SIGNATUREFD
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live CONFIDENTLY | live FULLY | live PURPOSEFULLY

Must Be Present To Win

You must be present to win. We've seen those words countless times buried in the fine print of whatever contest, raffle, or event crosses our desk (or mailbox, or email) that day. It's a small detail, to be sure, but it seems a bit too important to be buried in the fine print.

You must be present to win. Have you ever stopped to think about the implications that has for life?

In the early 1990's, a book was published looking at the complex and often conflicting, relationship between money and the meaning of life. The contents inspired so much discussion that the author later attached a "User's Guide" to the front of the book based on discussion groups he had led himself. In the very last topic in the User's Guide, the following appears:

"The poet Rilke asks, Why are we here? Why do we have to be human? And he answers: "...because *truly* being here is so much; ...What specifically is a human being designed to *give*—to others and to the earth itself? In a culture dominated by money and by the principle of personal gain, could there arise a wholly realistic way of giving and serving...? What could Rilke mean by speaking not just of our "being here," but of *truly* being here?"

There is no doubt a difference between being physically present, and truly being here. So many of us get caught in the trap of just going through the motions—being there—without ever really noticing what is going on around us. It's almost like letting life happen to us, instead of making the decision to be an active and productive participant.

It brings to mind the slang term, "phoning it in". According to the *Urban Dictionary*, the definition of the term "phone it in" is to "perform an act in a perfunctory, uncommitted fashion, as if it didn't matter." Don't miss the most important part of that

(Continued on page 2)

Must Be Present To Win

(Continued from page 1)

BEING PRESENT, *TRULY* PRESENT, REQUIRES THAT WE BECOME MORE AWARE OF WHAT IS REALLY HAPPENING IN THE LIVES OF THE PEOPLE AND THE CIRCUMSTANCES AROUND US.

definition. As if it didn't matter. So what if we changed our perspective?

We all know how incredibly frustrating it can be to have our carefully laid out plans hijacked. You walk into the office with three things that must get done. But then the phone calls start, and your co-workers stop by to talk, and there is always the impromptu meeting that can't wait until tomorrow and can't happen unless you are there. Before you know it, the day is over and you weren't able to cross even one of the three tasks off of your list.

But what if, instead of getting frustrated, we saw these interruptions as opportunities to share our knowledge and experiences? What if we saw these through a filter of gratitude, knowing that those who seek us out value our opinions and our time?

What about in our personal lives? What if we applied a new perspective to our aging parents, our spouses, or our children? What if we realized that life, and what we get out of it, really does depend on what we put into it? Would we celebrate the interruptions? Be happy for the opportunity to pass on our wealth of knowledge? Would we listen more attentively to catch, not just the words, but what is really being said?

Being present, *truly* present, requires that we become more aware of what is really happening in the lives of the people and circumstances around us. We have to be alert because an opportunity to have impact can come at any moment. And it may not come around again. We may also find that this new perspective about the present moment may help to keep us focused on the task at hand.

It is easy, at times, to forget about what really matters in our lives. Now would be a good time to stop and smell the roses. Remember the old saying:

"Treasure every moment that you have. Yesterday is history. Tomorrow is a mystery. Today is a gift. That's why it's called the present."

As we grow older, it is not the things we did that we often regret, but the things we didn't do. Live confidently. Live Fully. Live Purposefully.

Can We Help Your Family, Friends or Associates?

When the markets become as volatile and confusing as they have over the past year, even the most patient investors may come to question the wisdom of the investment plan they have been following. At SignatureFD, we hope we have provided our clients with clarity and confidence throughout this difficult period. Referrals are one of the greatest compliments that our clients can provide and we have been honored to receive a number of referrals over the past year. We would like to take this opportunity to say "THANK YOU!" and also to say "Please keep those referrals coming".

If you know of anyone whom you think would be interested in an objective second opinion on their financial plan, please do not hesitate to pass their names along to us. Thank you again for your confidence and support.

MARKET SENSE

As of March 31, the market has now registered gains in four sequential quarters. As measured by the S&P 500, it has risen by more than 75% since the historic lows of March 2009. From our perspective the economy has made great strides since those dark days and, perhaps most importantly credit—the economy's equivalent to the cardiovascular system of our body—has boomed back to life and is showing glimmers of normalcy in many areas.

