Anderson, Riley, & Spoor, P.A.

Registered Investment Advisor

November 13, 2009

The last week of October 2009 in some ways resembled October 2008 with respect to the volatility in the equity markets as we saw large swings in equity values. For the entire month equity prices were essentially flat but the ride was bumpy. We are concerned with the apparent increase in volatility; this generally does not portend good things for equity investors. However, we don't want to miss out on the profit opportunities of a rising market.

<u>October 2009 Market Data (as of 10/31/09):</u>

- The Dow Jones Industrial Average:
  - Unchanged for the month of October. Up 10.7% year-to-date.
- The S&P 500:
  - Down 1.8% for the month of October. Up 17.0% year-to-date.
- Bond prices were little changed; the Barclays Aggregate was up 0.2% in the month.

<u>October Investment Activity – *What We are Doing and Why:*</u>

- October activity:
  - Although we didn't make any major changes across the accounts during October, we continued to rebalance portfolios and make minor adjustments where necessary.
  - For some of the smaller portfolios, we initiated a position in the Oakmark Equity & Income fund (OAKBX). Oakmark Equity & Income fund is balanced 62% stocks and 32% bonds, with 6% in cash. The fund has low expenses, experienced management and long term top of class performance.

<u>CURRENT OPPORTUNITIES – *Areas for Consideration:*</u>

While there are many positive signs indicating economic improvement we are not yet convinced that the US economy is out of the woods. Our primary concern is the unprecedented level of governmental activity and private sector meddling. This influence, in the form of money, dwarfs anything in human history. The money is borrowed and unfortunately for the citizens of this country, by the virtue of the federal government's ability to tax without limit, they are the ultimate guarantors of that debt. For some perspective, the federal government's debt is now $12 trillion or about $40,000 for every man woman and child. It is expected to increase more than $3,000 per person per year for "as far as the eye can see". This doesn't include the government's future "obligations" in the form of Social Security or Medicare. Clearly the math is unsustainable and what we fear is the logical "fix" – inflation. While there is no inflation currently it seems inevitable that it will come. The vast majority of our clients' portfolios are structured to reasonably protect their purchasing power via investments in non US dollar denominated assets.

As always, please don't hesitate to contact our office if you have any questions or items to discuss.

Sincerely,

Andrew Swenson

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