



FINANCIAL SERVICES ADVISORY

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Discipline

February Monthly Market Review From Your Portfolio Management Team—March 13, 2009

“Discipline is the bridge between goals and accomplishments”—Jim Rohm

Our firm has been successful over the past nearly 30 years due to a number of factors—the skill and competence of our employees, clients who trust us with their financial futures, an investment philosophy that appeals to a wide range of investors, and the determination to apply our strategy consistently over time.

Our investment discipline is based on the concept that we are willing to take small losses in order to either:

- a) Prevent a small loss from becoming a catastrophic loss;
- b) Realize a large gain.

Since we do not (and cannot) know the future, when we invest in the stock or bond markets, we never know if the market is on the verge of a bull market, or if things will turn down shortly after we have invested there. Nevertheless, because we are willing to diligently apply our safety nets to the positions, we are confident that we can invest in an area, and then exit that area before the portfolios suffer too much harm in the event that things turn negative. It is that discipline of applying and then faithfully executing those safety nets that has enabled us to avoid much of the financial pain of the past 18 months.

Most recently, in late February, that discipline was tested again, as our corporate bond fund positions, which had performed so solidly over the past two months, began to slip back as the equity market retreated. Even though these funds fell just a fraction of what stocks fell in February (the S&P 500 index was down almost 11%), we began to sell these bond funds as they hit our safety nets. We had just purchased most of these funds in December and early January, so it is never comfortable selling something that one has recently purchased. And of course, we don't know if these funds might rebound later in March; nevertheless, our discipline calls for us to exit these positions while they are under pressure, and worry about what to buy once the markets calm down. While we never like to experience these false starts, it does allow us to keep the portfolios aligned with the dominant trend of the market. And that allows our clients to sleep comfortably at night, knowing there is a steady hand guiding them through any market turbulence.

Please let us know if there is anything we can add to these monthly reports that would help you better understand what is happening in your accounts.