



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

January 5, 2010

Dear Client,

Enclosed find your 4th quarter and 2009 annual performance report, your 2009 capital gains report, (if applicable) your 2009 IRA distribution report, (if applicable) your 2009 Roth IRA conversion report (if applicable), and a copy of our privacy policy. Please provide your tax preparer the documents so marked. For those clients with taxable accounts, you will be receiving a 1099-R from TD Ameritrade showing your taxable distributions from the mutual funds held in that account.

Wow! The past two years have been a wild ride in the financial markets, marked by unprecedented drops and increases in almost all investment classes. At this year end point, a bit of reflection is in order about the so called “experts” that bombard us daily with their “wisdom.” In hindsight, most of their predictions are useless, and, if acted upon, would be very hazardous to your financial health.

A recent study at Berkely showed that the “experts” who make their (rather handsome!) living making predictions about future short to medium term economic and political trends had absolutely dismal track records, far worse than random chance (or chimps throwing darts) would have predicted. Worse yet, the most famous ones fared the poorest. None of these “experts” (including Ben Bernacke) predicted the stock market meltdown in 2008 and early 2009 or the current deep recession, and, in early 2009, they were all predicting continuing “gloom and doom,” completely missing this year’s amazing run up in stocks. Why folks listen (and worse yet, act on) this drivel is beyond us.

Do we act on our expectations of the future? Certainly! However, we don’t try to predict what will happen next week, next month, or next year. Rather, we look at longer term historical trends and the proven reasons behind them, where the markets currently are, and ignore the short term “noise,” from the “experts”. We realize that markets are unpredictable, and diversify your portfolios sufficiently so that unexpected events will not create irreversible damage to your financial security. On the short term, we may not be rewarded for our strategy, and we make no guarantees that periodic portfolio declines will not occur along the way. Our value and small cap orientation in stocks goes out of favor during certain periods (which cannot be predicted in advance!). As one Wall Street Journal columnist said, “You can look wrong for a long time before you look right.”

However, we are confident (and our track record supports it) that our strategy will provide you with the best reasonable combination of growth and risk protection over the

Fee Only Investment Management and Financial Planning

(very) long time period you are invested. It's certainly not a perfect strategy – however, it beats all the alternatives by far.

We are required annually to offer to provide you, at no charge, with a copy of our most recent ADV Part II, our client disclosure document. This constitutes that offer, and you should contact us if you want to receive it.

It has been our privilege to serve you over the past year, and we look forward to continuing our relationship over many more years.

Yours truly,



Doug Babcock



Bob Frey