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

First Class Stamp

Address Label

Work as long as you can. Save like you'll need it tomorrow. Live like there will be no tomorrow.

"None of the secrets of success will work unless you do."

"FORTUNE FAVORS THOSE WHO ARE PREPARED."

"Every time a trade was made, somebody was wrong."

"TO ERR IS HUMAN, TO HEDGE DIVINE."

"There is more than one way to skin a cat, and six ways to roll a seven."

"The most motivated employees are married and in debt."

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

ETF Extra — SPDR Convertible Securities ETF (CWB—41.82)

The SPDR Barclays Capital Convertible Securities ETF seeks to provide investment results correspond generally to the price and yield performance of the Barclays Capital U.S. Convertible Bond >$500M Index, an index that tracks United States convertible bonds with outstanding issue sizes greater than $500 million. Convertible bonds are bonds that can be exchanged, at the option of the holder, for a specific number of shares of the issuer's preferred or common stock. Convertibles offer a unique risk-return profile that combines the yield of corporate bonds with the capital appreciation potential of stocks. State Street designs their suite of ETFs to provide portfolios with low portfolio turnover, accurate tracking, and lower costs.

CWB's Notable Statistics

One Year Return (as of 1/31/11):	18.89 %
Year-to-date Return (as of 1/31/11):	1.90 %
Dividend Yield:	3.11 %
Total Assets in the Fund:	$ 717 mil.
Estimated Annual Expense Ratio:	0.40 %

Holdings:

General Motors 4.75%	Bank of America 7.25%
Citigroup 7.5%	EMC Corp. 1.75%
Wells Fargo 7.5%	Ford Motor Cap 6.5%

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Money Matter$

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Ph. (503) 397-1545 www.sommersfinancial.com

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Strategic Investing versus Tactical Investing (Market-timing)

By Joyce Pereira

At the recent "Get Motivated" seminar in Portland, a "Get Rich" salesmen was questioning why you would pay a financial advisor 1-2% when you could do it yourself. But as my husband was quick to point out, you could pull your own teeth instead of going to a dentist, too. What a scary proposition! We pay experts because they have tools, resources and knowledge to get what we need done. The same goes with a financial advisor.

In the world of investment management, there are generally two main strategies. One is called Strategic Asset Management, commonly referred to as passive management. The other is Tactical Asset Management, or active management. In both cases, the advisor uses a variety of financial information about the markets, interest rates, and current economic conditions.

In Strategic Asset Management, the primary goal is to create a target asset mix that will provide an optimal balance between expected risk and return for a long-term investment horizon. The advisor looks at the whole household portfolio along with the age and risk tolerance of the investor, and then makes a calculated decision as to what percentage of money should be placed in each asset class. After percentages are allocated to each class, a timeline as to when the portfolio will be rebalanced to the original target weights is established. Smaller portfolios might be rebalanced annually, and larger portfolios may rebalance quarterly.

The belief in Strategic Asset Management is that it is impossible to know exactly what is going to happen with the market. Your focus is on the big picture, and the assumption that long-term, you will achieve your goals through diversification.

On the other hand, Tactical Asset Management is a method in which an investor takes a more active approach, trying to position a portfolio into those assets, sectors, or individual stocks showing the greatest potential for gains in the short-term. This is like chasing trends, since asset allocations are shifted as market and economic conditions change. An advisor relies on a set of tactics they have developed, and sometimes just plain hunches. Triggers prompt to buy after a market declines and to sell after a market rises. In essence, you are shaving off the highs and lows and taking a less bumpy ride. This strategy usually has a higher turnover ratio and increased trading, generating more transaction costs. Some also argue that this leaves an investor sharply under-invested at the market bottom.

Here at Sommers Financial we always begin with Strategic Asset Management. Modern Portfolio Theory teaches us that a diversified portfolio—taking into account an investor's temperament and situation—rebalanced regularly, has the best chance to achieve an investor's goals, at a lower cost than alternative strategies.

For some clients, we have implemented a "Post-Modern Portfolio Theory", wherein we layer Tactical Asset Management on top of a Strategic portfolio. This strategy results in reduced volatility, as a portfolio is likely out of the market in major downturns, but conversely may be on the sidelines during the early stages of a boom market. This strategy helped SFM clients jump out of the market with approximately 50% of their portfolios in September of 2008, before the 'Great Fall of 08-09'. This Tactical strategy also resulted in clients missing some of the initial jump in stocks in the Spring of 2009.

