



Dear Friend,

First of all let me apologize. I have been sending this financial newsline for 7 years and have been requested by my broker dealer to make the emails "scan able" by them, to protect you, and this has taken 3 months to work through. If you get this email more than once, **it is my fault**; please reply and I will fix it.

Prudent Investors

Most of us would prefer to call ourselves prudent, disciplined, consistent investors. We at Sherpa know well that investing **must be** for the long term.

Dozens of articles came out in 2010, stating that from the year 2000 to the end of 2009, was a "**Lost Decade in Stocks**". If we look at the S&P 500, they are correct! The S&P 500 did **minus** 9.3% over the decade, or **minus** .95%, annualized.

Unfortunately, many believe the "market" means only the largest 500 companies in the USA (S&P 500).

What the rest of the World did over the Decade

Click [Equity Market Indices](#) to see what the return of all **other as well as** US large companies was, ranging from 12.5%, to 175.6% cumulative return.

What produces Portfolio Return?

Creating, and sticking with, a disciplined, consistent, asset allocation program is responsible for 92% of a portfolio's return, as researched by Dalbar.

Source: Ibbotson and Kaplan, "Does Asset Allocation Policy Explain 40%, 90% or 100% of Performance," *Financial Analysts Journal*, April 1999.

Click [Portfolio Analytics Calculator](#) to see how a balanced 65% stock - 35% bond portfolio, performed over the same "Lost" decade (see page 1 for the allocation, page 4 for Scenario 3, years 2000 to 2009)

This portfolio -

- 1. Did not produce a loss, and ...**
- 2. Kept the value of your dollar ahead of inflation**

Note: Past performance is not indicative of future results.

Keep in mind that this result is shown net of investment expenses of Dimensional Funds Advisor funds in the proportion shown, a 1% advisor fee, and a 55% admin fee for creating

and maintaining the balanced portfolio. The S&P 500 is an index, which you cannot buy directly. There are index funds which simulate it, which have expenses and costs that affect performance. Inflation for both the 10 and 20 year periods (ending of 2009) was below 3%.

Investors make many decisions based on Emotions

[Click here to see what individual stock investors earned over 20 years.](#) If you can't keep yourself from making emotional decisions when markets are abnormal, please use a weathered, capable financial Sherpa, to help keep you on track. How would you improve **your** investing experience? Please give me a call or email at contact below, if you would like to discuss this.

Yours, Peter Mullen

P.S. The next article will be on the specific asset classes to use and in what percentages to gain the best chance of a reasonable return for the risk **you** want to take.

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