



Bledsoe Asset Management, LLC

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November 28, 2011

Re: Market Update

To Our Valued Clients,

Since our last communication sent on September 29th, the S&P has been up 2.6%. Although we've seen an upswing since, and it appears we may be headed toward a higher trading range, volatility and fear still have a stranglehold on the overall market. It appears that Europe may be heading toward a recession and there is a fear that the U.S. may soon follow. What should investors do? According to a recent article in the New York Times, if you've already set up a diversified portfolio, no action is needed. This recommendation is a result of a study performed by the Vanguard group. The Vanguard group created model portfolios divided equally between stocks and bonds, and compared the returns in periods of economic expansion and recession. The study found that "the average real returns on this type of portfolio since 1926 have been statistically equivalent regardless of whether the U.S. economy was in or out of recession."

How does this apply to our portfolio? Our Balanced Core Portfolio consists of 47.5% Bond Funds and 50.5% Equity Funds with the remaining 2% in cash. If you deviate towards our more aggressive models, we have a heavier equity positioning. Once again, bonds tend to outperform stocks when a recession is on the horizon, while stocks tend to rally when we are on the cusp of an economic expansion.

In addition, we recently instituted several Tactical Trading Portfolios. Our attempt with these portfolios is to "smooth" market volatility by monitoring market trends and indicators, as well as to "unemotionally" make decisions on what sectors of the market to invest in and which ones to avoid based on these trends. Although these portfolios only have a few months of real data, we performed extensive back-testing to ensure past results that should add value to our client's returns going forward. As the recent article in the New York Times states, "Predicting the economy's direction is famously difficult." We agree with this theory, however, our goal is to avoid large market downturns with these portfolios. Once again, only time will tell. If you're interested in these portfolios, please call and we can discuss them with you further.

When it comes to investing, those that tend to be unemotional and stick to their long-term investment strategy consistently outperform those that react to the market. If something has changed with your investment time-horizon or risk tolerance, please call us so we can make the appropriate changes to your portfolio.

Sincerely,

Joe K. Bledsoe III and Timothy (TJ) Stein