Sommers Financial Management
PO Box 1552
St. Helens, OR 97051

First Class Stamp

Address Label

I'm not so worried about the return **ON** my money as the return **OF** my money.

"If all persons calling themselves investment advisers were piled on top of each other, beginning at the bottom of the Grand Canyon…it probably would be a good idea."

"IF ONE THING IS PREDICTABLE, IT'S THAT THE MARKET IS UNPREDICTABLE."

"Never pick a stock—pick good management."

"VOLATILITY CREATES OPPORTUNITY. FEAR IS GOOD BUSINESS."

"A company with no debt on its balance sheet will find it very difficult to go bankrupt."

—Excerpts from "Money Doesn't Grow on Trees"- Breck Speed and Mark Dutton

ETF Extra — ProShares Credit Suisse 130/30 Long/Short Hedge (CSM—49.31)

ProShares Credit Suisse 130/30 seeks investment results, before fees and expenses, that track the performance of the Credit Suisse 130/30 Large-Cap Index. The index is designed to replicate an investment strategy that establishes either long or short positions in certain of the 500 largest U.S. market cap equities. Short positions will approximate 30% of index portfolio value. Short sale proceeds are used to purchase 30% more in long positions using leverage.

130/30 portfolios can take advantage of both negative and positive performance expectations for the stocks in their benchmark indexes.

The fund's short positions are intended to increase the potential benefit from stocks with negative expected alphas. And with the proceeds from shorting, 130/30s can take larger overweight positions in stocks with positive expected alphas. This means the 130/30 structure can strengthen the overall investment impact of the fund. In theory 130/30s can provide more potential for risk-adjusted out-performance of their long-only benchmark indexes.

CSM's Notable Statistics

YTD Return (as of 9/23/10):	3.5 %
Dividend Yield:	1.00 %
YTD (6/30/10) Alpha vs. S&P 500:	+ 1.3 %
Total Assets in the Fund:	$ 53.81 mil.
Net Annual Expense Ratio:	0.95 %

Top Long Positions:	Top Short Positions:
Exxon Mobil	FMC Corp.
Apple, Inc.	Marshall & Isley
Microsoft	King Pharmaceuticals

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Money Matter$

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Three Cheers for ETFs—only one for Mutual Funds

By Joyce Pereira

It has become pretty well known that buying a fund that holds a basket (portfolio) of stocks is safer than owning one particular stock. You're diversifying your risk over different areas of the global economy rather than just one. This was the idea behind the first generation of mutual funds. But now, thanks to the power of technology, Exchange-Traded Funds (commonly known as ETFs) have quickly become an investor's new best friend. Like a mutual fund, ETFs allow you to invest in a pool of assets with one easy transaction; but let's take a look at some key differences:

1. ETFs trade like a stock, giving you more control over how you choose to invest. You have the ability to buy a single "share" of an ETF, and do with it all the things you can a stock, like sell short, trade on margin or even buy or sell options on the ETF. You can also simplify your trading by utilizing stop and limit orders. Because ETFs trade like stocks, you can buy and sell them throughout the day. With a traditional mutual fund, this flexibility is lost. You have a minimum dollar amount you must invest which converts into a number of shares purchased at net asset value (NAV) — at the end of the trading day. With intra-day computerized trading dominating the markets, and the after-hours trading scandals perpetrated by mutual funds at the turn of the century, it's no wonder ETFs have become the 'popular new kid on the block'.
2. When it comes time to sell your funds, we see another big difference in process. ETFs trade on an exchange rather than through a fund manager. You sell to another investor, who gives you cash equal to the shares received. With a mutual fund, the manager has to redeem the shares you tender, which might mean selling assets in order to make a cash payment, thereby incurring capital gains on any appreciation on the holdings. Too bad for those shareholders left behind!
3. Turnover and fees are other characteristics that distinguish the two. A mutual fund has a fund manager that selects the holdings, and then proceeds to buy and sell. Morningstar, a leading mutual fund data resource, says the average stock mutual fund experiences 80% turnover annually. All of that trading generates more taxes— in particular short-term capital gains, which are taxed at the maximum rate. Additionally, the commission costs of buying and selling within the fund are passed on to the fund holders; and don't forget the salary for the fund manager, too. It's plain to see there are substantial fees involved with mutual fees. A little known number called the Average Expense Ratio tells all. Referring to Morningstar again, we find the typical mutual fund costs three times more than the average ETF (1.56% vs. 0.40%).
4. The area where mutual funds still outdo ETFs is when dollar-cost averaging: purchasing the same dollar amount of shares on a consistent basis. ETFs incur transaction charges for each deposit. On the other hand, a mutual fund normally waives any fees on recurring deposits, making mutual funds more cost effective in this case. To use ETFs when saving consistently, you could deposit your funds in a money market, and purchase ETF shares less frequently. You may even find yourself better off when you consider the extra expenses of a mutual fund.