We encourage you to discuss these options with us, and help determine which portfolio strategy is right for you.

Five-Year Average Annual Returns

- **Dow Jones Industrial 30 Average: 2.2 %**
- **S&P 500 Large Company Index: 0.5 %**
- **NASDAQ Composite Index: 3.8 %**
- **Russell 2000 Small Company Index: 2.0 %**
- **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
Apple, Inc.	B	13.5	21%	6.7%
Amgen	C	8.6	10%	8.2%
Aeropostale	D	7.7	13%	10.0%
AstraZeneca	B	6.4	0%	6.3%
Buckle	C	12.1	11%	7.1%
CNinsure	D	12.1	26%	12.7%
ITT Education Svcs.	D	10.1	9%	12.4%
Ensco International	C	12.0	16%	9.3%
Freeport McMoran	C	3.5	6%	10.0%
Gilead Sciences	B	8.6	13%	8.6%
Gap Stores	B	9.4	10%	7.2%
Garmin	B	10.4	5%	10.0%
Interdigital Comm	D	14.4	15%	8.2%
Johnson & Johnson	A+	10.6	6%	6.2%
Microsoft	A+	8.8	11%	8.9%
Netease.com	C	13.5	18%	10.9%
NutriSystem	D	8.4	18%	8.5%
Oshkosh	D	6.6	13%	13.0%
Rio Tinto	B	6.9	14%	8.5%
Seagate Technology	D	5.2	10%	13.5%
AT&T	A	7.9	6%	5.7%
TJX Companies	B	10.9	14%	6.3%
US Mobility	D	6.9	0%	12.8%
Western Digital	D	6.7	11%	16.5%
World Acceptance	F	7.5	11%	6.7%
Averages:	**C**	**9.1**	**11%**	**9.4%**

SFM AGGRESSIVE Stock Portfolio vs. Relevant Benchmarks

	SFM Aggressive	Russell 2000 Index	Nasdaq Index
3 Month Return:	**7.4 %**	7.6 %	4.8 %
12 Month Return:	**15.0 %**	24.3 %	16.0 %
3 Year Average Annual:	**4.3 %**	7.5 %	7.3 %
5 Year Average Annual:	**N/A**	2.0 %	3.8 %
ROR Since 4/1/2007:	**- 0.2 %**	- 0.5 %	N/A

SFM's Model CONSERVATIVE INCOME STOCK Only Portfolio

Company Name	Risk Grade	P/E Ratio	Div. Yield	Payback Yield
Abbot Laboratories	A	9.2	3.3%	5.1%
Accenture	A	12.9	4.7%	2.2%
American Movil	A	10.5	2.2%	4.2%
AstraZeneca	B	6.4	4.3%	6.3%
Bristol Myers Squibb	B	9.8	3.7%	4.6%
Colgate-Palmolive	A+	12.8	2.2%	4.3%
Clorox	B	11.3	2.9%	4.6%
Campbell's Soup	B	10.8	3.2%	4.2%
France Telecom	B	12.7	5.9%	0.6%
Johnson & Johnson	A+	10.6	3.2%	6.2%
Kellogg	A	12.1	2.7%	4.4%
Kimberly Clark	A	10.7	3.7%	4.1%
Coca Cola	A+	15.6	2.9%	2.9%
Lockheed Martin	A	9.5	3.0%	4.2%
McDonald's	B	12.6	3.0%	5.0%
Altria Group	A	10.8	5.2%	4.0%
Microsoft	A+	8.8	2.0%	8.9%
Pfizer	A	7.3	4.0%	1.9%
Philippine Long Distance	C	7.5	7.5%	4.6%
AT&T	A	7.9	5.8%	5.7%
Telefonica	B	7.9	5.3%	2.1%
Taiwan Semiconductor	A	12.5	3.0%	3.6%
United Parcel Service	A	13.6	2.5%	3.2%
Verizon	B	11.4	5.2%	0.1%
Walmart	A	9.4	2.1%	4.9%
Averages:	**A-**	**10.6**	**3.7%**	**4.0%**

