*Uncommon*
# INSIGHT
SYM FINANCIAL ADVISORS NEWSLETTER

FALL 2012


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SYM
Financial Advisors
Uncommon relationships. Uncommon results.

# Greed, Fear, and Opportunity

At of the end of the third quarter, the S&P 500 index is up 16.4% year to date. The MSCI All Country Index, despite all the challenges in Europe, is up 13.9%. Greed, perhaps driven by the actions of the Federal Reserve to keep interest rates low, is flourishing now. Just this past spring, everyone thought the demise of Europe and their currency, the Euro, was imminent. Fear was widespread.

Like the weather, you can count on the markets changing. Over very long periods of time, we can count on most days being generally pleasant with intermittent rainstorms and cloudy skies. Occasionally, you may have a hurricane or a tornado that can inflict a lot of short-term damage and test your resolve that the future will be alright. Investors that are focusing on a long-term financial plan have to also give consideration to the growth of the global economy. The inevitable storm should not be thought of as a setback, but rather as an opportunity to improve the investment portfolio and take advantage of short-term, possibly extreme moves in markets.

At SYM we strive to be opportunistic within the objectives of a long-term investment plan. Based on our top down thinking, we have bettered our equity portfolio by implementing seven advantageous trades over the last two years. The most recent trade is only a few days old, so we will have to withhold our verdict on its success. That being said, the other six trades have been very successful. Each new investment has outperformed the position it replaced by a wide margin since the trade took place. A brief history:

1. In February of last year, our investment committee continued a theme of preferring large stocks over small stocks. As a result, we sold a small cap fund that had rallied and purchased a large cap growth fund.
2. The following August, the markets were down significantly on US debt ceiling limit and Euro-

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pean concerns. SYM reacted by selling a well hedged equity fund that had prospered in that storm and bought a beaten down small cap fund and large cap growth fund.

3. The next month we sold an emerging markets fund anticipating a higher probability for softness in the Asian and Latin American economies and bought a US-based large cap technology oriented growth fund with a large position in Apple.

4. In February of this year, we sold our last emerging market fund as those economies showed signs of weakness and purchased a dividend income oriented US stock fund.

5. That same month we sold the balance of our hedged fund and added to a "long short" fund holding that had the potential to benefit from volatility (betting that stocks will decline in price) in emerging market stocks.

6. This past March saw the US market rallying so we sold some of our small cap funds, and bought more of the dividend income oriented fund.

The point here is, while we can't predict the weather or future market conditions, we are certain both will change. With stocks up roughly 15% from the bottom in June of this year, we considered slightly reducing portfolio risk and decided to implement the 7th trade. This allowed us to lock in some of the quick gain the market provided.

Today, we find ourselves approaching the US election and the year end "fiscal cliff". The overall mood seems to be one of guarded optimism in reaction to central banks cranking up their printing presses to bring us yet another round of quantitative easing. Long-term bond yields have been held down, yet inflation expectations are rising. Stocks (the S&P 500) are near their highest points of this year and closing in on the all-time high levels of 2007. Even the NASDAQ index is sitting at levels not seen since 2000.

When sentiment gets bullish, we've learned to temper our optimism and consider what might go wrong. Conversely, when markets turn bearish, we again temper our pessimism and consider what could go right.

Some of the short term concerns we are monitoring:.

- **Bonds**: The spread between lower quality bonds and US Treasury Bonds is less than 4%. Experience and history tell us this is very narrow. Clearly, the Federal Reserve's goal that everyone takes some risk is being realized as investors, fearful of the stock market but loath to invest in a zero percent money market fund or low rate CD, are chasing yield. A few years ago Warren Buffet said, "More money has been lost reaching for yield than at the point of a gun."

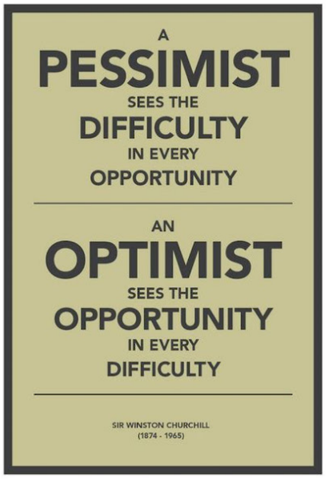
- **Volatility**: Measures of volatility are near low levels. Investors appear to be calm. Historically, calm times are followed by less stable periods.

