

ARS Insights

Anderson, Riley, & Spoor, P.A.

Registered Investment Advisor

Index Returns

2007

• S&P 500	5.49%
• Dow Jones Industrial	8.88%
• Russell 2000	-1.57%
• EAFE (Int'l Index)	11.17%
• Lehman Bros. Agg. Bond	6.97%
• DJ-AIG Commodity Index	11.33%
• DJ-Wilshire REIT Index	-17.56%

One for the Record Books

2007 was an exciting year on many fronts. The volatility of the markets increased considerably during the later half of the year due to the weakening housing market, the sub-prime mortgage meltdown that has plagued many financial institutions, rising commodity prices and fear of a U.S.-led economic slowdown.

These facts notwithstanding, our accounts had solid performance during 2007 thanks to our diversified, balanced approach. Since the majority of our clients are near or in retirement, they tend to share two conflicting investment objectives: PRESERVATION OF PRINCIPAL and GROWTH.

The challenge of having these two conflicting investment objectives is that the more you have of one, the less you will have of the other. In most cases, our account allocations are balanced between preservation and growth, which helps to reduce overall volatility in uncertain markets like these.

We saw a marked increase this year in the number of referrals of friends and family from existing clients. For this we say "Thank You." ARS experienced another year of tremendous growth, with assets under management increasing 44%. During the summer, *Wealth Manager Magazine*

-Tony Anderson, President

recognized ARS as one of the top wealth management firms in the country, as did *Reuters AdvicePoint* this past fall. While it is nice to be recognized within our industry by our peers, the opinion that matters most is that of our clients. Regardless of our size, we will strive to always maintain a personalized approach focused only on our clients' needs.

Because of the continued growth of our firm and our desire to maintain a high level of customer service, we have added another professional to the ARS staff. Andrew "Drew"

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Theme for 2008: Continued GLOBAL Growth

For nearly 5 years the US stock-market advanced without a 10% correction...an historical record. Then, during July the market began to correct with volatility skyrocketing, as the fallout from sub-prime mortgage defaults began to surface on the balance sheets of financial institutions. Since July, volatility has continued which doesn't appear to be waning. The US Economy at the very least will slow and may slip into a recession. As a result, stock prices are reflecting this uncertainty. Fortunately, fixed income investments, com-

modities, commodity-type stocks, consumer staples and healthcare performed relatively well, helping to offset the negative volatility in equities in general. This leads us into the next topic, which we've discussed many times in past newsletters...the spread of capitalism around the globe.

The impact from the spread of global capitalism presents many challenges and opportunities. When demand for a good or service exceeds the supply, prices rise (Economics 101). The increased demand for raw

materials from many emerging economies is surging, while supplies remain tight. Supplies remain tight due to a lack of investment in "infrastructure" over the past 20 to 30 years. Companies chose not to invest in infrastructure due to insufficient returns on capital. Now the world finds itself in a situation where demand is surging, but the infrastructure (supply) is way behind the demand curve. As a result, the past two years have witnessed many commodities reaching all-time or decade-high prices.

-Kurt Ulrich, CFA, Chief Investment Officer

We all know what the price of Oil has done as it hovers near \$100 per barrel, but look beyond oil. During 2007 wheat hit an all-time high, as did corn, soybeans and most recently...gold. All of this makes it obvious that inflation is a real and growing phenomenon that has been fairly dormant since the late 1970s and early 1980s. The two areas to focus on in the months and years ahead are related to energy and food. Without energy, the world's economy can't function. Without food, humanity can't

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Anderson, Riley & Spoor, P.A. has made a strong commitment in talent, resources, and technology to address the financial needs of affluent individuals and their families. ARS is committed to finding solutions for building and preserving wealth for our clients. ARS offers objective, independent fee-only investment advice to our clients. We are able to offer choices and flexibility that many other investment managers can't even consider. ARS has been managing assets for our clients since 1997. Our affiliation with Spoor & Associates, P.A., a CPA firm with over 30 years experience, means we have the knowledge and expertise to handle our clients' unique financial needs.

If you would like additional information about the services offered by Anderson, Riley & Spoor, P.A., please contact us at (727) 322-7681.

We're on the Web! www.arsinvestments.com

One for the Record Books... (cont'd. from pg. 1)

Swenson joined our firm at the beginning of 2008. I have known Drew personally for over 5 years and am very excited to have him join ARS. Drew has many years of experience in the financial services industry and has spent the last five years working with Matador Capital. While at Matador, Drew worked as an analyst assisting with the management of over \$800 million.

As always, if you have any questions or if you would like to schedule an appointment to review your portfolio, please do not hesitate to contact us. If you ever have suggestions as to how we can improve the services we provide, please let us know.

Take care and God bless,

-Tony Anderson

"Be more concerned with your character than your reputation, because your character is what you really are; your reputation is merely what others think you are."

-John Wooden

Theme for 2008... (cont'd. from pg. 1)

function. This sounds a bit melodramatic, but food and energy shortages may present some significant opportunities and challenges in the months/years ahead.

Again, as different assets and sectors move in and out of cycles, our job is to identify those areas which appear to represent the best risk/reward characteristics, and invest accordingly. With the global surge in demand for raw materials, commodity-type stocks and commodities themselves have provided buoyancy to portfolios throughout the past couple of years. In addition, sectors such as Basic Materials, Consumer Staples, Healthcare and Energy have also provided above average or at least stable returns during this volatile period. In the fixed income arena, we've emphasized non-dollar denominated bonds, Treasury Inflation-Protected Securities (TIPS) and short-duration Certificates of Deposit. All of these areas helped to reduce risk in portfolios, while providing above-average returns.

In looking ahead to 2008, many of the same opportunities still exist, but new ones are being created as many assets are re-priced (downward). While far from perfect, we will continue to diversify into those assets that appear to be undervalued and/or mispriced, as we navigate the investment landscape seeking to provide our clients with stable, inflation-adjusted returns.

-Kurt Ulrich

If you would like a copy of the most recent version of our Form ADV Part II, one is always available to you upon written request.