SIGNATUREFD
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FALL 2010
live CONFIDENTLY | *live* FULLY | *live* PURPOSEFULLY

Nobody Need Wait

How wonderful it is that nobody need wait a single moment before starting to improve the world.
—Anne Frank

According to this year's annual Wealth and Value Survey, conducted by Harris Interactive, twenty-eight percent of wealthy Americans say that the current economic climate has caused them to cut back on the total amount of money they give to charity. But charity, by definition, is the voluntary proffering of help to those in need. And because needs come in all forms, so does charity.

In their book *Everyday Greatness*, Stephen Covey and David Hatch record the example given by noted author Alex Haley. After overcoming many struggles to get an education, Alex's father Simon was on the brink of dropping out of college and returning to his parent's sharecropper farm. But then he was offered a summer job as a porter on a Pullman Company train. One night, he met a passenger who, despite the rules prohibiting conversation between porters and passengers, persisted in asking Simon questions, even following him back to the porter's cubicle. The man gave Simon a $5.00 tip at a time when $.50 was considered good. But he didn't stop there. When Simon returned to college in the Fall, he was informed by the college president that the man, a retired publishing executive, had donated the money to cover Simon's board, tuition, and books for the entire year. Haley reflects on the actions of this man, Mr. R.S.M. Boyce, and the long reaching consequences of his interest and investment in someone in a less fortunate position than himself.

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"Instead of being raised on a sharecrop farm, we grew up in a home with educated parents, shelves full of books, and with pride in ourselves," he states.

As the authors note, this man's influence was felt far beyond the mere giving of money. He gave his time, his interest, and his belief in this young man. And in return, the young man received not only financial resources, but also confidence, hope, and influence that has extended his legacy into the generations of his family.

In 2006, Warren Buffet stepped forward to announce that he was accelerating his distribution of his wealth to charity so that it could happen during his lifetime. 99% of his wealth, to be exact. But in his published pledge, he stated:

> Measured by dollars, this commitment is large. In a comparative sense, though, many individuals give more to others every day. Moreover, this pledge does not leave me contributing the most precious asset, which is time. ...Gifts of this kind often prove far more valuable than money.

As families, it is important to address the idea of enough. Enough money, enough time, enough in all things. And once that is set, to determine how your excess can be purposefully used to impact others according to your goals, values, and beliefs. And this concept of purpose is key. We can give until we find that we have no more to give, and at the end, realize that we had no real impact on or for those things that we value.

Author Jack Bogle, founder and retired CEO of The Vanguard Group, makes this point:

> So in everything you do, be bold. Each of us must decide for ourselves how much to focus on things, and indeed what things to focus on.

BENJAMIN FRANKLIN, IN AN EFFORT TO LIVE OUT THE 13 VIRTUES HE FELT WERE IMPORTANT LIFE GUIDES, ASKED HIMSELF THE SAME TWO QUESTIONS EVERY DAY. IN THE MORNING, HE ASKED, "WHAT GOOD SHALL I DO THIS DAY?" AND AT THE CLOSE OF THE DAY, "WHAT GOOD HAVE I DONE TODAY?"

> But I know that each one of us can profit by some moments of quiet introspection about whether our lives are driven far too much by the accumulation of things, and not nearly enough by the exercise of bold commitment to our family, to our work, to a worthy cause, to our society, and to our world.

Benjamin Franklin, in an effort to live out the 13 virtues he felt were important life guides, asked himself the same two questions every day. In the morning, he asked, "What good shall I do this day?" and at the close of the day, "What good have I done today?"

Simple? Yes, yet extremely effective. It is the idea of charity; the voluntary provision of help to those in need. It is the idea of making an impact every day, even if it seems small. It is the idea that we can give of what we have in plenty, as well as what we have in scarcity. It is the idea of living a life with purpose, starting today.

MARKET SENSE

Mutually Assured Destruction—*Could It Happen?*

The third quarter was an almost mirror image of the second quarter. At the beginning of the second quarter markets were cheering as the recovery was gaining momentum and risks seemed in the rearview mirror. Just a few weeks into the quarter, though, momentum shifted and fears of a renewed debt crisis centering on government bonds of Greece, Ireland, Portugal, and Spain emerged. As the quarter wore on this turned into a general concern about the global pace of economic growth and the markets responded. The markets bottomed almost on cue at the end of June and first of July.

From that point forward the news got a little better, the fears of contagion spawning from Europe ebbed, and the data seemed to confirm a stalling of economic activity but not a full reversal. At the end of the third quarter, markets were not fully back to April highs, but they were in sight. The combination of a rally in equities and bonds during the quarter resulted in strong performance in our client portfolios. To show the symmetry of the two quarters one need just look at the returns on the S&P 500 — down 11.8% in the second quarter and up 10.7% in the third quarter. In fact, the market ended with a monthly return in September that was better than any September in over 70 years. For more results see the table on the next page.