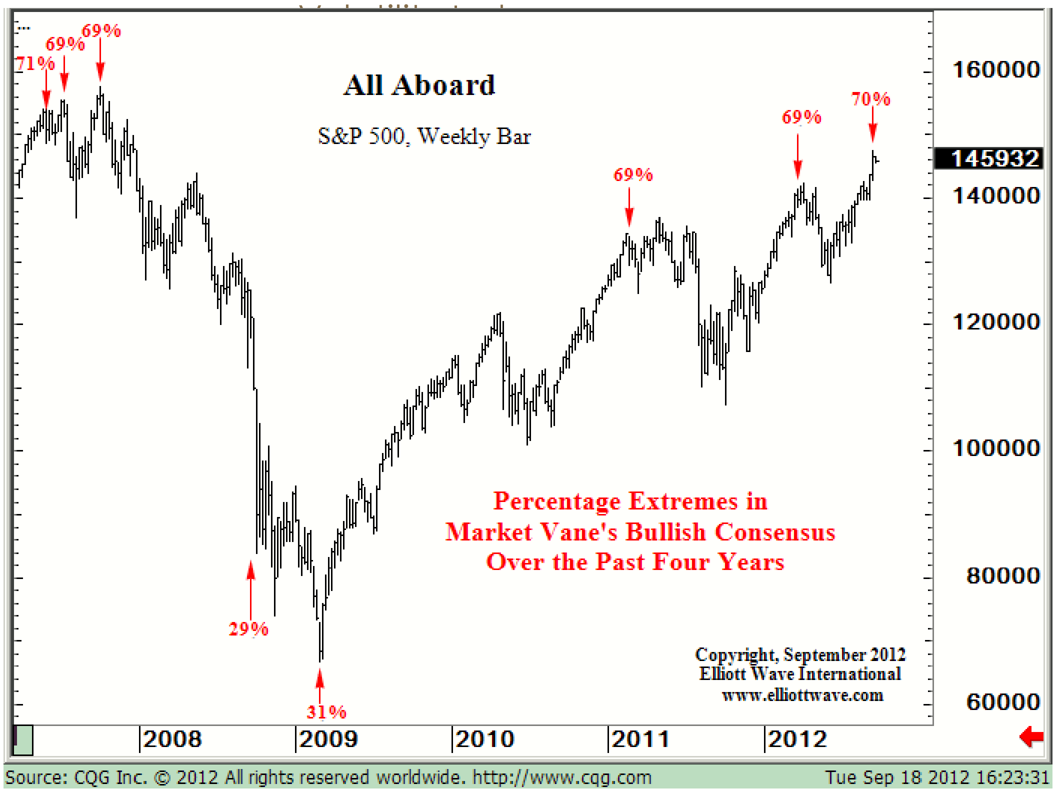
- **Sentiment polls**: Investors Intelligence, a recent measure of financial advisor sentiment, shows over 54% of those asked are bullish. Readings over 50% have marked turning points in the past. The Consensus Index has bullish sentiment at 73%. Market Vane (see chart) is at 70%. Readings this high have not been experienced since 2007.

Longer term, there are valid reasons to believe stocks will outperform bonds in the coming years. The 10-year Treasury yield, currently at 1.8%, indicates that future returns are known and obviously quite low. We see little prospect that inflation will actually be that low. What we do expect is that Treasury returns will likely be negative in real (inflation-adjusted) terms and will eventually lead investors to other investments for long-term appreciation.

Various models of the stock market's future expected returns range somewhere between 3% and 6% per year over the next decade. An expected outcome would be stocks likely outperforming bonds and providing a real return over the next decade. It should be noted however that achieving that return involves risks for investors over shorter periods of time, and long-term investors will need to be resolute in their strategy as they will likely have to tolerate increased volatility for the foreseeable future.

The "Fiscal Cliff" media noise will crescendo as we move towards year end. The coverage this topic receives could get scary and perhaps provide us an opportunity to unwind some of our more conser-






vative equity holdings into more aggressive positions. Our portfolios have benefited from each of the seven trades we've implemented during this rally. To summarize our actions, we have lowered our exposure to aggressive growth stocks, positioned the portfolio to be 83% in large cap, mostly dividend oriented companies, and now retain a 17% holding in small cap companies. Foreign companies are only 28% of the portfolio, and we have virtually no direct exposure to emerging market economies. We're confident this portfolio allocation will participate in future market gains should the road ahead be generous. If not, we can and will take advantage of the opportunities created in any market correction by giving deep consideration to adding new positions in aggressive growth stocks, small cap stocks, and emerging markets.

**SYM Investment Committee**

## SYM Announces New Team Members

Jonathan Slocum joins SYM as Office Manager. He most recently served as Financial Services and Internet Sales Manager for a local auto dealership. He graduated Cum Laude from William Tyndale College, where he was awarded a Bachelor of Arts in Business Administration.

Jonathan and his family are active in Warsaw Community Church where he serves on the technical team.

Tara Metzger has joined the SYM team as a Client Service Representative. She is no stranger to SYM, having served as an Intern throughout her college tenure.

Tara is a graduate of Pensacola Christian College and is actively involved in the Open Bible Baptist church in Warsaw.

# Announcing...

## New Financial Advisors

Nick Gray joins SYM's Fort Wayne, IN office. He brings seventeen years of experience and will continue to focus on helping individuals and companies plan and save for retirement.

