

## WORLD MARKET SURVEY

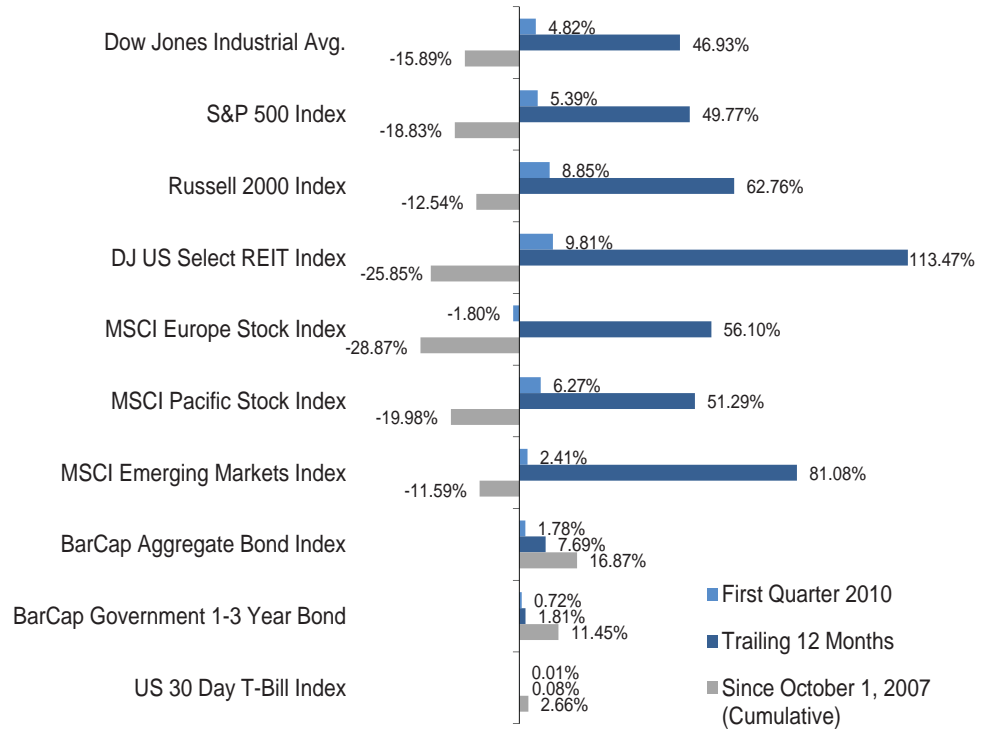
### US Stocks

The US stock market enjoyed positive results for the first quarter of 2010. The Dow Jones Industrial Average gained 4.8%, the S&P 500 index climbed 5.4%, the NASDAQ was up 5.9% and the Russell 2000 index of smaller US companies returned 8.9%. The market was however subject to considerable volatility during the quarter: a steep setback in mid-February temporarily drove the indexes into negative territory. Nonetheless, the market has put together four consecutive quarterly gains. The current bull market is now 13 months old, and the S&P 500 has advanced 77% from its low in March of 2009.

Where does this current run stand in comparison to other bull markets dating back to the 1940's? According to Standard & Poor's, the average bull market for the past fifty years has lasted 68 months with an average cumulative return of 176% (including the unprecedented 1987 - 2000 bull run that lasted 148 months,

*(continued on page 6)*

### Index Returns: First Quarter 2010, Trailing 12 Months & Trailing 30 Months



## THE FIDUCIARY FLAP: SHOULD ADVISERS BE REQUIRED TO PUT CLIENT INTERESTS FIRST?

**fi • du • ci • ar • y** [fi-doo-shee-er-ee, -] *noun, adjective*

1. *Law. a person to whom property or power is entrusted for the benefit of another.*
2. *Law. of or pertaining to the relation between a fiduciary and his or her principal: a fiduciary capacity; a fiduciary duty.*
3. *of, based on, or in the nature of trust and confidence, as in public affairs: a fiduciary obligation of government employees.*
4. *depending on public confidence for value or currency, as fiat money.*

**Origin:** 1585-95; < L *fiduciarius* of something held in trust, equiv. to *fiduci(a)* trust + *-arius* -ary

"Fiduciary" is an interesting word, with many meanings. A common thread among the various definitions is the concept of trust - a fiduciary should be trusted, and should act on behalf of others, not in his or her own interest. Many professionals are expected to act as fiduciaries to their clients. For example, lawyers and doctors serve their clients and patients in a fiduciary capacity. A member

of a corporation's Board of Directors has a fiduciary duty with respect to the company.

