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April 2009

Message from the President

by Kevin Norris

Just when you thought how awful the 37% decline in stock prices was during 2008, the new year began just as the prior ended. At one point during the first quarter, the Standard & Poor's 500 index was down almost 25% before rallying to close the quarter, down only 11%.

While the job market remains a black cloud over investor sentiment, investor confidence is being fueled by reports of stabilization in the deterioration of economic statistics. History has shown that unemployment will continue to worsen well after the economy recovers, and that the stock market will recover well before the economy.

That said, we view the current rally in stocks as an indication that perhaps the worst is over, and that we have now entered a period of economic **stabilization**. This should not be confused with economic **improvement**. There is a growing belief that the most severe global downturn in decades may well be moving close to a bottom, if not already having reached it.



New Florida Branch Opening

To better serve our growing number of clients migrating to the Florida area for the winter months, we are excited to announce the opening of a new branch office in Fort Myers, Florida. We look forward to serving you and your Floridian family and friends with the same high-level service you have come to expect from us.

Our new address: 5237 Summerlin Commons Boulevard, Suite 302, Fort Myers, FL 33907 • Tel: 239-275-2122 • Fax: 239-275-2121

Selecting Mutual Funds: Due Diligence is the Key

by Katie Kelly Fay, Portfolio Manager/Financial Analyst

Did you know there are over 16,000 mutual funds to choose from? Girard Partners narrows this vast universe by developing a list of approved funds. This list is determined by screening funds according to strict criteria including: a) whether a fund has consistently outperformed its peers over the long-term; b) the level of risk the fund has assumed to achieve its performance; c) the length of the manager's tenure and; d) the fund's expense ratio. The funds placed on our approved list are typically well within the top 25% of their investment category, and all of the funds we select are carefully ranked against their peers and appropriate benchmark indicators.



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Retirement Planning: Review Your Plan

Despite the market meltdown, we should not stop saving for retirement. Our collective goal should be to afford a comfortable future, and by saving, this goal is attainable. Below are some tips to help you create an investment plan within your retirement accounts.

1. Your retirement balance took a big hit in 2008 but you have more than 10 years until retirement. What should you do?

Despite all the market turbulence, now is not the time to stop investing. Instead, consider contributing more. If you are on the sidelines, there's a chance you may miss a market recovery.

2. What should you do if you are within 10 years of retirement and your balance is down 30%?

Let us review your asset allocation to make sure it's appropriate. Take advantage of the catch-up provisions if you are 50 years or older, and consider working a few more years longer.

3. If you are younger than 50, how much should you contribute to your 401(k) plan?

If you can, you should maximize your contribution. The 2009 federal limit is \$16,500.

4. How does working a few years longer and delaying withdrawals help rebuild retirement savings?

You will continue to add to savings, your current assets will have more time to rebound, and your retirement savings don't have to last so long.

5. Should new retirees draw on their balances in down markets such as 2008?

Yes! While bear markets are especially devastating to retirees, distributions to sustain their standard of living should continue, but at a smaller rate. Retirees should restrict these withdrawals to 4% during the first year, and increase by 3% for inflation in subsequent years.

6. If you delay Social Security beyond normal retirement age (66), how much more per year will you receive up until age 70?

For those who reached retirement age in 2008 or later, your SSI benefit is increased by 8% for each year you delay collecting these benefits up until age 70.

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Investing in a Changing Market

by David Geibel, Vice President & Senior Financial Analyst

We are currently in the 17th month of a recession, which began in December of 2007, the longest in the post war era. Recessions are measured by negative GDP growth, and the first quarter of 2009 will most likely post -5% GDP. The rate of negative growth should begin to slow in the third and fourth quarters, and several economic forecasts show slight positive growth in GDP for the second half of this year.



Consumers and businesses continue to deleverage as credit has tightened considerably. Consumers have also cut back on their spending, while their personal savings rate has increased by 3.90% in the past year, as fears about the economy and employment continue to weigh heavily on spending habits.

Worldwide equity valuations have declined by almost 50% and world governments continue to combat the severe recession by investing heavily in battered banks and providing economic stimulus through government spending programs.

So what does this mean to us, as investors? What investments should we consider for the future? How do we adjust our portfolios for this new economic paradigm? Some thoughts include:

Consider the alternatives. Investment vehicles that neutralize and hedge against market volatility should become mainstays of a well-balanced portfolio. The addition of Long/Short funds is something Girard Partners continues to recommend. Traditional "long only" investments will not be enough to attain investment goals.

Intermediate government and corporate bonds. Investors' appetite for risk has diminished and will remain low for some time. Risk premiums will remain above average and increase the cost of borrowing for individuals and businesses. The flood of money into U.S. Treasury obligations has left a void in other areas of lending, creating an opportunity for high credit quality bonds outside of U.S. Treasuries.

TIPS (Treasury Inflation Protected Securities). The potential byproduct of the massive increase in U.S. Government debt and increase in money supply to combat the economic slowdown is inflation. We believe a hedge against inflation is an appropriate strategy, and that TIPS provide a viable, low risk alternative.

Underweight foreign stocks. It's our belief that European and other foreign economies will lag the U.S. recovery, partly because of decentralized monetary policy and their inability to provide massive stimulus similar to the U.S. Only certain foreign economies such as India, China, and selected South American countries are poised for growth. We believe some of your foreign allocation should be transitioned to U.S. equities.

Invest in the strong survivors. One of the effects of a deep recession is the elimination of competition. Selecting and investing in strong businesses with distinct competitive advantages, strong balance sheets, and positive cash flow should remain the focus of our investment strategy.

Stay balanced. It is imperative that we invest in multiple economic sectors and asset classes. Changing your risk profile during large up or down movements in the markets is a self-defeating prophecy. A well-balanced portfolio and disciplined approach should be your guide as a long-term investor.

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Selecting Mutual Funds

Our experienced financial analysts perform due diligence of each fund that goes beyond the aforementioned criteria. Due diligence begins with fully reading and understanding the fund prospectus. The fund's top holdings and sector weightings are then considered to ensure that the fund is not experiencing any style drift in the pursuit of hot returns. To keep abreast of breaking developments, we also closely monitor market commentary for each fund we choose.

Direct access to fund managers is one of the advantages of working with Girard Partners. We regularly and determinedly probe the fund's manager about strategy and fund developments that might impact investors. In fact, it's not unusual for us to visit their offices to conduct due diligence interviews in person.

Experience has taught us that the key to due diligence is to continually monitor and review the funds we have chosen. Our dedicated Investment Committee oversees this ongoing effort by reviewing fund performance and other metrics against their peers and benchmarks on a weekly basis. Quarterly, each fund undergoes a comprehensive analysis that involves even further screening.

Occasionally, our Investment Committee determines that a fund may not be meeting expectations. Red flags might be raised as a fund is judged against its peers and benchmarks, or a fund might experience a change in management. As problems arise, we examine why the fund is not delivering the expected results. If its performance or investment philosophy is no longer aligned with your interests, we'll take action by replacing the fund with an alternative that meets our strict criteria.



Nurturing your wealth for life

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