Yet a yawning gap seems to exist between the "average American" and professional analysts and investors. A recent Bloomberg article pointed out that, "[b]y an almost 2-to-1 margin Americans believe the economy has worsened rather than improved during the past year." The article goes on to say that, when asked about the performance of their personal portfolios, "only three of 10 people say the value of their portfolio has risen since a year ago." We find this result alarming and highly troubling. If accurate, it seems to say that many individual investors reduced exposure to risky assets (stocks and bonds) during the worst days of the crisis yet failed to put those funds back to work at any point during the recovery phase. This likely means permanent loss of wealth and an altered future for many investors. Certainly the volatility of the past three years has been hard for all, yet the market recovery detailed above shows the value of having an experienced and trained team of professionals guiding your financial decisions. Money is important, and it is easy to allow our emotional biases to override cold, hard logic when making decisions.

What should we make of the perception that nearly 2/3 of our country believes that the economy has worsened over the past year? This belief is certainly supported by the lagging aspects of unemployment and reduced personal incomes. It is also a reflection of the extraordinary measures taken by government during the crisis and a longer-term malaise that 2/3 of respondents feel the country is on the 'wrong track.' When looking at the underlying health of the overall economy we have been impressed by the strength of the cyclical components. Mostly driven by a recovery in manufacturing and inventory re-stocking, the "V-shaped" nature of the recovery is hard to ignore at this point. During March, the Global Manufacturing Purchasing Managers' Index reached a level not seen since May

(Continued on page 4)

(Continued from page 3)

2004. Even more impressively the measurement, which covers 30 large economies representing 85% of global production, showed solid results and building momentum in all five of its key components. The fact that the data is strong and growth is happening at an accelerating pace - the so called second derivative - indicates that the recovery is sustainable and a double-dip recession is highly unlikely over the next year.

As mentioned above, consumer confidence is clearly impacted by employment growth and personal income, both of which are lagging indicators and have been significantly hurt by the depth and length of the current recession. However, we believe we are on the cusp of better news on this front. One analyst wrote after the March employment report, that the results indicated a "cyclical turning point" for the economy, and we agree. In studying the details of the jobs data a few things are clear. First, the level of unemployment rose too high in comparison to historical correlation patterns with declines in economic output. Many employers were likely preparing for a depression, which did not materialize. Second, the monthly figures are very sensitive to changes in the underlying data. Most people we talk to do not realize that over 48 million jobs were created in the U.S. during 2009. The 'net' loss of jobs resulted from this figure being down a few million combined with a high level of separations - almost 54 million. However, in a stabilizing economy the separations level will gravitate to normal or even better than normal and new hires will pick up. We believe it is likely that monthly job creation averages 300,000 during the next 12 months. This will help to solidify an economic recovery.

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S&P 500	*5.4%*	*49.8%*
Dow Jones Industrials	*4.8%*	*46.9%*
Russell 2000 (U.S. Small Company)	*8.9%*	*62.8%*
MSCI EAFE (International)	*0.9%*	*54.4%*
Dow Jones - UBS Commodity Index	*-5.0%*	*20.5%*
BarCap U.S. Aggregate (Taxable Bond)	*1.8%*	*7.7%*
BarCap 5 Year Muni (Tax-Free Bonds)	*0.8%*	*5.9%*

So at this point a reader would assume that the market must be going higher. Although we are fairly bullish on the economic prospects over the next 3 or 4 quarters, we are less sure of the market direction over this time. The 75% market gains mentioned in the opening paragraph have taken into account much of this "good news". In speaking of the Napoleonic Wars in the early nineteenth century, Lord Nathan Rothschild said, "[b]uy to the sound of cannons, sell to the sound of trumpets." Anyone who was willing and able to take risk as the economic cannons fired all around us during late 2008 and early 2009 has been justly rewarded. Now we must ask if the steady stream of bullish analysts on television and the talk of a new 'goldilocks economy' is the faint sound of trumpets approaching.

Despite our belief that the gap between economic perception and prospect has closed significantly we have concerns about the huge structural challenges facing the economy moving forward. A paper focused on these would go much longer than the allotted space here, but clearly the biggest structural challenge is the overall debt burden that remains. Central banks the world over stepped into the void to stem a crisis of confidence in late 2008. The plan worked. The long-term hangover, however, is just beginning. During the crisis of confidence, consumers, investors, and corporations simultaneously reacted to an urge to de-leverage their balance sheets. The government simultaneously increased leverage to stop a vicious cycle from getting started. The question now is how we work out of this situation. At a minimum the process will take significant time and will result in at least three negative economic outcomes.

