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SEPTEMBER 11, 2009

## EIGHT YEARS LATER

I remember it like it was yesterday. Today, 9/11/2009, marks the 8<sup>th</sup> anniversary of the terrorist attack on America.

Of course our first thoughts are personal, emotional, and visceral. Loss. Fear. Anger. Grief. Amazement. We all remember that day profoundly in something other than financial terms. That's fitting. The world changed irreparably, for me and for most.

In the context of this newsletter, we should also remember the investing lessons of 9/11.

The same lessons were brought home to us once more in 2008, for entirely different reasons. The financial markets collapsed for a second time this decade and fear regained command. Now, in 2009, as the financial markets recover, we are at risk of forgetting these lessons.

This has been one of the most turbulent, frightening, and unpleasant eras in the history of American finance. As you can see on graph #1, the 21<sup>st</sup> century has been volatile so far. Actually this graph is skewed to the positive. Many investments other than mutual funds have fared much worse.

There are great lessons to be learned.

1. We don't really know what will happen. The world is shaped surprisingly often by events which seem to come out of nowhere and defy social expectations.
2. Investing in liquid, diversified mutual funds is a very good strategy. As you can see in graph #1, mutual fund investing has performed relatively successfully during what is arguably one of the most dismal decades of the US financial system's history.

3. Diversification pays. The graph also shows us that some mutual funds behaved quite differently from others. In a chaotic world, this was a good thing.
4. Index-only investing lagged profoundly in the first decade of the 21<sup>st</sup> Century. This experience should kill off the concept that indexes beat actively managed funds. Except...and here's the punch line...there are times when index funds DO beat managed funds. When the stock market is going up like a rocket, indexes usually lead. So we will simply keep index funds in our portfolios, as PART OF our diversified strategy.
5. Our behavior when we face loss seems to be crucial in determining what happens next. The best way to tip the odds in favor of a good outcome is to focus on doing the best things for long term success, despite the chaos of the present.

The lessons of 9/11 will need to be close at hand as we face the coming few years.

Meanwhile, graph #2 is very enlightening. As you can see, the longer term performance of our mutual funds is attractive.

It pays to stay the course. ★

09/11/2009	Value	YTD %
Dow Jones Industrial Avg	9627	9.7%
Vanguard 500 Index	\$ 96.65	17.7%
Vanguard Total Bond Index	\$ 10.39	5.1%

