



FINANCIAL SERVICES ADVISORY

I N C O R P O R A T E D

Rockville, MD • Fort Myers, FL • 800.235.4567 • www.FSAinvest.com

For Every Season, Turn, Turn, Turn

November Market Review From Your Portfolio Management Team—December 16, 2011

One of our favorite analogies is to equate the investment cycle to the seasons of the year. Summer is the season of growth and can be compared to a bull market. Winter is a season of hibernation, a time to hunker down and avoid the elements, which reminds us of bear markets. Fall and spring are transition periods between summer and winter, and thus represent the choppy, trendless periods that occur from time to time.

Our approach to managing money is to invest during the summer periods of growth and favorable weather, and to retreat to money market funds during the bitter periods of winter. The transition periods are much tougher to navigate in that, unlike the weather seasons, it is nearly impossible to predict whether or not the season of spring will be followed by summer or winter.

This is exactly what we have been facing for much of this year. After peaking in April of this year, stocks have been on an up and down see-saw, with the low levels hit during the August – September time frame, and higher levels being reached briefly in July and late October. This see-saw action continued in November, with stocks falling over 9% at one point in the month, before rebounding over 7% to close essentially flat for the month. After starting the year at 1258, the S&P 500 index finished the month of November at 1247—not much to show for all the volatility and turmoil.

Corporate bonds—our favored asset class for the past 3 years—appear to be in transition, as well. After trending up pretty consistently over the past several years, they have been in a holding pattern for the past 4 – 5 months. While they have not broken down to a level that would force us to sell them, they have been relatively flat since the end of July.

When following the seasonal patterns, we know that the month of July will be one of the warmest months of the year, just as we know that January will be one of the coldest. Unfortunately, with the investing season, we can never be sure if we are transitioning into another period of ‘winter,’ or if we are about to break out into a renewed period of ‘summer.’ Just know that we continue to have the portfolios quite defensive right now, with money market positions around 50% on average, and the balance mostly in bond funds. Only Core Equity and Tactical Growth portfolios have any allocation to stock-oriented funds, and those allocations are very modest (10% or so).

In spite of the rather chilly environment from the stock market in 2011, we wish you and your family the warmest holiday blessings. We look forward to a safe and profitable 2012.