SFM Conservative INCOME Stock Portfolio vs. A Relevant Benchmark

	SFM Income	Dow Jones Industrial Avg.
3 Month Return:	**4.6 %**	6.4 %
12 Month Return:	**9.0 %**	13.5 %
3 Year Average Annual:	**1.2 %**	0.2 %
5 Year Average Annual:	**N/A**	2.2 %
ROR Since 4/1/2007:	**0.2 %**	**- 0.7 %**

SFM's ORIGINAL "Model 25" STOCK Only Portfolio

Company Name	Value Grade	Cash Flow	Risk Grade	Market Cap
Abbot Laboratories	B-	B	A	Large
American Movil	C	A-	A	Large
AstraZeneca	C	A-	B	Large
Colgate-Palmolive	C	B	A+	Large
Clorox	C	B	B	Mid
Chevron-Texaco	A-	C	B	Mega
Freeport McMoran	A+	A	C	Large
Gilead Sciences	D	A	B	Large
Gap Stores	A-	C	B	Mid
Johnson & Johnson	C	B	A+	Mega
Kimberly Clark	B+	C	A	Large
Microsoft	C	B+	A+	Mega
NutriSystem	A+	C	D	Micro
Oshkosh	A+	A-	D	Mid
Philippine Long Distance	B-	A	C	Mid
Rio Tinto	A-	A-	B	Mega
Seagate Technology	A+	B+	D	Mid
AT&T	A-	B	A	Mega
Telefonica	A-	A-	B	Large
Taiwan Semiconductor	D	A	A	Large
United Parcel Service	B-	B	A	Large
US Mobility	A-	A-	D	Micro
Verizon	B-	B	B	Mega
Western Digital	A	A-	D	Mid
Walmart	A-	C	A	Mega

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

	SFM Model 25	S&P 500 Index
3 Month Return:	**6.5 %**	5.4 %
12 Month Return:	**12.2 %**	13.4 %
3 Year Average Annual:	**3.8 %**	0.1 %
5 Year Average Annual:	**7.2 %**	0.5 %
ROR Since 6/1/2003:	**17.1 %**	4.7 %

Commentary & Ramblings

by Adam Sommers

Many people are having conversations about the future value of a dollar—a U.S. dollar, to be specific. With our Federal Debt topping $14 Trillion (yes, with a T), and government spending and our annual deficit out of control, investors should begin to worry about the value of the U.S. Dollar. All the while, Ben Bernanke and the Federal Reserve Board continue to expand their balance sheet (print money) to buy Treasuries via QE2.

I hear many people who lament that the Greenback is a "fiat currency"; that gold is the only real currency. Others have begun to look to Australian or Canadian dollars, or Swiss Francs. Some in the world are wondering if the Chinese Yuan or the Euro will be the next reserve currency when our government and financial system inevitably fail due to fiscal irresponsibility. Where to turn?

I believe that long-term, the U.S. dollar is headed for trouble. However, I don't have the confidence to make a bet on a better worldwide currency. Gold is not practical. All other governments are even shadier or less stable than ours. The Euro has proven to be less than ideal over the past few years, with individual members of the European Union over-extending themselves without the ability to "print euros" like we here in the U.S. can print dollars.

I think the answer lies in what a dollar will purchase in the future. Because oil and other commodities are primarily traded in U.S. dollars—and because I see no alternative currency—I believe commodities, rather than currencies, are the appropriate hedge against a fall in the value of a dollar.

We are already seeing a devaluation of our currency in 2011. Just take a peek at the price of oil, or the price of gold. Yes, the Japanese Yen is up nicely versus the dollar this year, but Japan has been in a recessionary environment for more than two decades, and is worse off than the United States according to statistics like total debt to GDP.

Currencies are a speculative bet, in that there is no "intrinsic value" to a currency. Commodities, on the other hand, have utilitarian value. Especially oil. Agricultural products and precious metals have their practical benefits too, but the world—figuratively—turns because of oil.

So with unrest and unease in the Middle East, and the U.S. dollar appearing precarious due to governmental imbecility (e.g. David Wu or Harry Reid), how do you protect your purchasing power now and in the future? Maybe it's time to buy oil company stock, mining company stock, energy infrastructure partnerships, or good old real estate. Or, will you trust in the value of U.S. government-backed and -issued Inflation-Protected Securities (TIPS)?