1. The growth rate of the economy will be held at a lower than normal level. This is a consequence of front-loading output via credit growth and the natural payback that is required as that credit growth is slowed. In fact, the nominal growth in GDP is a key indicator to watch because it has significant implications for inflation, interest rates, and the ability for debt to work back to normal levels. The quarterly GDP figures we see in the headlines are the "real" figures. That is, *after* adjusting for the impact of inflation. This is an indicator of increases in standard of living which is clearly important. That said, we think the nominal figure, or the total growth *before* adjusting for inflation is the key to watch the next three to five years.
2. A higher than normal unemployment rate. The restrained credit environment means that the cost of capital to companies is higher than it has been in many years and, consequently, the bar for investing in people and equipment is going to be higher than it was during the past few decades. Moreover, as the economy shifts away from the former boom areas, such as construction, retail, and services, a disconnect between skills and needs will persist.
3. The final result of the changing landscape is likely to be shorter business cycles. One of our research partners, Strategas, did some nice work on this aspect of the future and believes that an economy more heavily reliant on manufacturing and exports will look more like the 1950's and 1960's which had cycles that lasted for 3-5 years rather than the 10+ years.

In our previous quarterly "Market Sense" we outlined some of the portfolio shifts our team has been working

DESPITE OUR BELIEF THAT THE GAP BETWEEN ECONOMIC PERCEPTION AND PROSPECT HAS CLOSED SIGNIFICANTLY WE HAVE CONCERNS ABOUT THE HUGE STRUCTURAL CHALLENGES FACING THE ECONOMY MOVING FORWARD. A PAPER FOCUSED ON THESE WOULD GO MUCH LONGER THAN THE ALLOTTED SPACE HERE, BUT CLEARLY THE BIGGEST STRUCTURAL CHALLENGE IS THE OVERALL DEBT BURDEN THAT REMAINS.

(Continued on page 6)

Market Sense

(Continued from page 5)

on. The momentum of the first quarter held us back from beginning to make these adjustments, but beginning with trades in early April we are anticipating the level of portfolio activity to pick up. The first change that we implemented is a shifting of our smaller company exposure toward higher quality and higher yielding equities in the U.S. During the next quarter we anticipate several other portfolio shifts that, in aggregate, will have the following effect:

- **Increased exposure** - High quality U.S. equities, especially higher yielding, opportunistic/hedged equity managers, commodities and real assets, shorter-term fixed income, cash.
- **Reduced exposure** - smaller U.S. companies, emerging international, convertible bonds, treasury inflation bonds.

AS PART OF AN OVERALL PORTFOLIO WE CERTAINLY RECOGNIZE THAT CASH WILL RESTRAIN GROWTH DURING MARKET ADVANCES, YET WE MUST ALSO MANAGE PORTFOLIOS FOR RISK AND AT POINTS IN TIME HIGHER LEVELS OF CASH MAY BE APPROPRIATE. WE ARE COMFORTABLE WITH THIS TRADE-OFF AND RECOGNIZE THE RESPONSIBILITY WE HAVE TO MANAGE THE ENTIRE PORTFOLIO.

At some point we believe our equity exposure may be higher than target; offset by below target fixed income allocations. However, we anticipate keeping portfolio risk levels the same or slightly reduced from where they started 2010. The changes should also not be interpreted as a significant concern that we are going to see another large market drop. Although we do believe a 10%-15% correction will occur this year, current economic indicators, market valuations, and liquidity patterns do not show a high probability of a 20% or worse correction in the U.S. market.

Finally, we want to touch briefly on a somewhat controversial asset class—cash. We historically don't hold large amounts of cash, and we don't anticipate holding large amounts in the near-term. However, we do believe it may be prudent to have levels near 10% or 15% in many portfolios at some point in the future. Given our long-term concerns about fixed income, we think it imprudent to hold full weightings in that asset class, yet this decision poses a dilemma—where to put the proceeds? We are left with two possibilities—equities or cash. We mentioned above that we anticipate building to larger than normal equity levels, but this will not always make sense given the higher levels of volatility equities have in the short-term. Cash is the only other possibility. As part of an overall portfolio we certainly recognize that cash will restrain growth during market advances, yet we must also manage portfolios for risk and at points in time higher levels of cash may be appropriate. We are comfortable with this trade-off and recognize the responsibility we have to manage the entire portfolio. We are reminded of a great quote by James Grant of the eponymous Grant's Interest Rate Observer, who said that, "cash yields nothing, or less, we know. But it comes in handy when there is something to buy."