Since the passage of the Investment Advisers Act of 1940 (the Advisers Act), Registered Investment Advisors (RIAs) have been held to a fiduciary standard with respect to client financial matters. This means that they must put the client's interests ahead of their own, and must disclose any potential conflicts

of interest. Since the firm's inception in 1995, Schultz Collins Lawson Chambers, Inc., has been organized as a Registered Investment Adviser, and has accepted fiduciary responsibilities in relationships with our clients.

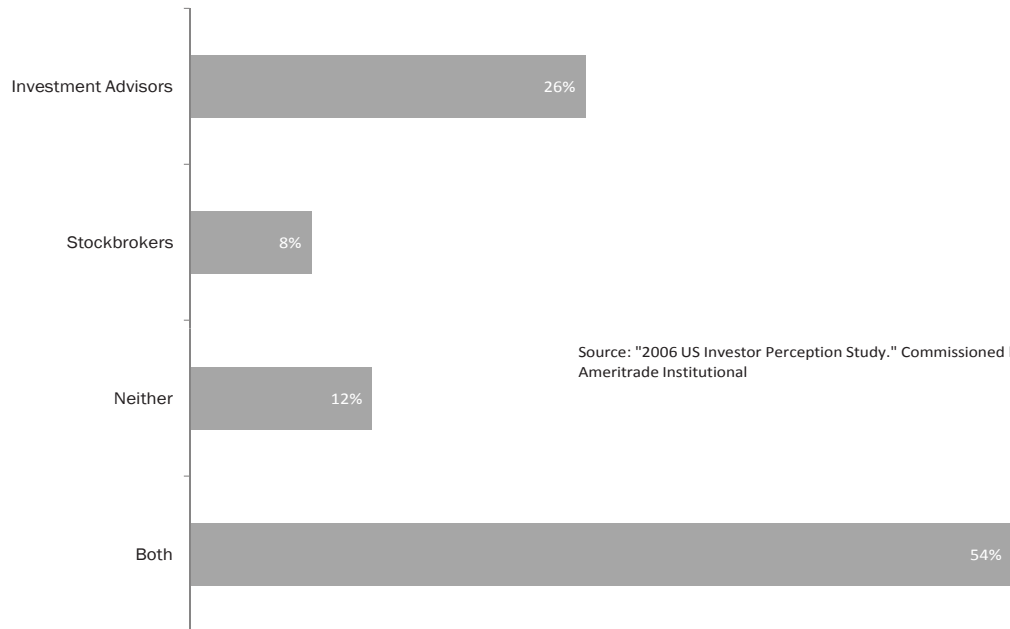
Conversely, registered representatives - typically referred to as stockbrokers, or simply brokers - have been held to a lower suitability

*While brokers are required to provide their services in a just and equitable manner, they have never been required to act in the best interests of the client, nor have they been required to disclose conflicts of interest.*

*Further complicating the matter, some brokers are dually registered, which means that they can serve the same client as both a fiduciary RIA and as a non-fiduciary broker.*

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**Question: Which of the following financial professionals have a fiduciary responsibility to act in the investor's best interest in all aspects of the financial relationship?**



standard. Registered representatives are typically affiliated with broker/dealers that are regulated by FINRA (the Financial Industry Regulatory Authority, a self-regulatory organization controlled and funded by the firms it regulates). A different set of standards applies to insurance brokers, although many financial products they sell (such as indexed annuities) share some characteristics with investment products. While brokers are required to provide their services in a just and equitable manner, they have never been required to act in the best interests of the client, nor have they been required to disclose conflicts of interest.