Of course a market that was essentially flat over the last six months doesn't tell the whole story. Because we are in a period of extreme uncertainty, change, and confusion, the volatility of investor emotions and an almost primal desire to take action remain central points of discussion in our meetings with clients. Throughout this period, SignatureFD remains focused on the key

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tenets of successful investing — diversification, value orientation, and risk management. These concepts are always important, and we would argue they are even more important now. The damage caused from ill-timed or poorly developed ideas is always a worry, but in this environment the outcome can be even more severe.

In late September, Guido Mantega, Finance Minister of Brazil made global headlines when he said that the world is involved in "a trade war and an exchange rate war." He later added that the trade war is being triggered because "the world crisis was not adequately solved." These are provocative statements and set off a tornado of discussion and some genuine fear as many think back to the devastation caused in the 1930's as countries erected economic barriers and the severely weakened global economy continued its slide into the malaise of depression. But what is a trade war? In its simplest form it is two (or more) countries engaging in competitive maneuvers to try and benefit their own economic performance by harming the position of another. The view that the world economy is a zero-sum game leads to economic stagnation due to confusion and volatility in trade and currency markets, as well as a loss of efficiency due to reduced labor specialization. In the end it is a lose-lose proposition.

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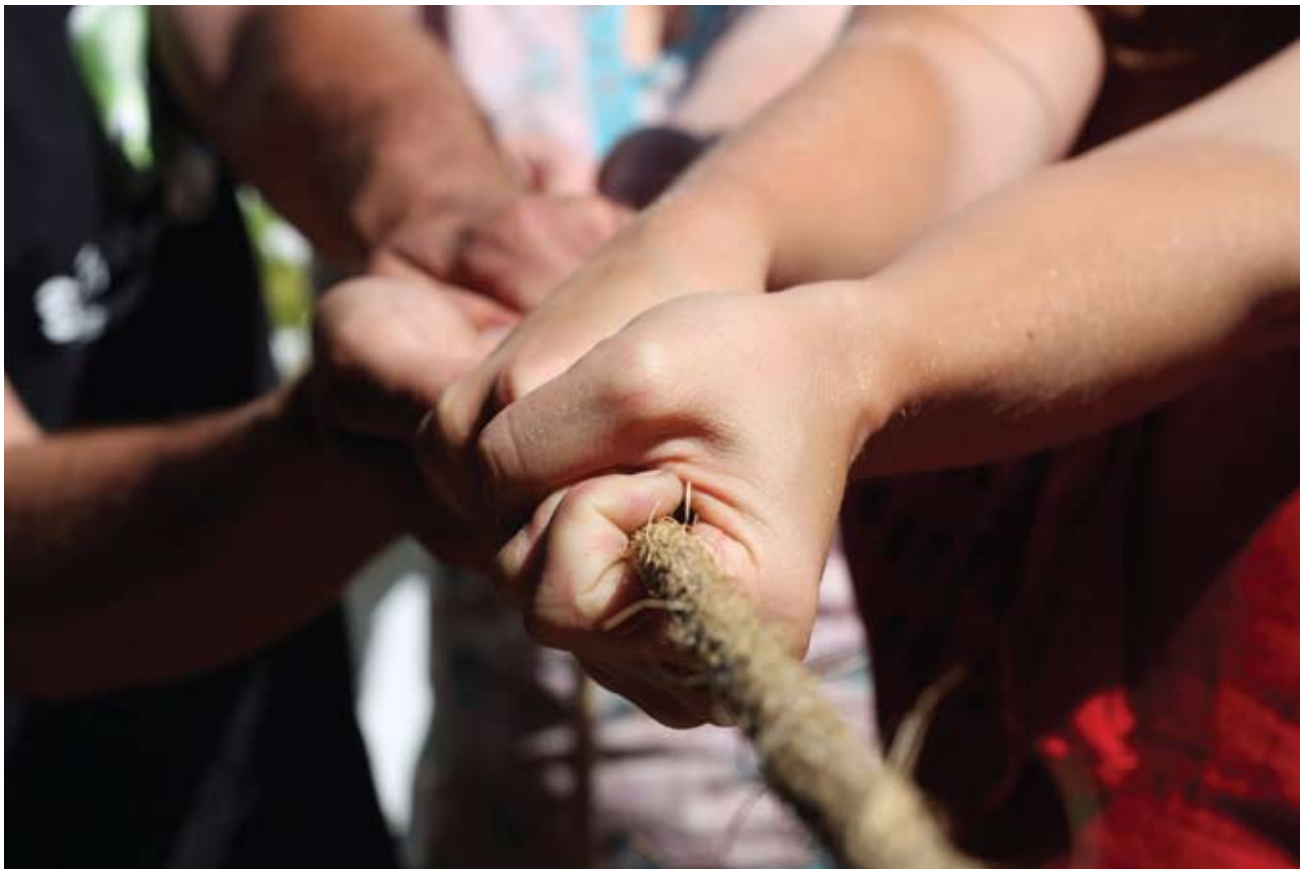
S&P 500	*11.3%*	*10.2%*
Dow Jones Industrials	*11.1%*	*14.1%*
Russell 2000 (U.S. Small Company)	*11.3%*	*13.3%*
MSCI EAFE (International)	*16.5%*	*3.3%*
Dow Jones - UBS Commodity Index	*11.6%*	*10.0%*
BarCap U.S. Aggregate (Taxable Bond)	*2.5%*	*8.2%*
BarCap 5 Year Muni (Tax-Free Bonds)	*2.5%*	*5.6%*

