



August 31, 2009

D3 Business Update:

We are pleased to share with you some awards that we have recently received:

1. We were invited to attend the **Barron's Winners Circle** Conference for the top Independent Investment Advisors in the U.S. back in May.
2. We were invited to be part of the **MD Preferred Network** of NAPFA for fee-only financial planners serving medical doctors last month
3. CPA Wealth Provider magazine listed D3 as a **rising star in their annual ranking of Wealth Magnets** this month
4. We were awarded the **Entrepreneurial Excellence Award** in the Regional Spirit category by the DuPage Business Ledger (to be announced in September)

D3 Market Comments:

Economic data continue to indicate that the potential “depression” has been averted and that the global economic contraction has slowed significantly. Manufacturing activity is starting to rise from depressed levels as companies have drawn down their inventories to such low levels as to require increases in production. The housing market appears to have bottomed a few months ago; sales and prices are steadily rising from historically depressed levels, and inventories are declining. However, some of our clients in the industry are warning us that another wave of foreclosed houses could hit the market soon, and that would surprise the financial markets. The rate of corporate layoffs has slowed, but people are still losing their jobs.

Our conclusion is that the government’s efforts to stimulate the economy are working, to a degree, but we remain concerned whether the recovery will be sustainable. The housing market is being stimulated by the government’s \$8,000 tax credit for new home purchases, which expires on December 1st. What will happen to home sales after the program expires? Did the “Cash for Clunkers” program generate significant **NEW** car sales, or just motivate people already planning on buying cars to move up their purchases? Outside of autos and homes, the U.S. consumer remains reluctant to spend. Banks are still reluctant to lend money. This combination suggests a very slow economic recovery. It is very difficult to forecast the economy beyond 6 months now, with any real confidence, so slower than normal growth is our best guess.

While we are pleased, and relieved, that the stock market continues to rise, our concern regarding the sustainability of this rally is starting to grow. Stocks rose in July as corporate earnings, generally, exceeded Wall Street analysts’ expectations, because companies slashed costs and employees faster than the markets expected. However, few companies reported real growth in sales. **Stocks rose in August as economic data continue to indicate that the economies of many countries will resume positive growth** in the 3rd quarter, led by China, India, and, surprisingly, Japan, Germany and France.

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Stock market pessimists are worried about the points we mentioned above. Also, many optimists acknowledge that U.S. stock markets are no longer “cheap,” having reached levels that they thought represent “fair value” The result is that the current market consensus expects a downturn of 5% to 10% over the next two months, since September and October are historically negative months for the stock market. It will all depend on the economic reports.

We don't have a strong opinion on the likelihood of a stock market downturn. Many investors have their fingers on the “SELL” button for their stocks, but few are actually selling, for fear that they will miss another unexpected rally. One factor that could reduce the possibility of a significant downturn is the \$3.4 trillion that investors have in money market funds, earning less than 0.50%. If the economic data stays mildly positive, cautious investors who stayed out of the stock market could begin buying stocks on any pullback.

Our Current Strategy:

The Federal Reserve is also concerned about the sustainability of the economic recovery, and has stated that short term interest rates will stay low as long as growth stays slow. Consequently, we are reducing clients' holdings of money market funds and we are investing the cash into short term bond funds. **We look to be fully invested according to your target asset allocation. For new funds added to accounts we continue to dollar cost average into positions.**

D3 Client Update:

Please mark December 5th on your calendar for our annual client appreciation dinner. More details will follow in our next letter. Also, this is the time of year we ask you to evaluate our services. **Please fill out the attached survey** and send it back to us in the postage paid envelope included.

As always, thank you for letting us serve your financial needs, and please, let your friends and relatives know that we help reduce the uncertainty in your financial lives. Also let them know that on October 10th, **Don will be doing a free presentation** during National Financial Planning Week at the DePaul campus in Naperville covering tax strategies. **Please call if you want more details**

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