Although brokers at major broker/dealers routinely provide advice on investments, they usually try to avoid using the title "Investment Advisor," unless they are explicitly acting as an RIA. Using a different title helps them avoid being held to a fiduciary standard. For example, Merrill Lynch, Morgan Stanley, Smith Barney, and Edward Jones typically refer to their brokers as "Financial Advisors." But this relatively subtle distinction is lost on many investors. As indicated in the chart above, a majority of investors believe that both brokers and RIAs have a fiduciary responsibility to act in the best interest of their clients. Interestingly, 20% of investors believe that RIAs do not have a comprehensive fiduciary responsibility to their clients.

Given the broad range of services offered by major broker/dealers, and the ubiquitous marketing messages implying that brokers deliver investment

advice, it's not surprising that many investors are confused by the different standards. Further complicating the matter, some brokers are dually registered, which means that they can serve the same client as both a fiduciary RIA and as a non-fiduciary broker. Broker/dealers have RIA subsidiaries, and their brokers may act as IARs (investment advisory representatives). To resolve this confusion, organizations representing the financial planning industry, such as the Certified Financial Planner Board of Standards, the Financial Planning Association, and the National Association of Personal Financial Advisors, have suggested that Congress or the SEC should mandate a universal fiduciary standard of practice that would apply to anyone providing investment advice, regardless of the type of company that they work for, or the nature of their relationship with their client. SEC Commissioner Elisse Walter succinctly summarized this position in a May 2009 speech, when she said:

*"I believe that regulation of a financial professional should depend on what she does, not what she calls herself or how she is paid. Investors should receive the same level of protection when they purchase comparable products and services, regardless of the financial professional involved."*

### Financial Reform and Progress Toward a Universal Fiduciary Standard

Now that the national debate on healthcare and healthcare reform appears to have reached at least a temporary political resolution, it's reasonable to

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	RIA	Broker
Primary Function	Advice	Facilitate securities sales and purchases
Employment Status	Typically an employee of an independent firm that is not owned by another	Typically an employee or contractor of a broker/dealer firm
Compensation	Typically based on fees paid directly to the RIA firm	Typically based on commissions charged on financial transactions
Key Responsibility	Fiduciary – RIAs are legally bound to serve the interest of their clients	Suitability – a broker must make suitable investment recommendations
Regulation	RIAs are either overseen by the Securities and Exchange Commission (SEC) or state regulatory agencies	Primarily supervised by FINRA, and, in some instances, the SEC and state regulatory agencies

expect that Congress will move forward to tackling another of President Obama's other primary objectives – reform of the regulatory regime governing the financial services industry. The 2008 financial crisis exposed profound weaknesses in the current regulatory environment. Part of the *quid pro quo* for Congressional approval of the massive financial services firm bailouts in 2008 and 2009 – such as TARP, and other similar initiatives – was an understanding that once the crisis had passed, Congress would have an opportunity to reform regulation of banks and other financial service firms.

As part of financial reform, in a June 2009 white paper "Financial Regulatory Reform: A New Foundation," the Obama Administration called for "the establishment of a fiduciary duty for broker-dealers offering investment advice and harmonizing the regulation of investment advisors and broker-dealers."

On December 12, 2009, the House of Representatives passed the Wall Street Reform and Consumer Protection Act of 2009 (HR 4173), intended (like its many predecessors) to prevent future financial crises. The House bill would implement the most sweeping set of changes to the financial regulatory system since the 1930's. It imposes more oversight and stronger capital cushions for the largest banks and Wall Street firms, regulates certain derivative financial products, and creates a new Consumer Financial Protection Agency to regulate products such as credit cards and mortgages. It also takes authority away from the Federal Reserve, allowing Congress to order the Government Accountability Office to audit Fed activities – a power that the Fed asserts would constrain its ability to carry out monetary policy independently from political interference.

