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Third Quarter 2009

ARS Insights

Anderson, Riley, & Spoor, P.A.

Registered Investment Advisor

Index Returns

Second Quarter 2009

S&P 500	15.9%
Dow Jones Industrial	11.0%
Russell 2000	20.2%
EAFE (Int'l Index)	23.8%
Barclays Cap Agg. Bond	1.8%
DJUBS Commodity Index	11.6%
DJ-Wilshire REIT Index	31.5%

"The two enemies of the people are criminals and government, so let us tie the second down with the chains of the Constitution so the second will not become the legalized version of the first."
"The democracy will cease to exist when you take away from those who are willing to work and give to those who would not." Thomas Jefferson

Perspective... - Tony Anderson, President

What a difference three months make. Stocks just finished their best quarter since 2003. The Dow Jones Industrial Average is up 29% from the 12-year low it hit on March 9. In the second quarter the Dow was up 11%, but is still down -3.8% for the year and remains down -40% from its all-time high reached on October 9, 2007.

The broader S&P 500-stock index finished June up 15% for the quarter and is up 1.8% for the year. Emerging markets and commodities were also big winners during the quarter, primarily on hopes for a global economic recovery. Another sign of renewed "hope" for a global recovery was the rise in crude-oil prices, which posted their biggest quarterly percentage gain since 1990.

The financial sector performed best during the second quarter, benefiting from the spread between its cost for money (near zero from the Fed) and the relatively high interest rates banks are able to charge consumers. The energy and materials sectors also performed well on expectations of a global recovery led by the emerging-market economies, where demand for raw materials is high. The technology sector rose in part due to the idea that companies around the globe will spend on technology to boost productivity.

After rising so far so fast, the market started showing signs of fatigue toward the end of the second quarter. The expectation that the "worst is behind us" and that the future will be brighter than the past is already completely factored into the market. Instead of trying to time (which is futile) when the economic recovery will occur, we are spending our time trying to formulate an understanding of what the economic recovery will look like. What geographic regions will prosper? What sectors and industries will experience the best fundamental growth? What areas of the bond market offer the best risk/reward potential? Etc.

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What a wild ride... - Kurt Ulrich, CFA, Chief Investment Officer

The financial crisis and bursting of the debt bubble has taken quite a toll on the equity markets around the world. The big questions are "Has the bottom been put in place?" and "When will our economy begin to improve?". Based on the passage of time this recession appears to be well into the bottoming process. However, there are many points worth considering when analyzing economic conditions. The economy appears to be looking for an end to the recession but there is scant evidence to indicate normal growth will resume anytime soon. The news emerging appears to be less "bad" but doesn't indicate a turn is in the works. While there have been a few positive economic signals and the stock market bounced off its lows there is now talk of another stimulus package to meet the additional challenges ahead as higher unemployment and continued fallout from the financial crisis unfolds.

HAS THE STOCK MARKET ALREADY PRICED IN THE BAD NEWS? This is a very difficult question that can only be answered with the passing of time. The most likely scenario indicates the market will probably remain volatile and "choppy" for a long time. Typically, over the long-term stock prices reflect the health and growth of the economy. For years the US Consumer, banks and the US government increased leverage on a massive scale. While the debt bubble has burst for the consumer and for the banks, the government is increasing its debt like never before in order to stimulate the economy, provide capital to the financial system and pay interest. Since we are a consumer-based economy the "de-leveraging" by US consumers will limit growth potential for years to come. In addition, the increase in government debt will likely contribute to the future drag on economic growth, devalue the dollar and increase the potential for high inflation.

However, while it may be slow going here in the US things aren't as bad in other areas of the globe. Many of the emerging nations have also experienced a slowdown but not a recession. China is still growing around 6.5 to 7%...down from the low double digits...but still growing. Its consumers have high saving rates and little to no leverage. In addition, the Chinese government has huge cash

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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

Perspective... *(cont'd. from pg. 1)*

We term our approach "TACTICAL" ASSET ALLOCATION. This means that we'll allocate assets to those investment opportunities that appear most attractive. When things change (and they always do) we won't hesitate to tactically shift the assets to areas that feature better risk/reward potential. Our goal for any investment is to achieve an attractive return after factoring in the potential risk necessary to achieve that return. Thus, an attractive risk adjusted return is what we are looking to achieve.

While the market recovery and reduced volatility of the past three months has been a welcome change, the investment environment is no less challenging today than it was 12 months ago. The rapidly changing environment we are currently living in requires a thoughtful, proactive, hands-on investment approach. Rest assured that we are working diligently to grow and protect your investments.

As always, if you should have any questions or suggestions for how we can improve our level of service please contact our office.

Regards,

Tony Anderson
President

P.S. In an effort to conserve resources we would be more than happy to send newsletters via email. Please contact Lois at lac@arsinvestments.com if this is your preference. Thanks.

What a wild ride... *(cont'd. from pg. 1)*

reserves, a portion of which are being spent in a more sensible way to stimulate its economy. Because of their huge populations, as the emerging nations improve living standards the companies that sell what these emerging consumers need should flourish.

We expect the US stock market to continue to bounce around for the foreseeable future. However, there are plenty of solid companies with strong balance sheets doing very well. While no one knows what lies ahead for the market the relative valuations suggest this is a good time to be adding to some of these global stalwarts.

At this time a cautious stance is warranted until there is more economic clarity. Fortunately, there are areas to invest that do appear to offer attractive risk/reward metrics. Investment grade corporate bonds have higher than normal yields versus treasuries. We'll continue to invest in them. We are also finding individual situations that offer above average dividends where the risks appear justified.

During meetings with prospective clients I always convey...*"Our primary objective is to protect the wealth you've spent a lifetime building"*. This is a charge we will continue to uphold.

Best Regards,

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.