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Third Quarter 2008

ARS Insights

Anderson, Riley, & Spoor, P.A.

Registered Investment Advisor

Index Returns

Second Quarter 2008

S&P 500	-2.7%
Dow Jones Industrial	-6.9%
Russell 2000	0.6%
EAFE (Int'l Index)	-3.5%
Lehman Bros. Agg. Bond	-1.1%
DJAIG Commodity Index	15.6%
DJ-Wilshire REIT Index	-4.9%

We are proud to announce that for the third time Anderson, Riley & Spoor has earned a coveted place on the 2008 *Wealth Manager* magazine ranking of America's top wealth managers.

Turbulent Times - Tony Anderson, President

It's been 12 months since the market started going down last July and 8 months since the market-peak back in October 2007. The market is now down more than 20% since the peak in October, which "officially" puts us into "bear market" territory. While this part of the market cycle is never comfortable, one silver lining is that our conservative/balanced approach has allowed us to avoid the majority of the downside. Our focus in this turbulent time is to preserve our clients' principal while looking for pockets of opportunity to generate positive returns.

During a "bull" market, when the market is going up, it is advantageous to take a broad based approach to investing. But during times like this, when we are in a bear market, it is more effective to take a focused or tactical approach to investing. Over the past 9 months we have been reducing our broad market exposure and replacing it with a more focused approach to those areas or sectors of the market we believe will hold up and/or rise in this weak economic environment.

The term "stag-flation" comes from combining two words "stagnant" and "inflation". We are currently experiencing a stag-flationary investment environment in the U.S.: stagnant/slow economic growth (typically not good for most equity investments) and rising inflation (typically not good for most bond investments).

To add to the challenge, the market is being affected by several different issues, including: higher oil, higher food costs, rising overall inflation, lower housing prices, banking/financial issues, geopolitical risk (i.e. Iran), etc. Given the multitude of issues faced by the markets and economy, we don't see a quick or easy fix. Each of the issues listed above will need to be addressed and/or resolved overtime before we will see a sustained rally in the overall market.

Two items you may have noticed in your accounts over the past few months are increased account activity and higher

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A Long-tern view - Kurt Ulrich, CFA, Chief Investment Officer

It's all about DEMOGRAPHICS… Over the years I've learned more and more the importance of demographics and their long-term impact on the economies of the world. Japan spent a decade mired in deflation partly a result of the demographic makeup of its citizens. After Japan's post-war industrial expansion, population growth slowed. As a result the Japanese economy was forced to rely on exporting goods and services in order to grow. Many European countries now face the same predicament. As their workforces shrink and their populations age consumption will fall forcing a reliance on exports to grow their economies. (Germany is now the world's largest exporter). The aging of the industrialized nations is causing a paradigm shift in world power to the Developing nations. This transition will continue for a long time.

Over the years the Developing nations stood by and watched the economies of the industrialized nations grow. The International Monetary Fund (IMF) and World Bank encouraged Developing nations to adopt ill advised economic policies causing significant currency devaluations. Now, many of these Developing nations are practicing capitalism in some form and have recovered from these missteps. Having learned some valuable economic lessons they are now flush with cash and enjoy high savings rates, little to no debt, and strong currencies. It has been an amazing transition! It is for these reasons they should weather higher prices and economic slowdowns much more effectively (assuming they continue to embrace free markets) than the developed nations who are faced with a shrinking workforce, huge debt, slow growth and weak currencies.

Our mantra will be to invest in those sectors/industries building, making or creating the goods or services to meet the needs of the "emerging" consumer in the Developing economies of the world. New infrastructures are being built in these countries spurring incredible demand for raw materials and energy. Higher protein foods are also in high demand fueling the price increases in that sector. This global power shift is sure to increase the rate of inflation around the world and is part of the challenge facing investors.

THE SHORT-TERM

With regard to Inflation…

As we've been stating for a long time the increased demand for food, energy and raw materials coming from countries such as

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Anderson, Riley, & Spoor, P.A.

Registered Investment Advisor

6830 Central Avenue, Suite A
St. Petersburg, FL 33707

Phone: 727-322-7681
Toll Free: 888-322-7681
Fax: 727-345-3116

Anthony Anderson, MBA
President & COO
taa@arsinvestments.com

G. Kurtis Ulrich, CFA
Chief Investment Officer
gku@arsinvestments.com

Andrew Swenson
Portfolio Manager
ajs@arsinvestments.com

Kathleen Byer
Operations Manager
khb@arsinvestments.com

F. Gordon Spoor, CPA,PFS
Vice President
fgs@spoorcpa.com

Robert J. Riley
Principal
rjr@spoorcpa.com

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

Turbulent Times … *(cont'd. from pg. 1)*

than normal money market balances. The increased activity is due to our rebalancing efforts and tactically positioning the portfolios to preserve principal and achieve growth. Prior to making any portfolio changes, we always consider the cost as well as the tax implication of the change. With the increased market volatility and overall downward bias, we are maintaining higher than normal money market balances. The increased money market balances are not a long-term investment strategy, but more a short-term safe haven till we have more clarity in the market.

During these turbulent times, it is natural to feel uneasy about your savings. The science of behavioral finance shows that when markets are going up, people tend to believe their risk tolerance is higher than it actually is. When markets are going down, people tend to believe their risk tolerance is lower than it actually is. These "feelings" can sometimes lead to investors making untimely changes to their investments (buying high and selling low…). Part of our job is to help you remove the emotion from investing.

If you would like to schedule an appointment to review your current situation, portfolio, goals and objectives please contact our office. We truly value the trust you place in our firm and will continue to work hard to help you reach your long-term investment goals.

Sincerely,

Tony Anderson

A Long-term View… *(cont'd. from pg. 1)*

China and India (among others) is testing the world's supply infrastructure. For years the infrastructure was able to adjust to changes in demand causing prices of most of commodities to wax and wane in a cyclical fashion. Booms and busts were repeated every few years. The producers of these commodities had little incentive to invest in infrastructure as the returns were fairly low and unpredictable…so they didn't.

Now, with inventories of many commodities at or near all time lows and worldwide demand continuing to pressure prices the "supply" isn't coming on as many expected. The "boom" isn't "busting" and inflation *expectations* are now beginning to increase. Hopefully, the increased prices will slow worldwide growth and help to keep wage pressure at bay….but don't count on it.

The best defense for these particular challenges is to diversify investments across a broad array of assets, many of which move in different directions at different times (low correlation to each other). For instance, short-term high quality bonds may do well in a geopolitical crisis while most equities won't. Commodities and commodity-type stocks should do well in an inflationary environment while long term bonds and certain sectors of the stock market may not.

Overall, we are taking a cautious stance emphasizing capital preservation followed by the pursuit of inflation-adjusted growth. Being in the right place at the right time combined with diversification should enable us to continue to meet our long-term investment goals and objectives in the years ahead.

My best,
Kurt

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.