The December House bill required the Securities and Exchange Commission to write rules covering brokers

who give securities advice to individual investors. The bill called for extending a fiduciary standard to brokers that is at least as strong as the current standard for RIAs. The rationale underlying this new requirement is that the investment advice provided to individual investors prior to and during the 2008 crisis might have been substandard or inappropriate, because most advisors to individual investors were not providing fiduciary advice.

However, following heavy lobbying by Wall Street firms and the insurance industry against a uniform fiduciary standard, the Senate version of the financial reform package, introduced in mid-March by Banking Committee Chairman Christopher Dodd, dropped a provision from an earlier Senate bill that, like the House bill, would have imposed a fiduciary duty on anyone offering investment advice. Instead, the Dodd bill called only for a one-year SEC study of the issues surrounding adviser and broker-dealer oversight. Critics of the Dodd bill see the call for a study as a delaying tactic, and suggest that all brokers and RIAs should to be subject to the same fiduciary standard, as defined under the Investment Advisers Act of 1940. These critics note that the SEC is already very familiar with issues pertaining to the fiduciary standard, and don't believe that anything material can be gained from further study of the issue.

As of the date of this writing (late March 2010), the Dodd bill had not yet been passed by the Senate, although on March 22, 2010, the Senate Banking Committee did vote to send the Restoring American Financial Stability Act of 2010 to the Senate floor. But presuming that the bill is in fact passed, it will need to be reconciled with the financial reform bill passed by the House in December. The reconciled version must then be approved by both the House and the Senate before it can be signed into law by the President. Thus, there will be many more opportunities for Congress

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to consider adopting a uniform fiduciary standard for both brokers and RIAs.

Given the misconceptions surrounding different financial advisory models and applications of the fiduciary standard of care, we thought it might be helpful to review recent history in the financial services industry, distinctions between RIAs and brokers, and likely future developments.

### History and Background

Prior to 1999, the SEC enforced a relatively clear distinction between brokerage and investment advisory services. Broker-dealer firms could offer investment advice only if the advice was:

- “Solely incidental” to their brokerage business, and
- They did not receive any special compensation for the investment advice.

Thus, a broker could only offer incidental advice on securities transactions where the firm was paid by commission. If the firm received special compensation for that advice, including any fees, the firm would be required to register with the SEC under the Advisers Act. The broker and his employer would then be subject to the same fiduciary obligations as an RIA.

However, by the mid 1990’s the SEC had become concerned that the compensation structure generally employed by most brokers and broker/dealer firms included incentives for inappropriate practices that might lead to excessive trading within accounts (“churning”), abusive selling practices, and unsuitable transaction recommendations. The 1995 “Report of the Committee on Compensation Practices” highlighted fee-based brokerage accounts as a best practice, in part because this type of account eliminates incentives for churning. To clarify circumstances under which broker/dealer firms could offer fee-based brokerage accounts without being subject to registration under the Advisers Act, in 1999, the SEC proposed Rule 202(a)(11)(1) of the Advisers Act – better known as the “Merrill Rule.” The rule was finalized in 2005. Under the Merrill Rule, fee-based advisory and brokerage services could be offered without triggering fiduciary duties or registration with the SEC. However, the Merrill Rule required specific disclosures to clients, such as the following:

*“Your account is a brokerage account and not an advisory account. Our interests may not always be the same as yours. Please ask us questions to make sure you understand your rights and our obligations to you, including the extent of our obligations to disclose conflicts of interest and to act in your best interest. We are paid both by*

*you and, sometimes, by people who compensate us based on what you buy. Therefore, our profits, and our salespersons’ compensation, may vary by product and over time.”*

Despite the required disclosures, broker/dealer firms marketed these accounts using terms like “customized advice.” To the typical investor, who paid a fee for a bundled package of brokerage and advisory services, the accounts looked virtually identical to an account with an RIA. But, at least according to the SEC, these were not advisory accounts. While accounts established under the Merrill Rule did not have any incentives for churning, the existence of these accounts contributed to increased investor confusion regarding the distinction between brokers and RIAs.