The good news is that this time we can learn from history. Mr. Mantega later admitted that he used these harsh words to try to "raise a flag on the issue." In fact, there is



time to solve these problems and in many ways a currency war has not broken out. Although several countries are taking actions to try and kick start their local economies, a sense of retaliation is not yet evident in policy decisions. Make no mistake about the risks — they are significant— that an all out global shift toward protectionism would pose to the fragile global recovery under way.

So Mantega's first comment is appropriately cautionary, yet somewhat premature. However, his second comment regarding the failure of governments to solve the issues that led to the crisis is entirely on-point, and failed to get enough attention in our view. The continued practice of addressing the symptoms rather than treating the disease runs the risk of growing tensions and could lead to the ultimate trade war that many fear. The deficit spending and over indebtedness of many of the developed countries as well as the export focused growth and currency reserve hoarding of many developing countries has really not been addressed since the crisis began. The politics of blame seems to encourage more of the same and keep the leaders from taking appropriate responsibility, and most importantly, telling their citizens that a change to the system is going to be painful for period of time, yet will lead to a more stable future. The system will ultimately find a new equilibrium. It is just a matter of who will dictate its terms — political leaders or the markets.

We believe in the McDonald's Peace Formula which says that "no two countries with a McDonald's Restaurant have ever gone to war with one another." The idea of mutually assured destruction kept the U.S. and the U.S.S.R. from actually launching nuclear weapons. Although tensions will rise and fall, we believe that in the end, countries will not launch the economic equivalent of nuclear weapons — full blown protectionist policies— leading to mutually assured destruction, but it is a risk that we will monitor closely.

Although the actions by central banks, concerns about trade wars, and volatility in currencies are front and center in the markets, many other issues are directly or indirectly related to these currency forces. One example is the decline in the dollar and the increasing price

THE CONTINUED PRACTICE OF ADDRESSING THE SYMPTOMS RATHER THAN TREATING THE DISEASE RUNS THE RISK OF GROWING TENSIONS AND COULD LEAD TO THE ULTIMATE TRADE WAR THAT MANY FEAR.

of "stuff". A broad basket of commodity spot prices reached an all time high during the quarter, food prices and industrial metals are surging, and of course gold is at an all-time high. We have long been proponents of holding positions in these "real assets." In fact, we were one of the first investors in commodity index funds going back to the spring of 2003. Even with the assumption that an all out trade war is avoided, it is clear that competitive devaluation is causing the value of currencies around the world to decline against real assets. We believe this trend will continue and may very well accelerate before it finishes. The recent sharp rise in commodities and gold may be prelude to a pause at some point over the next few quarters, but we would be inclined to increase our holdings, especially in gold and energy, in the event of a pullback.

The investors buying real assets are nervous about central bank actions to try to devalue currencies via policy intervention and so called quantitative easing (the practice of central banks creating money for the purpose of buying up assets, usually bonds). This is somewhat understandable but is a paradox when compared to the fact that bond prices are also rising. It makes no economic sense for gold, stocks, and bonds to all be rising in price. Although we can't predict when it will end, we are fairly comfortable that this trend cannot persist. As Herbert Stein stated, "If something cannot go on forever, it will stop."

So what to make of the continued gains in bonds? During the third quarter the yield on the 10-year

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GIVEN THE CURRENT HIGH VALUATIONS AND THE SIGNIFICANT FLOW INTO FIXED INCOME INVESTMENTS, WE BELIEVE THAT BONDS WILL BE THE ASSET CLASS TO EVENTUALLY DIVERGE.

treasury dropped from 2.95% to 2.52% and the Lehman Aggregate bond index rose by over 2%. We find it most interesting that investors are fleeing dollars to buy real assets, yet they are also buying an asset that promises to return dollars TEN YEARS in the future, and they are only compensated 2.5% per year for that privilege! In other recent examples of credit market exuberance, several corporations and a few countries have issued 100 year bonds. Given the volatility and uncertainty in global markets and the economy we find it confusing that investors would be willing to part with their capital for more than a lifetime with an annual return in the mid-single digits. Given the current high valuations and the significant flow into fixed income investments, we believe that bonds will be the asset class to eventually diverge. As a result of this concern about weak bond performance longer-term, we have been continuing to transition portfolios to shorter duration bonds and swapping interest rate risk for various forms of credit risk.

