

## Weekly Commentary

### March 21, 2011

#### Update on World Events

The enormity of the unfolding tragedy in Japan has saddened the world. We have never seen a triple tragedy like this with an earthquake, a tsunami, and a nuclear disaster all hitting one country at the same time. Like many others, we are hoping and praying for the Japanese people that their situation will improve soon.

As your advisor, we wanted to share with you a few thoughts about the current state of the world and how recent events in Japan, Libya, and elsewhere are affecting our thinking.

It seems like our world has been hit with an unusually large number of “black swan” events over the past few years. Black swan events are negative events that were once thought to be highly improbable, but actually turn out to happen every few years.

Here’s a list of events in just the past 15 years that might qualify as “black swans:”

- The late 1990s internet bubble and resulting crash
- The 2001 terrorist attacks
- The early 2000s real estate bubble and resulting crash
- The 2004 Indian Ocean earthquake and resulting tsunami that killed over 200,000 people
- The 2007-2009 Great Recession, subprime crisis, and related economic problems
- The ongoing rebellion in the Middle East and North Africa
- The ongoing triple tragedy in Japan

With today’s interconnected world and global communication system, we see these events unfold in near real-time and that amplifies their effect on our psyche. As a result, we have a tendency to think “this is the big one” that will takeout the world economy. However, unless the world is coming to an end -- which we don’t think is happening -- then the latest situation in Japan, which is very tragic on a human level, will probably not cause a worldwide recession.

Whenever these black swan events occur, it’s important to remember that while we can’t predict *when* they will occur or *what* the event will be, we do know that they *will* happen and we try to plan for that in how we manage your account.

It’s interesting to note that when you get to the core of what “the market” is, it’s an assemblage of people. When disasters happen, such as in Japan, Haiti, Indonesia, or the terrorist attacks, “the market” tends to react almost in sympathy with the external tragedy. Over time, as the external tragedy heals, “the market” tends to heal as well. This symmetry adds an almost human element to what many consider to be a cold and calculating “market.”

Today, we have our hands full with the evolving situations in Japan, Libya, and the Middle East. On top of that, we still have the simmering sovereign debt issues in Europe and the economic

malaise in the U.S. The uncertainty and the day-to-day developments surrounding these situations are affecting the markets and causing volatility to spike.

Over time, though, as these situations move from crisis to closure, we expect the world will continue its march toward progress and that the markets will eventually resume their positive momentum. Japan’s own history of recovering from World War II gives us an example of their resilience. For example, *The Wall Street Journal* stated that, “...from 1950 to 1960, in the heyday of the “economic miracle” that followed World War II, Japanese stocks returned an annual average of 27% after inflation.” We’re not predicting that type of return over the next 10 years; rather, it just shows that Japan has bounced back from severe devastation in the past.

As humans, we are keenly aware of the pain and suffering that these tragic world events inflict upon our collective community. As advisors, we try to ensure that this pain and suffering doesn’t spill over to your portfolio.

<b>Data as of 3/18/11</b>	<b>1-Week</b>	<b>Y-T-D</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Standard & Poor's 500 (Domestic Stocks)	-1.9%	1.7%	10.3%	-1.3%	-0.4%	0.9%
DJ Global ex US (Foreign Stocks)	-2.1	-1.8	7.5	-3.4	0.5	5.1
10-year Treasury Note (Yield Only)	3.3	N/A	3.7	3.5	4.7	4.8
Gold (per ounce)	0.6	0.7	26.5	12.1	20.6	18.5
DJ-UBS Commodity Index	0.9	1.5	23.4	-7.8	0.6	4.5
DJ Equity All REIT TR Index	-1.3	3.5	19.3	1.9	1.1	11.2

Notes: S&P 500, DJ Global ex US, Gold, DJ-UBS Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT TR Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, Barron’s, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable or not available.

## **Weekly Focus – Think About It**

“Perhaps they are not stars, but rather openings in heaven where the love of our lost ones pours through and shines down upon us to let us know they are happy.” --*Eskimo Proverb*

\* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

\* The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.

\* Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association.

\* The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

\* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

\* The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

\* The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.

\* The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.

\* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

\* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

\* Consult your financial professional before making any investment decision.

\* You cannot invest directly in an index.

\* Past performance does not guarantee future results.

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