In 2006, the Financial Planning Association (FPA) sued the SEC, alleging that in permitting fee-based advisory and brokerage accounts under the Merrill Rule, it had exceeded its statutory authority, thereby harming the investing public and the FPA’s member Registered Investment Advisors. In March 2007, the US Court of Appeals in Washington DC agreed with the FPA, and overturned the Merrill Rule.

### An Emerging Fiduciary Standard of Practice

The ongoing debate regarding fiduciary standards has led many practitioners to revisit what it means to be an investment advisory fiduciary. Repercussions from the 2008 financial crisis have caused numerous investors to review their relationships with their financial advisors – particularly where advisors have not acknowledged any fiduciary duty. Many financial advisors affiliated with broker/dealers left their firms following the crisis, frequently for smaller firms organized as Registered Investment Advisors. Some of these departures were due to the tainted reputation of broker/dealer firms that had accepted federal bail outs – such as Merrill Lynch, Wachovia, or the three broker/dealer firms affiliated with AIG. Other departures stemmed from the advisor’s desire to provide unconflicted advice, and the difficulties inherent in delivering such advice from within a broker/dealer firm. For all these reasons, and more, a consensus of opinion appears to be developing regarding appropriate fiduciary standards that should apply to investment advisory firms. An organization of influential financial advisors, the Committee for the Fiduciary Standard, has voiced a strong opinion on what it means to be a fiduciary. They suggest that Congress should mandate an authentic fiduciary standard for the delivery of investment advice, incorporating five core principles. A fiduciary advisor should:

Merrill Rule Disclosure:  
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1. Put the client's best interests first;
2. Act with prudence; that is, with the skill, care, diligence and good judgment of a professional;
3. Not mislead clients; provide conspicuous, full and fair disclosure of all important facts;
4. Avoid conflicts of interest; and
5. Fully disclose and fairly manage any unavoidable conflicts of interest in the client's favor.

While SCLC is not a member of this particular organization, we support the fiduciary standards it espouses.

### Investment Advice to Participants in ERISA Retirement Plans

One constituency perceived as particularly needing investment advice consists of workers covered by participant directed, tax-qualified defined contribution retirement plans, such as 401(k) plans and 403(b) arrangements. These types of plans are usually governed by the Employee Retirement Income Security Act of 1974 (ERISA). ERISA includes a definition of fiduciary that imposes a standard even higher than that proposed by the Committee for the Fiduciary Standard. Generally, an ERISA fiduciary may not simply disclose and manage conflicts; rather an ERISA fiduciary must avoid any potential conflict, particularly a conflict that could cause variation in the ERISA fiduciary's compensation.

Under an ERISA plan, anyone that "renders investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of such plan, or has any authority or responsibility to do so" is a fiduciary to the plan. The Department of Labor has indicated that this definition applies at the overall plan level, and also at the level of the individual participant account.

Historically, it has been difficult for financial advisors to provide investment advice to participants in 401(k)s or similar plans. Many plan participants have relatively small account balances, so an RIA serving such participants and compensated by fees based on a percentage of assets would usually find the revenues from such an engagement insufficient to cover the cost of the services delivered to each participant. However, nondiscrimination rules prevent advisors from offering advisory services solely to high balance participants. If compensation is paid to the advisor from the plan's investment options – e.g., 12(b)-1 fees paid to broker/dealers by some mutual funds – his advice might change his compensation,

triggering ERISA's prohibited transaction rules. The prohibited transaction rules prevent any fiduciary, or any "party-in-interest," from benefiting from any transaction that they advise on.

On January 21, 2009 (the last day of the Bush Administration), the Department of Labor published regulations defining how investment advice could be provided to participants in ERISA plans without running afoul of fiduciary concerns or the prohibited transaction rules. One of the first actions of the Obama Administration was to delay implementation of these regulations, which were later rescinded. This month, the Department of Labor issued new proposed investment advice regulations. The new regulations narrow the scope of exemptions more than the prior version did, and generally require that any advice be delivered in a fiduciary capacity, and in a manner that does not change the advisor's compensation. The new regulation also includes numerous additional safeguards protecting participants against potentially conflicted advice.