For a more technical analysis of the difference between fund types, I invite you to check out the newsletter library on our website at www.sommersfinancial.com. Adam covered 'funds' in the first three newsletters of 2008.

Five-Year Average Annual Returns

• Dow Jones Industrial 30 Average:	0.4 %
• S&P 500 Large Company Index:	- 1.4 %
• NASDAQ Composite Index:	2.0 %
• Russell 2000 Small Company Index:	0.2 %
• SFM's 'MODEL 25' PORTFOLIO:	7.2 %

(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
Amgen	C	8.9	8%	12%
Apollo Education	D	7.5	16%	16%
Aeropostale	D	6.7	15%	18%
AstraZeneca	A-	7.2	0%	10%
Buckle	D	8.5	11%	15%
CNinsure	D	10.6	26%	24%
Education Management	F	4.7	17%	10%
ITT Education Svcs.	D	4.1	16%	26%
Ensco International	C	4.3	8%	15%
Gilead Sciences	B	8.2	13%	15%
Gap Stores	C	7.5	10%	13%
Garmin	D	8.9	5%	17%
H&R Block	D	5.4	11%	11%
Intel	B	8.4	13%	14%
J2 Global	D	10.5	10%	13%
Medtronic	B	8.1	9%	10%
Microsoft	A+	8.7	10%	12%
NutriSystem	D	12.4	18%	10%
Rent A Center	D	5.3	7%	9%
Ross Stores	B	10.1	14%	11%
Seagate Technology	D	3.6	12%	27%
TJX Companies	B+	10.2	14%	10%
US Mobility	C	7.1	0%	13%
World Acceptance	F	6.8	11%	11%
Xilinx	B	10.0	15%	10%
Averages:	**C-**	**7.0**	**11%**	**14%**

SFM's Model CONSERVATIVE INCOME STOCK Only Portfolio

Company Name	Risk Grade	P/E Ratio	Div. Yield	Payback Yield
Abbot Laboratories	B+	11.1	3.5%	7%
AstraZeneca	A-	7.2	2.8%	10%
Bristol Myers Squibb	A-	9.6	4.8%	7%
Colgate-Palmolive	A+	13.3	2.8%	7%
Clorox	A-	12.0	3.3%	6%
Campbell's Soup	A-	12.7	2.9%	6%
Heinz	B	11.9	3.9%	5%
IBM	A+	9.8	2.1%	8%
Intel	B	8.4	3.4%	14%
Johnson & Johnson	A+	10.6	3.7%	8%
Kellogg	A-	11.7	3.2%	6%
Kimberly Clark	B+	11.5	4.0%	6%
Coca Cola	A-	16.1	3.1%	7%
Lockheed Martin	A-	7.9	3.6%	6%
McDonald's	B	14.8	2.9%	6%
Altria Group	A+	10.3	6.1%	6%
Microsoft	A+	8.7	2.2%	12%
Novartis	A-	10.8	3.7%	8%
Pfizer	B+	7.1	4.4%	8%
Procter & Gamble	A-	12.6	3.2%	7%
AT&T	B	9.0	6.1%	5%
UPS	B	14.1	2.8%	4%
Verizon	B	11.1	6.3%	3%
Walmart	A	12.7	2.3%	6%
Exxon Mobil	A-	11.6	2.9%	8%
Averages:	**B+**	**10.8**	**3.6%**	**7.2%**

SFM AGGRESSIVE Stock Portfolio vs. Relevant Benchmarks

	SFM Aggressive	Russell 2000 Index	Nasdaq Index
3 Month Return:	**10.7 %**	10.9 %	12.3 %
12 Month Return:	**7.3 %**	11.7 %	11.6 %
3 Year Average Annual:	**- 5.5 %**	- 5.4 %	- 4.1 %
5 Year Average Annual:	**N/A**	0.2 %	2.0 %
ROR Since 4/1/2007:	**- 4.2 %**	- 4.4 %	- 0.6 %

