



First  
Class  
Stamp

Address Label

All work and no play makes Jack  
a dull (but rich!) boy.

“INCOMES ARE LIKE SHOES. IF YOUR INCOME IS TOO SMALL, IT PINCHES YOU; AND IF IT IS TOO LARGE, IT CAUSES YOU TO STUMBLE AND TRIP.”

“If investment waters are muddied, don’t jump in.”

“A banker is a friend who loans you an umbrella, then asks for it back when it looks like it’s going to rain.”

“THE WISE TIME TO BUY SHARES IS AT THE TIME OF MAXIMUM WORRY.”

“He who dies with the most toys wins, but he’s still dead.”

—Excerpts from “Money Doesn’t Grow on Trees”- Breck Speed and Mark Dutton

### ETF Extra – iShares Barclays TIPS Bond Fund (TIP–102.35)

This quarter’s newsletter marks a shift for Sommers Financial Management, as the title of this section has changed from “Stock Spotlight” to “ETF Extra”. Due to the recent changes in the financial markets, we have trended more and more toward using ETFs in place of individual stocks in client portfolios. TIP stands for Treasuries, Inflation-Protected. The Fund is designed to track Lehman Brothers US Treasury Inflation Notes Index that measures the performance of the inflation protected public obligations of US Treasury TIPS Index. As the US Treasury continues to bail out banks and insurers, the resulting printing of money virtually guarantees future inflation. TIP bond yields will rise as the Consumer Price Index (CPI) rises—aiming to protect investors from the pitfalls of inflation risk.

TIP’s Notable Statistics	
Current Distribution Rate:	5.89 %
One Year Return	- 7.43 %
Three Year Return	2.95 %
Five Year Return	3.23 %
Annual Expense Ratio:	0.20 %
Average Credit Quality:	AAA
Maturity Breakdown:	33% 0 to 4 years 38% 5 to 9 years 29% 10 or more years



### Introducing Two New Alliances for Clients of Sommers Financial Management

By Adam Sommers

In the first quarter of 2009, I have established partnerships with two well-respected firms that I hope will add even more value to your relationship with SFM.

#### Edelman Financial

I am now an authorized advisor for the Edelman Managed Asset Program (EMAP), created and managed by the former Georgetown professor and current radio personality and author, Ric Edelman, and his team of investment gurus. EMAP aims to give “mass affluent” investors access to the same investment management strategies that pension funds, endowments and other large institutional investors enjoy.

EMAP was created based on decades of meticulous academic research conducted by the nation's foremost financial scholars: Harry Markowitz (Modern Portfolio Theory), William Sharpe (Sharpe ratio), Eugene Fama, Kenneth French (Fama-French Three Factor Model), Gary Brinson, Roger Ibbotson, and Richard Thaler. These and other leading academics have, over the past 60 years, discovered and established the most effective way to manage money. Today, the nation's largest institutional investors and EMAP use this research to:

- Develop highly diversified portfolios
- Hold those investments for very long periods
- Strategically rebalance as needed

With EMAP you will have access to both SFM and Edelman, hence there is a nominally higher asset management fee than for SFM’s other investment programs. Edelman also requires a minimum of \$50,000, as diversifying into 19 asset classes with less is not advisable. If you are interested in learning more about the Edelman Managed Asset Program, please call the office to schedule a time to meet and discuss this unique opportunity. A link to EMAP has also been provided on our website.

#### Scottrade Advisor Services

Finally, after years of frustration with our preferred custodial broker\*, clients of SFM have an alternative to TD Ameritrade Institutional. Scottrade, a well-respected, low-cost, online discount brokerage firm rolled out an institutional platform for independent advisors within the past year. The good news is 1) Scottrade reminds me of the original Ameritrade Advisor Services—small, dedicated support teams and personalized service. 2) The commission cost to trade stocks and ETFs is only \$7.

However, Scottrade has some limitations in terms of the types of accounts they can custody, and some technical drawbacks that they are working to improve. Despite some of these challenges (that they are aware of and working to fix), Scottrade may be an ideal custodian for most types of clients and/or accounts.

If you are interested in transferring your account to Scottrade Advisor Services, or are at all frustrated with TD Ameritrade, please call the office to discuss the pros and cons of moving your assets from one custodian to another.

