



SLOAN  
WEALTH MANAGEMENT, LLC

# It's Not How You Start...

January 2010

## 2009 Performance

**SWM Moderate Risk (net of fee) 40.9%**

Dow Jones Industrial Avg.	22.7%
S&P 500	26.5%
MSCI -EAFE	31.8%
Gold	25.0%
Aggregate US Bond	5.9%
Core Consumer Price Index	1.8%

*"We continued to grow in 2009 with the addition of Rick Lear to our team. Rick brings 14 years of money management experience. Stay tuned for more growth in 2010."*

**Frank Sloan**

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## **...It's How You Finish**

As we sit down to draft the Sloan Wealth Management (SWM) 2009 Year-end letter, we can't help but reflect on this time last year. Last January we were on the heels of the worst calendar year for the stock market since the Great Depression. The financial crisis left folks from Washington-to-Wall Street- to-Main Street (even Joe the Plumber) wondering what the future held for the global financial system. We knew sentiment had reached an all time low when the phrase "bread line" became a popular Google search.

The first two months of 2009 provided little relief as the equity markets began the year with the worst two opening months in history. By March 9<sup>th</sup>, the S&P 500 had plunged an additional 26%. While every newspaper on the news stand displayed a picture of a middle-aged, stock trader with his head in his hands weeping and the WSJ ran the headline (on March 9<sup>th</sup> – the absolute bottom day for the S&P 500) "Dow 5,000?", SWM refused to be influenced by the prevailing fear and pessimism. This fear and pessimism prevented many professional and individual investors from acting rationally.

Our team remained disciplined in implementing our tactical strategy and positioning our clients' portfolios to benefit when the market rebounded in March. Our portfolios did just that, rebounding strongly and ended the year ahead of the major market indexes. SWM's Moderate Risk Portfolio (net of fees) was up +40.9%, which easily surpassed the DJIA +22.7%, S&P +26.5%, Barclays Capital US Aggregate Bond +5.9%, developed international markets (represented by MSCI- EAFE), most commodities and other goods.

This was not the first time conviction in our strategy has led to a sharp rebound from a bear market. A similar rebound occurred when the technology bubble burst in 2001-2002. Our disciplined strategy led us to overweight various out of favor sectors and asset classes to post a return of +31.4% in 2003. We hope bear markets of this severity are behind us but remain confident in our ability to navigate all markets – bull or bear.

The stock market has humbled the mightiest of investors. We realize the wounds of 2008 will take time to heal. Last year was a step in the right direction, but we are not satisfied yet.

## **The Road Ahead...**

While taking time to reflect on the past is an important exercise, we quickly turned our attention to what 2010 has in store for investors. You do not have to watch CNBC for too long to realize there are smart folks on both sides of almost every argument. Will the market go up, down or be flat in 2010?

*“Thematic rebalancing of our client’s portfolios was instrumental in exploiting many of the market inefficiencies of late ’02 and ’08.”*

**Casey Conway**

There are a number of reasons our investment team remains confident our economy will continue to improve in 2010. However, as we always say “when the facts change, we will change our minds”. The following are a few bullets summarizing our current thoughts on the economy:

-Corporate balance sheets are in very good condition. They are flush with cash and minimal leverage.

-Corporate spending is likely to increase in the coming year to rebuild depleted inventories and upgrade technology, etc.

-A weak dollar will result in continued export growth as demand for US goods grows.

-Interest rates will likely remain low for the short term. However, when the Federal Reserve starts increasing, it should not be viewed as detrimental as the economic backdrop will have firmed up sufficiently to raise rates.

-Hiring of temporary employees has been increasing since summer of 2009 and appears likely to continue into 2010. This is often a pre-cursor to full time hiring.

-Consumer spending is likely to increase and will include big ticket items like cars and homes since few have been bought since 2007.

-Most investors missed the market rally in 2009 and are sitting on significant cash. As sentiment improves investor psychology will follow suit.

### **In Conclusion**

One thing the team at SWM has learned after our many years of investment experience is that the future is not always predictable. We believe thoughtful diversification across asset classes will lower your risk while allowing you to achieve your investment goals. We recognize that many concerns exist for the market and the economy. Concerns have existed at all points in history: World Wars, missiles 90 miles off US soil, Cold War, horrific terrorist attacks on our own soil, double digit inflation, mounting budget deficits, high taxes and global financial crisis. Our great country has always persevered.

We will continue to do our best to manage your irreplaceable wealth. We will always treat your money like it is our own, but never forget it is yours. We will continue to use our independent, non biased, academic approach to implementing investing strategies.

We wish you Health, Peace and Happiness in 2010.

Frank Sloan

Casey Conway

Rick Lear

Carol Dollar

Amy Davis

The foregoing data represents the performance of the Moderate Risk Portfolio developed by Sloan Wealth Management, LLC (“Sloan”). The Moderate Risk Portfolio is allocated in a range of investments according to Sloan’s proprietary investment strategies. Sloan’s proprietary investment strategies are allocated amongst individual stocks, bonds, mutual funds, and other instruments with a view towards income and/or capital appreciation depending on the specific allocations employed by each model portfolio. Past performance of the Moderate Risk Portfolio may not be indicative of their future performance. No current or prospective client should assume that future performance results will be profitable or equal the performance presented herein. The performance results of the Sloan portfolio Moderate Risk Portfolio is net-of-fees and reflect the re-investment of dividends and other earnings. Performance has been calculated from sources which Sloan deems to be reliable, but Sloan has not independently verified such information and does not guarantee the accuracy thereof. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment strategy will be profitable. The use of Sloan’s various portfolios may be appropriate for certain investors as part of their overall investment strategy. However, please be advised that the information contained herein is not a substitution for personalized investments advice and investors should consult with an experienced financial advisor before investing or implementing any investment strategy. Additional information about Sloan, including its investment advisory services, and applicable fees can be obtained by requesting a copy of Sloan’s Form ADV Part II which is available upon request. Sloan is an SEC registered investment adviser with its principal place of business in the State of Texas. Sloan and its representatives are in compliance with the current registration and notice filing requirements imposed upon registered investment advisers by those states in which Sloan maintains clients. Sloan may only transact business in those states in which it is notice filed, or qualifies for an exemption or exclusion from notice filing requirements. Any subsequent, direct communication by Sloan with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For information pertaining to the registration status of Sloan please contact Sloan or refer to the Investment Adviser Public Disclosure web site ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)).