SFM Conservative INCOME Stock Portfolio vs. A Relevant Benchmark

	SFM Income	Dow Jones Industrial Avg.
3 Month Return:	**9.4 %**	10.7 %
12 Month Return:	**11.3 %**	11.1 %
3 Year Average Annual:	**- 3.4 %**	- 7.5 %
5 Year Average Annual:	**N/A**	0.4 %
ROR Since 4/1/2007:	**- 1.8 %**	- 3.6 %

SFM's ORIGINAL "Model 25" STOCK Only Portfolio

Company Name	Value Grade	Cash Flow	Risk Grade	Market Cap
Abbot Laboratories	C	B	B+	Large
AstraZeneca	C	A-	A-	Large
Bank of New York	B	A+	B	Large
Buckle	A	A-	D	Small
Bristol Myers Squibb	C	A	A-	Large
CNinsure	A+	B	D	Small
Colgate-Palmolive	C	B+	A+	Large
Clorox	C	B+	A	Mid
ITT Educational Svcs.	A	A+	D	Small
Gap Stores	A	B	C	Mid
IBM	B	B+	A+	Mega
Intel	B	C	B	Large
Johnson & Johnson	C	B-	A+	Mega
JP Morgan Chase	B	A+	B	Mega
McDonald's	C	A-	B	Large
Medtronic	B	B	B	Large
Microsoft	B	A-	A+	Mega
NetEase, Inc.	A	A+	D	Mid
Procter & Gamble	C	B	A-	Mega
Rent A Center	A	A-	D	Small
Seagate Technology	A+	A-	D	Mid
TJX Companies	B	B	B+	Large
Taiwan Semiconductor	A+	B	B	Mega
Western Union	B	B	A-	Mid
Xilinx	B	A-	B	Mid

SFM ORIGINAL Model "25" Portfolio vs. A Relevant Benchmark

	SFM Model 25	S&P 500 Index
3 Month Return:	**10.2 %**	10.7 %
12 Month Return:	**8.7 %**	8.0 %
3 Year Average Annual:	**- 4.8 %**	- 8.4 %
5 Year Average Annual:	**7.2 %**	- 1.4 %
ROR Since 6/1/2003:	**14.3 %**	2.5 %

Commentary & Ramblings

by Adam Sommers

I've been racking my brain trying to think of a way to generate yield for clients in this 0% interest-rate-environment. When ten-year (that's a loooong time) bonds generate 2.5% from both municipalities and the US Treasury, and only 5% from A-rated corporations, it is difficult to earn a decent return on your cash.

When I heard the US Postal Service is increasing the cost of a first class stamp in January, first I thought, "here we go again, it seems every two years we see a similar increase." But as I got to thinking, $0.02 on a $0.44 stamp is a 4.5% increase— in line with inflation over the last two years. Too bad wages haven't kept up—oh—except at the Post Office, obviously. I'd sure like to be able to provide my clients with a secure 4.5% return.

Oh, but I can. **Here's some sage investment advice from a humbled investment advisor: Buy Forever Stamps.** Be sure to get them before the end of the year, when they still cost you only $0.44. Buy enough for your entire next year's worth of postage expenses, and you'll earn 4.5% on your money. Heck, buy the next two year's worth of postage expense—you'll still average a 2.2% return over two years—nearly as much as you'd make on a 10-year Treasury bond, but without the long wait.

Another idea is to make this into a business for the next 6 months or year. Buy the Forever Stamps on eBay, or at Costco, at a slight discount to the $0.44 value today. You can usually pick them up for between $0.40 and $0.43 each. Then, you can turn around and **sell them on eBay, or Craigslist—or simply to your neighbors**—after the price of a first class stamp goes up to $0.46 in January. Even considering shipping costs, you should be able to make at least 4% on your investment—that's an even better profit margin than WalMart! I weighed 200 stamps in a secure envelope—it only costs one forever stamp to mail out 200, or less than 1/5 of a penny each.

To recap: Buy Forever Stamps at an average cost of $0.42 each before 2011, then list them on eBay in 200 stamp lots for $0.45 each, with free shipping. You'll make $89.50 (after the stamp and envelope cost) on your $84.00 investment, for a 6.6% return. D'oh...eBay charges a 9.0% commission. Never mind.

Introducing sweet little daughter number two…
Adelyn McCord Sommers, born August 23rd at 1:53pm at Good Samaritan Hospital in Portland, Oregon

Vital Stats:
7 lbs., 15 oz.
21 inches long
Grew 1/2 inch in her first week.
Gained 1/2 lb. in her first week.
Alexa, upon first meeting her: "My hold her?", while leaning in for kisses.