#### Five Year Average Annual Returns

- Dow Jones Industrial 30 Average: - 5.3 %
- Standard & Poor’s 500 Index: - 5.8 %
- NASDAQ Composite Index: - 4.7 %
- Russell 2000 Small Company Index: - 5.7 %
- SFM’s MODEL 25 PORTFOLIO: +0.3 %  
(see inside the newsletter for updates to the Model Portfolio)

**SFM's Model AGGRESSIVE  
STOCK Only Portfolio**

Company Name	Risk Grade	P/E Ratio	Growth Rate	Payback Yield
American Eagle Outfitters	D	10.4	13%	18%
Franklin Resources	B-	10.8	9%	18%
<b>Biovail</b>	C	8.7	6%	14%
Coach	D	7.2	13%	19%
<b>Chevron-Texaco</b>	A-	6.7	9%	16%
Cherokee	D	8.0	2%	12%
Endo Pharmaceuticals	D	5.7	12%	18%
EnSCO International	D	4.6	15%	46%
Federated Investors	C	8.2	9%	12%
Forest Laboratories	C	5.9	3%	24%
Graco	D	8.5	11%	12%
Genco Shipping	F	2.3	10%	21%
Google	C	13.3	19%	50%
J2 Global	D	9.5	12%	14%
<b>Microsoft</b>	A-	8.0	10%	15%
NetEase	C	11.9	16%	18%
Nutrisystem	D	7.3	17%	22%
OptionsXpress	C	7.0	15%	16%
Occidental Petroleum	B-	8.6	10%	17%
<b>Phillipine Long Distance</b>	C	7.0	7%	11%
SEI Investments	C	7.5	12%	15%
Silicon Motion	F	3.8	25%	99%
MEMC Electronics	F	7.5	15%	38%
World Acceptance	F	3.6	10%	14%
<b>Exxon Mobil</b>	A+	8.2	7%	13%
<b>Averages:</b>		7.6	11%	23%

**SFM's Model CONSERVATIVE  
INCOME STOCK Only Portfolio**

Company Name	Risk Grade	P/E Ratio	Div. Yield	Ret. on Equity
AstraZeneca	A-	6.5	3.2%	25%
Bristol Myers Squibb	A-	9.2	5.9%	31%
<b>Biovail</b>	C	8.7	12.9%	16%
Colgate-Palmolive	A+	11.7	2.8%	89%
Campbell's Soup	A-	11.1	3.7%	108%
<b>Chevron Texaco</b>	A-	6.7	4.1%	25%
France Telecom	B-	5.5	12.3%	20%
Heinz	B+	10.4	4.9%	51%
Hershey	A-	13.9	3.6%	76%
IBM	A+	8.3	2.2%	60%
Johnson & Johnson	A-	9.9	3.6%	28%
Kellogg	A-	10.1	3.6%	62%
McDonald's	A-	12.6	3.6%	26%
3M	B-	9.3	4.2%	35%
Altria	A+	8.6	7.6%	62%
<b>Microsoft</b>	A-	8.0	3.2%	43%
Novartis	B	9.7	4.6%	16%
Pfizer	B	6.4	9.0%	14%
Procter & Gamble	A-	10.6	3.3%	19%
<b>Phillipine Long Distance</b>	C	7.0	7.1%	35%
Reynolds American	C	7.0	9.3%	19%
Taiwan Semiconductor	A-	24.9	4.6%	14%
Verizon	A-	9.1	6.4%	14%
Windstream	A-	6.3	13.5%	146%
<b>Exxon Mobil</b>	A+	8.2	2.4%	39%
<b>Averages:</b>		9.6	5.7%	43%

**SFM's ORIGINAL "Model 25"  
STOCK Only Portfolio**

Company Name	Value Grade	Cash Flow	Risk Grade	Market Cap
Accenture	B	C	A+	Large
Franklin Resources	B	A-	B-	Mid
Bristol Meyers-Squibb	B	C	A-	Large
<b>Biovail</b>	A	A-	C	Small
Cherokee	B	A+	D	Micro
Colgate-Palmolive	C	B-	A+	Large
Campbell's Soup	B	B-	A-	Mid
<b>Chevron-Texaco</b>	A	C	A-	Mega
EnSCO International	A+	A-	D	Mid
Federated Investors	A	A	C	Small
IBM	B	C	A+	Mega
Johnson & Johnson	B	B	A-	Mega
Medtronic	B	B	A-	Large
McGraw-Hill Publishing	A	B	C	Mid
3M	B	C	B-	Large
Altria	A	B	A+	Large
<b>Microsoft</b>	A	A-	A-	Mega
Nike	B	C	A-	Large
NutriSystem	A	B-	D	Micro
OptionsXpress	A	A	C	Micro
Occidental Petroleum	A	B	B-	Large
Procter & Gamble	B	C	A-	Mega
<b>Phillipine Long Distance</b>	A	A-	C	Mid
Windstream	B	B-	A-	Mid
<b>Exxon Mobil</b>	A	B-	A+	Mega