### Migrating to a Universal Fiduciary Standard

Commentators have suggested that mandating that all types of financial advisors conform to a single universal fiduciary standard could have unintended consequences. They note that if no individualized advice is provided in a purely transactional relationship (e.g., a simple direction to a broker to buy or sell a security), then no fiduciary obligation should be ascribed to the relationship. Requiring all brokers to assume fiduciary responsibilities for any relationship could hurt investors by curtailing the range of services brokers provide, or by increasing costs to investors. These commentators suggest that care should be taken to resist a universal fiduciary standard for all brokerage business models. They assert that for many relationships, a universal standard would be impossible or costly to meet, would restrict investor choice, and would drive up costs to investors for services they do not want.

Commentators have also suggested that requiring brokers to register under the Advisers Act would present the SEC and state regulatory agencies with oversight responsibilities that they are neither staffed nor scaled to handle. These commentators suggest that if requirements for RIAs and brokers are harmonized, FINRA would be the right organization to supervise all advisors, since there are currently far more brokers supervised by FINRA than RIAs supervised by the SEC or state regulators. Advocates for a universal fiduciary standard resist this suggestion, observing that culturally and historically, FINRA has regulated to the lower suitability standard historically applicable to brokers, and that FINRA

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would therefore lack the institutional knowledge needed to supervise advisors under a fiduciary standard. This camp typically recommends continued supervision of larger advisors by the SEC, but with a much larger asset threshold – perhaps \$100 million of aggregate client assets, up from the current \$25 million level. The camp further suggests that smaller advisors could be supervised under a new self-regulatory organization organized by a group that is already familiar with the fiduciary standard, such as the CFP Board.

### Conclusions

Significant regulatory changes seem to be in the offing for the investment advisory community, although their exact form and timing remain uncertain. If Wall Street and the insurers get their way in the Senate,

the issue of harmonizing advisor regulation under a universal fiduciary standard may be delayed for at least another year. We expect the disputes over the final terms of a universal fiduciary standard, and over the regulatory body assuming supervision and enforcement responsibilities, to continue. Yet we at Schultz Collins are not particularly worried by these developments. We've always believed in the basic concept of serving clients as a fiduciary – clients place their trust in us, so we have a duty to place their interests ahead of ours. Whatever form the new regulations take, we are confident that we will be able to continue to serve clients as we have in the past, with only limited operational changes required to conform to whatever new regulatory environment we may face.

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with a 582% cumulative return). If historical data are a reliable indicator of future results, the performance of past bull markets has positive implications for the future. A big "if"!

### International Stocks

On the international front, shares in the emerging market economies leveled off after their huge run up last year. India and Brazil managed a 1% gain for the quarter, while China, Singapore and South Korea posted modest declines. Markets in developed foreign countries fared somewhat better, with France up 2.2%, Germany up 3.4% and the UK gaining 5.2%, when measured in their respective currencies. However, a strengthening of the US dollar turned these positive returns negative for US investors. The MSCI Europe Index fell 1.8% for the quarter, in dollar terms. Returns from the Japanese stock market, after coming in near the bottom of the country list last year, posted a strong 7.8% gain for the quarter, while the value of the Yen retreated slightly relative to the dollar.

### Fixed Income

The fixed income markets held steady for the quarter, as corporations were able to borrow at relatively low rates due to persistent investor demand. Over \$35 billion in speculative grade bonds and \$225 billion in investment grade issues hit the markets during the first three months of the year. By the end of the quarter, the yield on the Dow Jones Corporate Bond Index was 4.27%, while the yield on the benchmark 10-Year Treasury was 3.84%. The yield on 10-Year Treasury Inflation Protected Bonds (TIPS) closed the quarter at 1.60%, for an implied expected annual inflation rate of 2.24%.