We cannot let this newsletter pass without acknowledging the upcoming election. Much has been written about the potential for major change, and from this writing in early October that would seem likely. How the market will react to the election results will probably have more to do with the approach to leadership that comes about from the new Congress in January. We believe the market realizes that status quo is not a

good thing right now given the state of the deficit and the uncertain tax and regulatory policies. But setting specific policies and circumstances aside, it is helpful to recognize that the period of time beginning with this quarter sets up the best market performance based on historic cycles. According to work done by The Leuthold Group, the period from November 1st of the mid-term election year through January 31st of the presidential election year (January 2012 in this cycle) historically has produced annualized returns of 18.0% vs. 6.1% annualized for the other 33 months of the presidential cycle. Of course this is not infallible and the other events surrounding the current environment are likely to result in more muted gains this cycle. The point we are making is that this is a period of historically favorable performance and, although we anticipate volatility and emotions to remain high, the market is likely to see bursts of good performance as we witnessed last month.

MARK TWAIN ONCE SAID THAT, "IT AIN'T WHAT YOU DON'T KNOW THAT GETS YOU INTO TROUBLE. IT'S WHAT YOU KNOW FOR SURE THAT JUST AIN'T SO."

Mark Twain once said that, "it ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so." This quote seems very appropriate right now. The bottom-line is that we are in a debt induced economic cycle like nothing since the 1930's and global government and central bank policies to fight this debt deflation are unlike any ever imagined. The range of potential outcomes is enormous and the list of possible unintended consequences — positive and negative — is long. We recognize the limits of our ability to see the future and we would caution our friends and family to avoid anyone who says they know for certain how the future will unfold. That said, we are fully aware of the risks and opportunities and we remain focused on protecting and growing client assets. The long-term effects of inflation will continue to eat at portfolio results and as much as we would all like to call a 'time-out' and rejoin the financial game when things get easier, life doesn't allow for that. Rest assured that your team at SignatureFD is working hard to help you achieve your goals. Please remember you can email comments, ideas or questions to our investment team at invest@signaturefd.com.

SignatureFD Brief

SignatureFD Ranked Among Top Wealth Managers for Client Satisfaction: Four of SignatureFD's partners, Blair Cunningham, Jeff Peller, Chad Zimmerman and Todd Sheets, were selected as 2010 FIVE STAR: Best in Client Satisfaction Wealth Managers in Atlanta Magazine's independent survey.

CONGRATULATIONS to Laura Rubin! Laura passed her Chartered Financial Analyst exam this quarter. This is a multi-year, multi-part exam that requires years of study and designates the upper crust of investment professionals. WAY TO GO, LAURA!

SignatureFD was a proud sponsor of the backpack booth for the Georgia Justice Project Back-2-School Event. This year over 200 children attended the "Back-2-School Event" on Saturday, July 24th at John Hope Elementary School in downtown Atlanta. This family-oriented event features health screenings, games, information booths, Chick-Fil-A and fair type foods for the families of Georgia Justice Project clients and the families of the Genesis Shelter. At the end of the festival, all school-aged children are given new backpacks filled with school supplies, so they are able to start the new school year with focus and confidence.

On October 9, members of **SignatureFD** and **Frazier & Deeter** participated in the Light the Night Walk at Centennial Olympic Park, raising over $20,000 to benefit the Leukemia & Lymphoma Society.

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.

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SPOTLIGHT

Leila Ann R. Hartsfield

Client Care Associate

Leila Ann joined the client care team at SignatureFD in 2010. As a Client Care Associate, Leila Ann assists the relationship managers with the daily operational needs of the Firm's clients. Her role is to ensure that each client receives exceptional service and that all of their account level needs are being met.

Leila Ann also coordinates the initial client experience, client meetings, and firm related events. She works directly with the Director of Operations and Chief Compliance Officer to complete firm level projects.

Prior to joining SignatureFD, Leila Ann worked for UBS Financial Services providing client services to institutional and private wealth clients.

When I'm not working: I like to cook, read, travel, take afternoon visits to the dog park, and spend time with the people that mean the most to me.

Favorite Movie: *Good Will Hunting*

Favorite book: *To Kill A Mockingbird* by Harper Lee

First Car: Volkswagen Passat

First Job: Restaurant Hostess

Next Big Trip I'd Like to Take: Buenos Aires, Argentina

Favorite Quote: *"Live as if you were to die tomorrow. Learn as if you were to live forever."*
— Mahatma Gandhi