



945 Technology Blvd., Suite #102, Bozeman, MT 59718

Dear Client,

Enclosed find your second quarter report.

Obviously, the news this quarter is far better than the disastrous first quarter of 2009. However, the worldwide stock markets are still very volatile, and you must be prepared for some short term “bumps” along the way. We are still somewhat confident, with stock valuations at quite reasonable levels, that the long term prospects for stocks are quite reasonable. The recent “flight to quality,” which resulted in Treasury bond yields sinking to the lowest level in decades, virtually assures bond investors only moderate returns.

There has been a rash of articles lately promoting the ideas that “this time is different” in the investment arena, that diversification among the world’s asset classes is no longer valid, and that some “new” investment strategy is in order, nimbly jumping from one investment to another based on a perception of future events. Nothing could be more detrimental to your investment results than falling for this line. Yes, your portfolio (along with almost all other investors including Warren Buffet and the Yale and Harvard endowment funds) fell dramatically during the last two years. However, despite the current hype to the contrary, no one has ever discovered a foolproof method to time the markets, and your time proven strategy that normally (but not always) works is still the best option for the long term.

There has been entirely too much emphasis on achieving “the number” or “getting back to even” (whatever that is!) lately. There are a lot more factors impacting a retirement strategy than the current value of an investor’s portfolio. Annuities, tax strategies, selective selling, working a bit longer, and properly timing the receipt of Social Security will all significantly improve a retiree’s financial situation. Of course, the best way to shore up a portfolio, especially in this era of reasonable stock prices, is to save more money.

Our main function during these turbulent times is to encourage you to keep your focus on what matters most, a secure retirement income over decades, and to ignore the short term portfolio volatility. We commend you all for heeding our advice.

Certainly, if you have any concerns, don’t hesitate to call.

Yours truly,

Bob Frey

Doug Babcock

Fee Only Investment Management and Financial Planning