### Other Categories

So-called "alternative investments," including private equity, hedge funds, and real property, tend to report returns on a lagged basis, due to the challenges of obtaining accurate and timely valuations for the underlying assets. Consequently, we are not yet able to report first quarter 2010 performance for indexes of alternative investments. However, for the twelve months ending December 31, 2009, the CSFB/Tremont Hedge Fund Index reported a gain of 18.9%. Meanwhile, the NCREIF (National Council of Real Estate Investment Fiduciaries) Property Index declined 16.9% last year. The Cambridge Venture Capital Index fell 12.4%, and the Cambridge Private Equity Index dropped 8.9% for the 12 month period. For comparative purposes, investors will recall that the return on the S&P 500 in 2009 was +26.5%, with most other equity categories, such as US small cap, international developed markets, and emerging markets, performing even better than the S&P 500.

### Commodities

Commodities are also positioned as an alternative to traditional stocks and bonds, and their performance can differ markedly from the market – or move in lock step with it, as oil did for much of last year. Lately, the performance of commodities has been weakly correlated with financial markets, thus reinstating, at least for the moment, their reputation as an effective diversifier. The Dow Jones UBS Commodity Index posted a quarterly loss of 5.05%. The Goldman Sachs Commodity Index, which is more heavily weighted in oil, was off 0.89%. The price for a barrel of crude oil on the New York Mercantile Exchange traded as high as \$145.29 on July 4, 2008, before plummeting 74%

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**SURVEY OF INDICES & FUND AVERAGES**  
PERIOD AND ANNUALIZED COMPOUND RETURNS IN PERCENT

	First Quarter 2010	Trailing 12 Months	3 Years Ending 3/31/2010	5 Years Ending 3/31/2010	10 Years Ending 3/31/2010
<b>Inflation Index &amp; Risk Free Rate</b>					
Consumer Price Index	0.17%	2.33%	1.96%	2.42%	2.44%
U.S. 3-Month Treasury Bills	0.02	0.13	1.80	2.76	2.70
<b>U.S. Stock Market (Large Companies)</b>					
Standard & Poor's (S&P) 500 Index	5.39	49.77	-4.17	1.92	-0.65
S&P/Citigroup Large Cap Growth Index	3.71	45.44	-1.01	2.44	-3.69
S&P/Citigroup Large Cap Value Index	7.09	54.68	-7.41	1.26	2.03
Average Large Cap Blend Fund ‡	5.07	50.08	-4.35	1.82	0.21
<b>U.S. Stock Market (Small Companies)</b>					
Russell 2000 Index	8.85	62.77	-3.99	3.36	3.68
Dimensional U.S. Micro Cap Fund	9.52	67.23	-6.12	1.99	5.23
Russell 2000 Growth Index	7.61	60.32	-2.42	3.82	-1.53
Russell 2000 Value Index	10.02	65.07	-5.71	2.75	8.90
Average Small Cap Blend Fund ‡	8.18	65.43	-4.30	2.78	6.10
<b>Real Estate</b>					
DJ US Select REIT	9.81	113.47	-11.99	3.38	11.38
<b>Fixed Income (Bond) Markets</b>					
BarCap Government Bond Index	1.11	-0.13	5.98	5.19	5.93
Avg. Intermediate Gov't Bond Fund ‡	1.59	4.81	5.38	4.66	5.23
BarCap Municipal Bond Index	1.25	9.69	4.56	4.58	5.58
Average California Intermed/Short Muni Bond ‡	1.14	7.81	3.23	3.34	4.10
Credit Suisse High Yield Bond Index	4.48	52.28	5.83	7.16	7.68
Average High Yield Bond ‡	4.26	47.60	3.64	5.52	5.32
Citigroup World Gov't Bond Index	-1.33	6.31	7.17	4.78	6.47
Average World Bond Fund ‡	1.14	17.63	6.23	4.75	6.32
<b>International Stocks</b>					
MSCI EAFE Foreign Stock Index	0.87	54.44	-7.02	3.75	1.27
Average Foreign Large Blend Stock Fund ‡	1.28	53.26	-6.84	3.92	0.54
MSCI Europe Stock Index	-1.80	56.10	-7.81	3.45	1.78
MSCI Pacific Stock Index	6.27	51.29	-5.46	4.33	0.09
MSCI Emerging Mkt Index (excl. dividends)	2.11	77.26	2.84	12.99	7.30
Average Emerging Markets Fund ‡	2.84	81.59	2.22	13.51	8.96

‡ Source: Morningstar Principia 3/31/2010

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to \$37.71 on December 26, 2008. Oil prices have been trending up recently, rising from \$79.36 at December 31, 2009 to \$84.87 on April 2, 2010. This 7% rise in the price of oil may explain why the Goldman Sachs Index lost significantly less than the Dow Jones UBS Index.

