



Morrison Investments, Inc. (Member FINRA, SIPC)

620 W. Roosevelt Road Suite C2, Wheaton, Illinois 60187
(630) 752-1155, fax (630) 752-1198, Email: Morrison@MFSAdvisor.com, www.mfsadvisor.com

There's Financial Life & Hope!

on July 2nd, 2009 the Dow Jones Industrial Average closed at 8,281, S&P 500 at 896

After six consecutive negative stock market quarters (starting with the 4th quarter 2007), it is a relief to report a significantly positive 2009 second quarter. Besides coming out of the depths of the first quarter downturn, year-to-date (YTD since January 1st), the substantial majority of all mutual funds have produced reasonably positive year-to-date performance numbers. The indexes also rose during the quarter, but not as much as most mutual funds. The Dow Jones rose 11% for the quarter, but is still down 3.7% YTD, and the S&P 500 rose 15% for the quarter but is only up 1.8% YTD. Our caution is that you do not take the near term positive performance and project it into the future as we are probably many years away from the DJIA going back to its October 9, 2007 high of 14,165.

So how is the market rising when the on-going economic news continues to be bad? With auto dealers closing, unemployment increasing, taxes increasing – both national and local, significant health care changes coming our way, ponzi schemes being exposed, etc., there is very little to financially cheer about. My personal response is as follows: (1) Both stock and bond markets have a tendency to overreact – out of fear and greed – to current economic news; as a result, the 1st quarter stock market dive where the DJIA went down to 6,547 (March 9th) was a short-term overreaction to economic conditions, and (2) The markets tend to predict where the economy might be 4-6 months hence and price that scenario into its valuation (if accurate, it is good news for our economy).

While there are many methods for advisors and managers to fairly price the market, stock and bond market pricing is not a science, but rather an art; therefore, predications are full of pitfalls and guarantees are just not available. Investment guarantees are only as good as the organization providing that guarantee. Banks are guaranteed by the Federal Government and there is a limited supply of government money, isn't there? And there are limitations to insurance company guarantees which cannot print money like our government and there are concerns about how the insurance company is producing the guarantees they offer.

Prudent investing means investing in those investments that meet the longevity and volatility tolerance of each investor. While diversification did not provide safety last year, it will never go out of style and should never be ignored. Research has shown that when additional asset classes are added to a portfolio, the portfolio's risk is reduced and its long-term performance enhanced. Years like 2008 brought to light weaknesses in funds which would otherwise not have been recognized or acknowledged. For example, even though there are many stocks within a mutual fund (one form of diversification), too much of any one sector (i.e. long running well performing financial stocks) without substantial allocations to other market sectors, to non-US holdings, to bonds, to gold, to cash, to different management styles, etc., leave a portfolio vulnerable to greater valuation adjustments than what otherwise would have been experienced.

We are continuously re-evaluating and attempting to improve upon the advice we provide. Many times investing in a single fund family will not always provide the full breath of diversification an investor needs and the results of last year has re-awakened our fervor for reviewing and adjusting

client's portfolios to provide added diversification. At times we are taking money away from our largest fund family – which we still have significant confidence in – and directing that money to alternative smaller funds that have a more flexible charter and can provide broader diversification than what a larger fund family can provide. Specific recommendations can be provided, but security regulations require advisors to exclude fund names in newsletters like this if prospectuses have not been provided.

If you are not sure if your situation has already been addressed by our firm or if you desire a current overview of your portfolio or desire a re-allocation review, please do not hesitate to contact us. Many times changes can be made with limited taxation and cost to the investor.

Merger of Cash Management Trust Fund to the new American Funds Money Market Fund

Effective July 10, 2009, the American Funds' Cash Management Trust (current money market fund) shares will be merged into the new "American Funds Money Market Fund". Shareholders will see a reduction of their Cash Management shares to zero and will see the same number of shares appear under the new money market name.

Note – For those investors who used the check writing feature of the money market fund, the American Funds will automatically issue checks for the new account. Upon receipt of the new checks the current Cash Management checks should be destroyed as they will no longer be accepted.

Until the new fund is fully invested, it is unknown what the current yield (interest rate) will be. As you are hopefully aware, the current Cash Management money market yield has been as low as 0.14% and there is the possibility of the yield on the new fund going to zero. With money market yields being so low, we encourage investors to consider short-term bond or bond investment alternatives as a viable lower-risk investment to replace money held within the money market fund. Again, please let us know how we can assist you.

Summary

If there is anything we can do to address your concerns or answer questions you might have, please contact us by email or phone or call for an appointment.

Thank you for your on-going trust and support. We realize this has been an extremely difficult period, but we remain committed to providing financial advice you can live with.

Prepared July 2nd, 2009 by: Thomas A. Morrison, CPA, CFP®, Principal