**Commentary  
& Ramblings**

By  
Adam Sommers



Whew! What a roller coaster ride these last six months have been. I remember in the late 1990s hearing "it's different this time" when tech stocks had risen with "irrational exuberance." We were led to believe that paying \$100 for \$1 of annual earnings was the new way to invest. A new growth paradigm had arisen; and companies like EMC, Micron, Sun, Red Hat (who?) and Amazon were going to grow profits at more than 25% a year to infinity. Or some pundits even spoke of how it shouldn't matter to investors that some of these 'new' tech companies (Amazon and Red Hat) did not make a profit. Well, we now know how those theories turned out.

Here we are, ten years later, and the newest theories are that "this time, it's different. We are entering into a dark period much like the great depression and the government is impotent and incompetent. Gold is the only safe investment [remember the Y2K scare?], and America will be bankrupt before Alexa even thinks about receiving Social Security benefits."

While I agree that we as Americans have dug—and are still digging—ourselves into a deep hole of debt (our government is definitely representative of our citizens in this respect), there are interesting investment opportunities afoot. And I'm not talking about a soft yellow metal.

I'm going to use a bad word to describe a couple of strategies I've been studying lately: Hedging. With the yield spread between high-yield corporate bonds and comparable length treasuries measuring over 10%, high-yield corporate bonds deserve consideration. To limit market exposure, since corporate bonds are not as safe as treasuries, an investor can use a simple ETF to mitigate market risk—and voila, a relatively steady, hedged 7% projected return.

Another naughty word I've been throwing around lately: Naked—as in selling naked options. To reduce the risk of being without cover, you can simply buy an option or ETF to offset your market exposure. I use this strategy in my recently introduced Naked Alpha Fund. A year of real data says from March '08 to March '09, this strategy has returned 7.3% versus a loss of 47.6% for the S&P 500.

These hedging strategies' returns won't make you irrationally exuberant, but they do lessen stomach churn—and they especially shine in down markets.

So do not despair. In all markets, there are ways to earn profits from investments. You just may need the assistance of an astute advisor to find them. (see picture above) 😊

**SFM AGGRESSIVE Stock Portfolio vs.**

**Relevant Benchmarks**

	SFM Aggressive	Russell 2000 Index	Nasdaq Index
3 Month Return:	- 5.4 %	- 15.5 %	- 3.1 %
12 Month Return:	- 35.8 %	- 38.7 %	- 32.9 %
3 Year Average Annual:	N/A	- 14.9 %	- 11.6 %
5 Year Average Annual:	N/A	- 5.7 %	- 4.7 %
ROR Since 4/1/2007:	- 19.6 %	- 23.6 %	- 18.4 %

**SFM Conservative INCOME Stock Portfolio vs.**

**A Relevant Benchmark**

	SFM Income	Dow Jones Industrial Avg.
3 Month Return:	- 10.3 %	- 13.3 %
12 Month Return:	- 28.1 %	- 38.0 %
3 Year Average Annual:	N/A	- 10.5 %
5 Year Average Annual:	N/A	- 5.3 %
<b>ROR Since 4/1/2007:</b>	<b>- 15.1 %</b>	- 19.2 %

**SFM ORIGINAL Model "25" Portfolio vs.**

**A Relevant Benchmark**

	SFM Model 25	S&P 500 Index
3 Month Return:	- 5.7 %	- 11.7 %
12 Month Return:	- 35.1 %	- 39.7 %
3 Year Average Annual:	- 11.5 %	- 12.8 %
5 Year Average Annual:	+ 0.3 %	- 5.8 %
<b>ROR Since 6/1/2003:</b>	<b>+ 5.7 %</b>	- 3.0 %