### Gold

We rarely report on the performance of gold, but it is interesting that, according to the Wall Street Journal, demand for gold in China has grown an average of 13% annually for the past five years, reaching approximately 443 metric tons in 2009. About 80% of China's annual gold consumption goes towards the making of jewelry. The Journal also reports that last year, China became the world's biggest gold producer, overtaking South Africa. But at its current rate of production China would exhaust its known reserves within the next six years. Gold was up 1.65% for the first quarter.

### Perspective

In early 2009, numerous commentators and prognosticators announced that the concept of asset allocation – the practice of diversifying across different asset classes so as to control risk – was dead. As the global financial crisis of 2008 and early 2009 dampened appetite for all sorts of risky assets, virtually all investment categories experienced significant losses, and asset allocation failed to offer much protection. Commentators suggested that instead of relying primarily on asset allocation to manage risk, investors should be more flexible, selling risky assets when risk was out of favor and markets fell.

That was then. Investors following an asset allocation strategy that included a fixed target allocation to stocks and bonds needed nerves of steel to rebalance back to their target allocations in late 2008 or early 2009. Heavy losses in stocks meant that rebalancing required significant purchases of equities that seemed a lot riskier than they had in sunnier days, funded by selling the bonds, particularly Treasury bonds, that had provided the only port in the perfect storm of 2008. Investors who rebalanced in the depths of the crisis bucked the then prevalent conventional wisdom, and participated in the solid stock market recovery that began in March 2009. Investors who opted instead to sit tight with portfolios newly heavy with bonds also participated in the recovery, albeit to a lesser degree. But investors who accepted the new conventional wisdom, abandoned asset allocation and sold risky assets when they were out of favor, may have missed out on the recovery. As has so often been the case throughout history, the new conventional wisdom of the day turned out to be correct about the recent past, and mistaken about the future.

None of this argues that investors should stick to their guns, come hell or high water. It argues rather that changes to investment policy should be driven, not by the just-so story of the day, but by a careful analysis of recent portfolio behavior *vis-à-vis* personal financial circumstances and objectives. If these dictate a retreat from risk, well and good; but the conventional wisdom is likely to be a contrary indicator.

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## Individual Country Returns First Quarter 2010

	U.S. Dollar	Local Currency
<b>North America</b>		
United States	5.7%	5.7%
Canada	6.1	2.7
<b>Latin America</b>		
Brazil	-1.0	1.3
Chile	1.3	4.8
Mexico	8.5	2.4
<b>Africa</b>		
South Africa	4.1	3.8
<b>Europe</b>		
Austria	-0.6	5.4
Belgium	0.6	6.7
Denmark	7.7	14.3
Finland	9.4	16.0
France	-3.6	2.2
Germany	-2.5	3.4
Great Britain	-1.2	5.2
Ireland	1.3	7.5
Italy	-6.9	-1.3
Netherlands	-1.2	4.8
Norway	-1.2	1.5
Portugal	-9.7	-4.2
Spain	-15.1	-10.0
Sweden	7.5	8.4
Switzerland	3.5	5.4
<b>Asia</b>		
Australia	2.6	0.5
Hong Kong	2.2	2.3
Indonesia	10.8	7.3
Japan	7.4	7.8
New Zealand	-4.2	-1.8
Philippines	8.3	5.9
Singapore	0.2	-0.2
South Korea	2.5	-0.4
Taiwan	-3.0	-3.7
Thailand	10.5	7.2

Source: Dow Jones Global Indexes