
American Century International Discovery	MG	24.2%	29.6%	-3.9%	-3.8%	8.5%
Harbor International	LV	21.9%	31.2%	2.7%	1.4%	10.5%
Oakmark International	LV	24.0%	49.8%	17.7%	-1.3%	8.2%
Allianz NFJ International Value	LV	18.3%	32.7%	-1.9%	1.6%	N/A
Tweedy Brown Global Value	LV	15.8%	27.7%	4.7%	-2.9%	4.8%
William Blair International Growth	LG	16.2%	36.1%	-0.1%	-5.1%	5.8%
Oppenheimer Developing Markets	LG	20.7%	66.4%	19.7%	10.7%	20.0%
STOCK FUNDS - SPECIALTY						
PIMCO Commodity Real Return	LB	9.4%	25.3%	-19.4%	-3.4%	0.0%
Vanguard Special Health Care	LG	11.3%	13.3%	2.8%	-0.9%	5.8%
JP Morgan US Real Estate	MV	32.7%	13.6%	-31.1%	-14.9%	0.9%
Columbia Technology Z	MG	16.6%	39.8%	-0.1%	-3.7%	5.4%

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WHO DO YOU CALL WITH QUESTIONS???

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RE: Request Current Disclosure Form ADV Part II: Steve

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