# Investment Growth

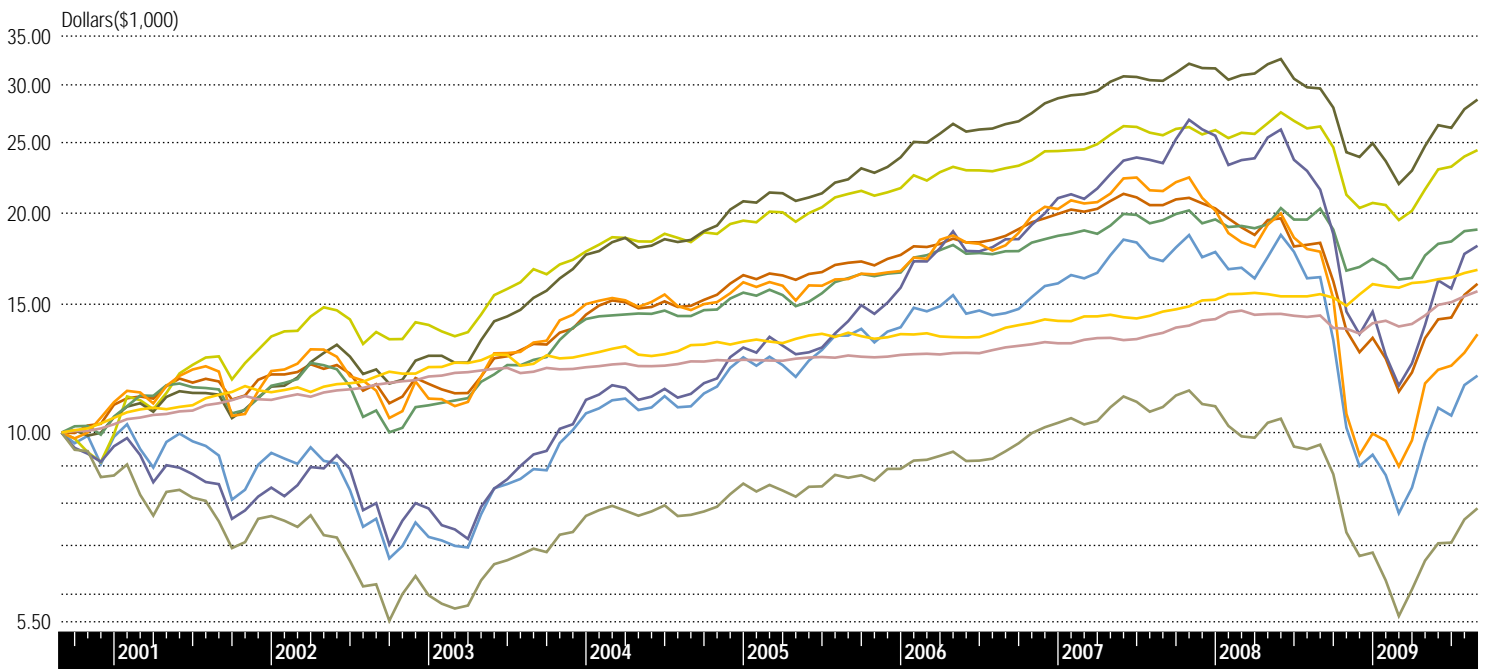
Item(s) from 9-01-2000 to 8-31-2009

Fund	Cumulative Return %	Annualized Return %	Max Front Load %	Max Back Load %	Gross Exp Ratio %	Amount at End of Period \$
● Columbia Value & Restructuring Z	19.70	2.02	NA	NA	0.94	11970.04
● Dodge & Cox Balanced	59.99	5.36	NA	NA	0.53	15999.46
● FPA Crescent	144.11	10.42	NA	NA	1.50	24411.12
● First Eagle Global A	186.34	12.40	5.00	NA	1.14	28634.42
● Greenspring	89.93	7.39	NA	NA	1.18	18993.01
● Harbor International Instl	80.43	6.78	NA	NA	0.81	18043.19
● Longleaf Partners	36.44	3.51	NA	NA	0.90	13643.70
● PIMCO Low Duration Instl	56.27	5.09	NA	NA	0.49	15627.08
● Vanguard 500 Index Investor	-21.28	-2.62	NA	NA	0.18	7871.96
● Vanguard Total Bond Market Index	67.22	5.88	NA	NA	0.22	16722.20

## Performance Disclosure

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate thus an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than return data quoted herein. For information current to the most recent month-end, please visit <http://advisor.morningstar.com/familyinfo.asp>.

Initial Value: \$10,000



GRAPH 1

# Investment Growth

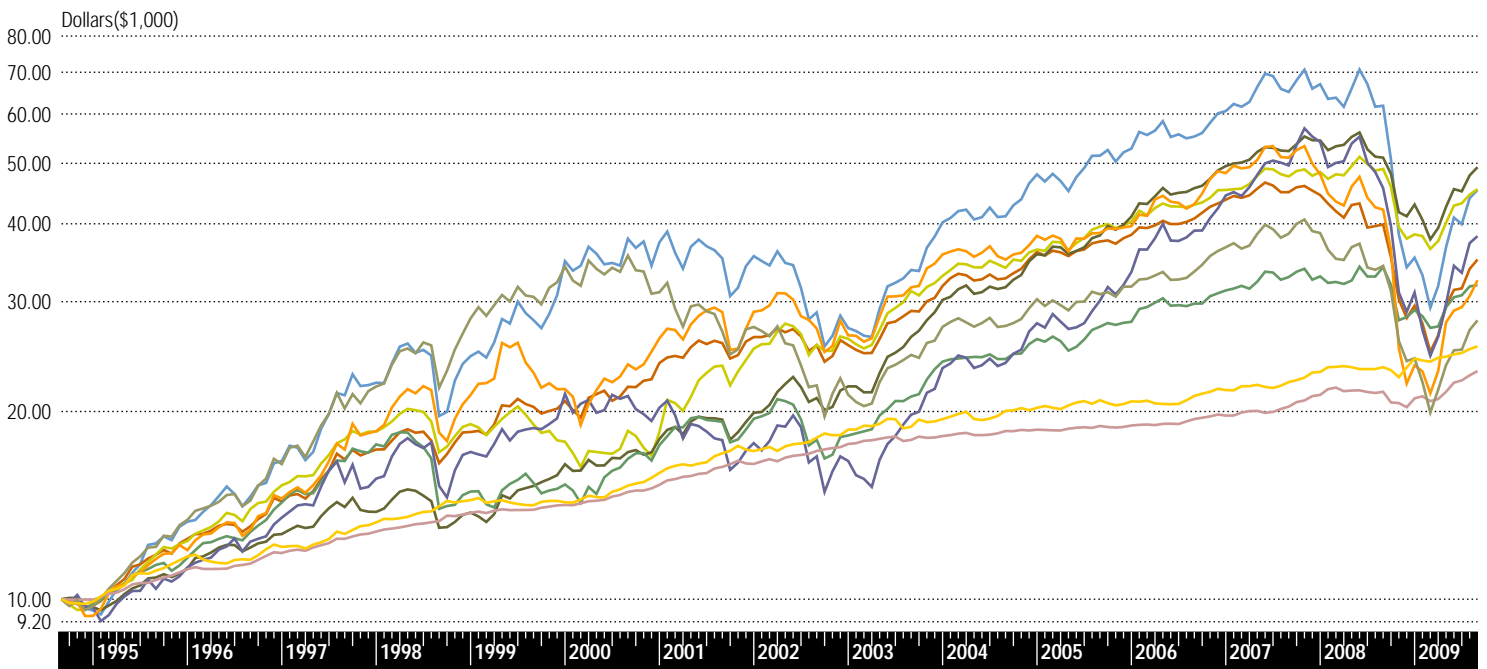
Item(s) from 9-01-1994 to 8-31-2009

Fund	Cumulative Return %	Annualized Return %	Max Front Load %	Max Back Load %	Gross Exp Ratio %	Amount at End of Period \$
● Columbia Value & Restructuring Z	353.10	10.60	NA	NA	0.94	45310.47
● Dodge & Cox Balanced	250.54	8.72	NA	NA	0.53	35053.83
● FPA Crescent	354.57	10.62	NA	NA	1.50	45456.60
● First Eagle Global A	392.96	11.22	5.00	NA	1.14	49296.30
● Greenspring	219.01	8.04	NA	NA	1.18	31900.95
● Harbor International Instl	282.10	9.35	NA	NA	0.81	38210.26
● Longleaf Partners	224.72	8.17	NA	NA	0.90	32471.87
● PIMCO Low Duration Instl	132.21	5.78	NA	NA	0.49	23221.31
● Vanguard 500 Index Investor	180.03	7.11	NA	NA	0.18	28002.92
● Vanguard Total Bond Market Index	154.35	6.42	NA	NA	0.22	25435.37

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GRAPH 2