

# ARS Insights

Anderson, Riley, & Spoor, P.A.

Registered Investment Advisor

## Index Returns

### Third Quarter 2009

• S&P 500	15.6%
• Dow Jones Industrial	15.0%
• Russell 2000	18.9%
• EAFE (Int'l Index)	18.8%
• Barclays Cap Agg. Bond	3.7%
• DJUBS Commodity Index	4.2%
• DJ-Wilshire REIT Index	35.4%

**“A government that robs Peter to pay Paul can always depend on the support of Paul.”**

**-George Bernard Shaw**

## Getting Clearer - Tony Anderson, President

In 1972, Johnny Nash had the number one hit song titled, “I Can See Clearly Now”. The chorus to the song went:

*I can see clearly now, the rain is gone,  
I can see all obstacles in my way  
Gone are the dark clouds that had me blind  
It's gonna be a bright, bright Sun-Shiny day.*

That was easy for Johnny Nash to say. While we enjoyed a strong third quarter that saw both the economy and the stock market continue to improve, there are still many obstacles in our way preventing us from feeling quite as optimistic as Johnny Nash felt in 1972.

Let's start with the positives: Over the short term, we expect the economy and the market to continue to show signs of improvement, consistent with entering the early stages of an economic recovery. As such, we will continue to emphasize those asset classes and sectors that perform best during the recovery phase. Examples of areas we are currently emphasizing include small cap value, technology, investment grade corporate bonds, certain preferred stocks, and the commodity rich Canadian stock market.

Another area that has garnered attention lately has been the weakening U.S. dollar. The dollar has been under a lot of pressure, whether it's the U.N.

calling for a “new” global reserve currency or stories of countries holding “secret” meetings to discuss trading oil in something other than U.S. dollars. We at ARS believe strongly that the best way to protect against and benefit from a weakening dollar, is to maintain a global perspective as we position portfolios.

Unfortunately, unlike Johnny Nash, we can't see all the obstacles in our way. Some obstacles are closer and easier to see, like rising unemployment, high debt levels and a weak U.S. consumer. Some obstacles are further off and not yet clear, such as potential inflation, geo-political risk and fur-

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## The Importance of Perspective - Kurt Ulrich, CFA, Chief Investment Officer

Survival depends on one's ability to change and adapt to his environment. The investment environment has encountered significant changes the past decade and in particular the past year. US consumers have been increasing debt levels for a generation in order to increase consumption helping to fuel our economy. The US government has also been adding huge amounts of debt by increasing social outlays. Over the past year, the US Government debt has ballooned as a result of the financial crisis and stimulus package. While we've been gorging ourselves on debt and

living beyond our means many emerging economies have experienced explosive growth without incurring the burden of debt enabling their consumers to enjoy increased standards of living.

Such factors are significant in and of themselves but taken together make these times much different than any we've experienced. Bill Gross heads up one of the largest fixed income management companies in the world at PIMCO. Mr. Gross calls this a “new normal”, defining it as a period in which US economic growth will be less than normal for a sustained

period of time as the US consumer “de-leverages” while emerging nations continue to drive worldwide economic growth.

As an investment manager we must continually be aware of the big “macro” picture and develop investment themes from a global, not just US, perspective. While the US is still the world's largest economy and, therefore, will continue to have the largest global impact, it is quickly losing ground to China.

**The US markets and economy...**  
I can't remember a time when opinions varied so widely among

experienced and successful investment sages. There is factual data which supports an economic recovery (bullish for stock prices) and factual data which supports increased economic weakness (bearish for stock prices). Currently, after such a huge rally stock prices appear ahead of their underlying fundamentals. Thus, determining a short-term investment outlook for the stock-market is difficult at best. Fortunately, our accounts are well diversified and not tied completely to the movement of stock prices.

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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

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

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

**Robert J. Riley**  
Principal  
rjr@spoorcpa.com

**Andrew Swenson**  
Portfolio Manager  
ajs@arsinvestments.com

**Lois Conger**  
Operations Manager  
lac@arsinvestments.com

**James Serrano**  
Director of Business Development  
jas@arsinvestments.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.*

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### Getting Clearer *(cont'd. from pg. 1)*

ther economic weakness.

Longer term, we expect to see growth in the U.S. economy moderate below the historic average of 3% - 4%. Despite this lower growth environment for the US. and other developed countries, there will continue to be attractive opportunities within certain sectors of the market. One theme that we believe will provide attractive investment opportunities longer-term will be the continued development of the emerging markets.

Recently we've heard from several clients who have been solicited with different "investment opportunities", some of which turned out to be scams. If you are presented with or are considering an investment opportunity, such as a private placement, annuity, or off-shore CD, we invite you to contact us for a free, unbiased analysis of the opportunity. We will use our experience and resources to help determine if the investment is legitimate and appropriate for you.

If you would like to schedule a meeting to review your current portfolio and to discuss any investment questions you might have, please contact our office at (727) 322-7681. Rest easy knowing that we will not stop working hard to continue to earn your trust and to help you achieve your investment goals.

Kind Regards,

Tony Anderson

### The Importance of Perspective *(cont'd. from pg. 1)*

From a longer-term perspective the following facts make it a bit easier to determine certain outcomes: 1. US consumers have record levels of debt; 2. ...So does our government; and, 3. The dollar has weakened dramatically the past decade approaching an all-time low. These facts along with many others suggest economic growth will be tepid at best for a sustained period as consumers deleverage and the US Dollar weakens further. These factors will influence our thoughts for years to come as we frame our investment decisions.

**The Global markets and economies...**China and India (over 1/3<sup>rd</sup> of the world's population) are experiencing massive "industrialization" causing economic growth to far exceed that of the developed nations. Chinese consumers enjoy high savings rates and increased incomes. Their government has substantial excess reserves providing plenty of economic fuel as their leaders continue to migrate toward capitalism (while, ironically, the US drifts toward socialism).

As global leadership continues to swing toward emerging economies demand created from improved living conditions for such a large percentage of the globe's inhabitants will bring opportunities and challenges. While inflation appears dormant in this slow-to-no-growth environment here in the US it will wake up at some point presenting additional factors to consider. Through all of these transformations we will remain flexible and adapt to these changes seeking to maintain a disciplined strategy for managing risk while pursuing opportunities viewed through a global lens.

God bless, Kurt Ulrich

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