TRIAD WEALTH STEWARDSHIP

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The Triad Perspective

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Rising Above the Noise

Money means different things to different people. All of us have dreams. Don't let a volatile market destroy your dreams. Our role is to help you realize your dreams. As Henry David Thoreau said: “The purpose of wealth is to have a fulfilled life experience.”

Unfortunately, bad news, and the constant dribble of information, creates in all of us concern and anxiety about today's economic conditions.

It goes without saying that the US equity market has experienced volatility as 2008 gets started. Most of this volatility has been on the downside, with S&P already down 8.29% through Feb 22.

Here are some basic rules to remember during times like this.

Rules for Investing in a Volatile Market

Stock market volatility declines are a natural part of investing.
Many have become accustomed to the 1990 bull market. The eighty years leading up to December 2006, the S&P produced annualized gains of 10.3%, but this does not mean that it went up 10% each year. There were plenty of down years.

As a matter in fact, Declines have varied widely. For example, here is a summary of the declines of the Dow Jones Industrial Average since 1900.*

Type	Average	Average Length
Routine – 5% or more	3.3 times per year	47 days
Moderate – 10% or more	1.1times per year	113 days
Severe – 15% or more	1 every 2 years	216 days
Bear Market – 20% or more	1 every 3 years	332 days

*Oppenheimer Funds

Remember we are investing for the long term. Let yourself be guided by reason and follow the sensible investment plan that has been laid out by your team members here at Triad, not your emotions.

Asset Allocation:
By allocating over the different investment types, class, and style, you spread your risk during market volatility. Each investment class does not perform the same. When you hear the news either good or bad about the “market”, as indicated by a popular index, remember that the market is made up of a deep level of categories, class, styles and sectors that have had a wide range of returns. By creating a diversified portfolio made up of different weightings of class, type, and style of investing, including fixed income; alternative management; international; small, medium, and large domestic equities, you achieve portfolio diversification, lowering volatility, and over time achieving a prudent investment outcome. As Jim Cramer says, “there's always a Bull Market somewhere.”

Rebalance with Dissimilar Price Movement:
If you compare two accounts that have had the same average arithmetic return over a period of years, the one with the lower volatility will have the higher compound return.* *CEG Worldwide Analysis

We want our portfolios to have less market volatility. This is achieved by regularly reallocating to various investment classes of your diversified portfolio. When one investment category has gone down and another category has gone up, you rebalance. The outcome when you do this is that you achieve the investors' objective to "buy low, sell high". This naturally optimizes your portfolio during all market cycles.

Use A Common Sense Approach to Build an Efficient Portfolio:
A key to designing your diversified portfolio is to have the appropriate mix of asset class categories, style and type of investing to match both your risk tolerance and current economic conditions. You and your Triad team have invested time to achieve this critical model. We don't have a crystal ball. No one knows what is going to happen in the market. But we can certainly build portfolio categories that take into consideration economic conditions and your personal situation, such as increasing your alternative management category and decreasing your small cap allocation, which helps to achieve an optimal portfolio.

How do you decide what investments to use and what combination? Since 1972, portfolio management has adopted the money management concept of modern portfolio theory. This was developed by the University of Chicago, Professor Harry Markowitz, and later expanded on by Profession William Sharp. They subsequently won the Nobel Peace Prize in economics for their contribution to investment methodology.

The process of developing a strategic portfolio using modern portfolio theory is mathematical in nature and can appear daunting. It's important to remember that math is nothing more than an expression of logic. The combination of investments exhibiting this reward tradeoff, form what is known as an efficient frontier.

Using modern portfolio theory as our foundation, and adding economic relevant judgment built on your unique situation, creates a portfolio that achieves an optimal combination of investments that over time can give you the highest return with the lowest risk.

Stay Invested:
Studies show that the flow of money from and to equity investments is correlated with the strength and weakness of the market. In other words, people are running away from the stock market with fear and into the stock market with greed.

Time in the market is important, not timing of the market. Emotions lead investors to wait to invest or pull out, sometimes at the wrong time. How do you know when the right time is? If you had missed the best 10 days of the Standard & Poors Index between January 1990 and December 1999, your returns would have been 41% lower than the market averaged during this 10-year period.* *Oppenheimer Funds

Therefore, using the above efficiently designed portfolio and re-balancing techniques to maintain your strategy is common sense. In other word, staying invested is what counts.

During times of uncertainty, your Triad team is working to provide you the peace of mind for you to enjoy life to its fullest. As things do occur or as the news stream causes you concern, hopefully the above rules will help remind you that your portfolio is invested prudently and being closely supervised. Whenever a question or concern does arise you are more than welcome to call.

We wish you the very best Spring! Larry Knudsen & Dan Stober

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