Nick has a Bachelor of Science Degree from the school of Management and Business at Purdue University. Nick's focus on service to plan sponsors and education to participants was key in one of his clients earning the prestigious 2012 Plan Sponsor of the Year Award from PlanSponsor Magazine. Nick is a lifelong resident of Fort Wayne along with his wife, Ann, and their five children. Nick's family is active in their church, and he serves on the boards of the Catholic Community Foundation of Northeast Indiana and Redeemer Radio.

Jeff McGraw joins our Midland, MI office. He has over fifteen years of experience in wealth management and comprehensive financial planning.

Jeff earned a Bachelor of Science Degree from Indiana Wesleyan University, majoring in Business Administration and Marketing. He is also a Certified Financial Planner™ practitioner (CFP®).

Jeff and his family are actively involved in the Spring Arbor Free Methodist Church, and he currently serves on their Board of Directors.

**Welcome!**

## Two of the Most Powerful and Generous People of the Third Quarter
## Ben Bernanke and Mario Draghi

(September 6th - 13th of 2012. What a difference a week makes.)

At the end of the third quarter, SYM's fixed income portfolio, year-to-date, has performed much better than its applicable benchmark. The portfolio, net of fees, has a total return of 8.81% vs. the BarCap U.S. aggregate index which has a year-to-date return of 3.99%. European Soverign risk has become less of a headline concern, and investor interest in the "flight to quality" trade that has been observed in the bond markets over the last 18 months appears to have diminished as well. SYM's fixed income portfolio has been well positioned over the last year to capture total returns without taking irresponsible duration or credit risk. We feel this strategy will work for our clients over the coming year with the recognition that, eventually, the bond market will face challenging head-winds brought on by rising interest rates. For now, this is not a major concern, but we stay alert, flexible, and diversified to capture return within disciplined strategies.

Mario Draghi 9/6/12 "The scheme would provide a fully effective backstop and a euro that was irreversible." - Mario Draghi, President of the European Central Bank

The European Central Bank (ECB) aims to cut the borrowing costs of debt-burdened Eurozone members by buying their sovereign credit. One of the objectives of the ECB is to alleviate some of the costs faced by Eurozone countries in servicing their sovereign debt. Draghi feels the markets have priced a number of sovereign bonds incorrectly on the secondary market because of unfounded fears. Therefore, unnecessarily high yields are mitigating any possibility those highly indebted nations can grow out of their financial difficulties.

Mr. Draghi's plan is to aggressively purchase government bonds on a conditional basis with outright monetary transactions. To receive ECB support, governments are required to continue their deficit reduction plans and institute labor market reforms. Based on his belief that 2013 will likely show continued weakness within the Eurozone, Mr. Draghi feels this action is absolutely necessary and not only supports countries in need within the zone but also sends a message to world markets that the European Union will survive and the ECB will do what is necessary to support the union.

In order for countries to receive sovereign debt support, they will have to formally request a bailout. Once this occurs, the outright monetary transactions will be considered. The International Monetary Fund will serve as a monitor for any country receiving support and will bear the responsibility of determining if a country is in compliance with the conditions mentioned earlier. The maturities of the bonds purchased will range between one and three years, and the size of the purchases will be unlimited.

Although the action by the ECB is what capital markets around the world had been waiting for, it must be understood that the ultimate purpose of this action was to prevent the collapse of individual nations within the Eurozone and the consequent collapse of the Eurozone as a whole. The cost of support is high, and while it allows for restructuring of national debt, it does not go so far as to solve a specific country's fiscal or overall structural economic problems. It does, however, afford governments additional time to face their challenges and makes them accountable for fiscal controls. This is clearly uncharted territory, and the central banks of the world are doing their best to make reasonable adjustments until economic activity and employment return to acceptable levels.

Ben Bernanke 9/13/12

Federal Reserve Chairman Ben Bernanke announced on 9/13 that the Fed would launch a third round of quantitative easing or "QE3". The purpose of this action was twofold: lower long-term interest rates and stimulate the domestic economy with the hope of leading to higher employment.

The Fed plans to spend approximately $40 billion each month to purchase mortgage debt through the end of the year. The possibility of going beyond the end of the year is open-ended and the purchases will only be curtailed when economic conditions improve. In his comments, Chairman Bernanke also noted a continuation of "operation twist" and stated that the deadline for raising short-term interest rates has been extended from 2014 to 2015 or "until we see an ongoing, sustained improvement in the labor market."

As the balance sheets of the European Central Bank and the Central Bank of the United States continue to expand, it appears the short-term results have been favorable. The long-term consequences continue to be where the debate is focused, and only time can determine the efficacy of these strategies put forth by two of the most powerful and generous people of the third quarter of 2012.

## THE SYM DIFFERENCE

If you have any questions about the management of your portfolio, please don't hesitate to contact your advisor and/or team.

## SYM OFFICERS

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