

December 31st, 2006

Calendar year 2006 went down in the books as another strong year across the board for equity investors:

S&P 500 Index	15.80%
Russell 200 Index	18.37%
EAFE International Index	26.86%

However, as is usually the case, the only way to participate in the global markets' gains was to completely ignore the doom and gloom forecasts from the mainstream financial press.. Consider the headlines from some of our nation's most trusted and prestigious financial magazines and newspapers just one year ago:

- *"When US consumer-spending weakness is felt globally, export earnings and economic activity will nosedive and murder foreign stocks. Best advice: unload your foreign equities now on all those bullish latecomers."*
A. Gary Shilling, "The Coming Bernanke Bust," Forbes, December 26, 2005.
- *"The good news about last year's flat stock market? Stocks got cheaper. The bad news? They could get cheaper still . . . the market will stay flat as earnings rise—a situation akin to what happened through much of the 1970s into the early 1980s."*
Justin Lahart, "Ahead of the Tape," Wall Street Journal, January 3, 2006.
- *"Americans spent more money than they made last year for the first time since the Great Depression."*
Jesse Eisinger, "Night of the Living Debt," Wall Street Journal, January 4, 2006.
- *"Our five-year forecasts show that most asset classes are expected to earn very little over cash."*
Quotation attributed to Gordon Fowler Jr. of Glenmede Trust Co. Source: Tom Petrino, "Whether or Not to **Heed the Fed,**" **Los Angeles Times, January 8, 2006.**
- *"Mr. Greenspan's departure could well mark a high point for America's economy, with a period of sluggish growth ahead. This is not so much because he is leaving, but because of what he is leaving behind: the biggest economic imbalances in American history."*
Economist, "Danger Time for America," January 14, 2006.

Unlike the others, we freely admit that we have no idea how the coming year will play out for equity investors. However, we will continue to adhere to our fundamental investing tenets:

- (1) Maintain optimism in the long-term prospects for stocks
- (2) Utilize a disciplined investment approach
- (3) Diversify broadly across asset classes
- (4) Ignore the short-term noise.

Here's to a wonderful 2007 and beyond!

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