We thank you for your business and the incredible confidence you have placed in SignatureFD. We welcome your comments, questions, and thoughts about this commentary or any other investment matters. As always feel free to contact your primary relationship manager or send us an email at invest@signaturefd.com.

Roth IRA Conversions

You may have heard that taxes for high income earners are going up. The top individual income tax rates are scheduled to revert to 36% and 39.6% in 2011 up from the 33% and 35% where they are today. In addition, capital gains are scheduled to increase from 15% to 20%. On top of that the new Health Care Bill includes two increases in the Medicare tax starting in 2013. For single taxpayers with earned income over $200,000 and married couples over $250,000, the Medicare tax is increasing from 1.45% to 1.90% on earned income for both you and your employer. It also imposes a 3.8% Medicare tax on investment income (interest, dividends, capital gains, annuities, royalties, and rents). Needless to say, tax planning is more important than ever.

Until now, high-income earners have been effectively prevented from using Roth IRAs. Beginning in 2010, the income limits for Roth conversions are removed and therefore all taxpayers are eligible to convert certain retirement plans into Roth IRAs. Conversions are complicated and like any other planning decision the answer is "it depends". Where it makes sense, the Roth IRA can be a powerful retirement and estate planning tool. In order to help clients understand the dynamics of Roth conversions we have prepared a white paper for our clients. Please contact your advisor to request a copy and to discuss your individual situation.

WHERE IT MAKES SENSE, THE ROTH IRA CAN BE A POWERFUL RETIREMENT AND ESTATE PLANNING TOOL. IN ORDER TO HELP CLIENTS UNDERSTAND THE DYNAMICS OF ROTH CONVERSIONS WE HAVE PREPARED A WHITE PAPER FOR OUR CLIENTS.

SignatureFD Brief

Jeff Peller was highlighted in the Atlanta Business Chronicle's Who's Who in Finance for the top business leaders guiding metro Atlanta's financial sector.

Ralph Pasquariello's entrepreneurial spirit and deep desire to protect our clients from potential liabilities lead him to obtain the Commercial Lines Coverage Specialist (CLCS) designation.

SignatureFD co-sponsored the third annual Skyland Trail Associates Spring Luncheon & Fashion Show, a gathering of friends and neighbors to support mental health services for adults and the George West Mental Health Foundation. Page Harty and Jamie McCusker championed this initiative.

SignatureFD is a gold sponsor for the 2010 Walk Now For Autism Speaks. Autism Speaks, an organization dedicated to research into the causes, prevention, treatments, and cure for autism and raising awareness of autism and its effects on individuals, families, and society. Jeff Peller championed this initiative.

Blair Cunningham and his family spent their Spring Break at Lighthouse Family Retreat serving children with cancer and their families helping them to laugh, restore family relationships and find hope in God.

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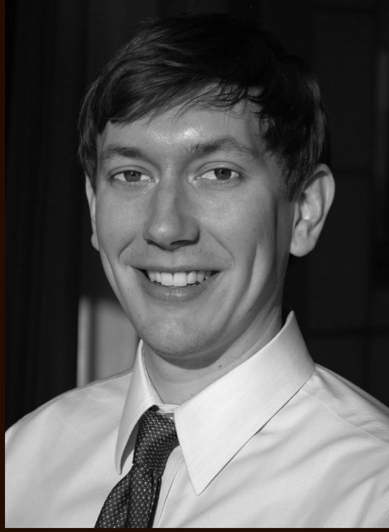
SPOTLIGHT



Russ Cearley

Investment Analyst

Russ joined the investment team at SignatureFD in 2010. Russ assists the investment management team at SignatureFD with fund manager selection and comprehensive portfolio management analysis and implementation. In addition, Russ works on constructing and rebalancing client portfolios, tracking performance information for client portfolios and creating custom reports for the investment team and client presentations.

Prior to joining SignatureFD, Russ worked as a mutual fund product manager in the wealth and investment management division of SunTrust bank in Atlanta, an investment consultant at TIAA-CREF and an equity trader at Privateer Trading in North Carolina.

When I'm not working: I enjoy spending time outdoors with my wife and my dog, playing golf, and watching UNC football and Braves baseball.

Favorite Movie: Forrest Gump

First Car: 1988 Nissan Maxima

First Job: Golf Cart Attendant at Pine Knolls Golf Course

Favorite Book: The Intelligent Investor — Benjamin Graham

Next Big Trip I'd Like to Take: Europe

Favorite Quote: Luck is what happens when preparation meets opportunity.

Formula for success: Take pride in your work.

Executive I admire: Roger Goodell