



February 25, 2009

**D3 Business Update:**

We officially moved into our permanent home, “Charles Place” at 5151 Mochel Drive, Suite 301, Downers Grove, Illinois, 60515. The office is two blocks east from our old office. Our phone number did not change. When you meet with us, just park in the free parking deck next to the building. The elevator should be installed by the end of March; meanwhile, we are getting some great exercise by going up and down three flights of stairs at least once a day.

**D3 Client Update:**

The Securities and Exchange Commission requires that we provide all clients, annually, access to our Form ADV (which describes how we conduct our business). If you’re interested, please go to the SEC web page listed below, and type in D3, or call us, and we will send it to you.

[http://www.adviserinfo.sec.gov/IAPD/Content/ViewForm/ADV/Sections/iapd\\_ADVIdentifyingInfoSection.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/ViewForm/ADV/Sections/iapd_ADVIdentifyingInfoSection.aspx)

**Looking Forward:**

Frankly, we are getting tired of hearing the constant doom and gloom about the world economy. While we’re not denying that this is likely to be one of the longest and deepest recessions since the early 1970’s, and it could be worse than that recession before it’s over, we thought it would be appropriate to focus on why both the markets and the economy will eventually improve.

1. Financially: Like it or not, the Federal Government is creating new numerous programs to stimulate economic growth (see attached table). However, they are not communicating this very effectively to the financial markets; which has been depressing stock prices.
2. Globally: Governments, all over the world, are creating similar programs to stimulate economic growth
3. Demographics: Here in the U.S., the children of the baby boom generation (currently, in their 20’s), are just as numerous as their parents, and are approaching the stage of their lives in which they will begin to buy homes and start families, and consume more goods and services.
4. Liquidity: Investors have deposited trillions of dollars in money market funds and savings accounts, which are paying interest rates close to 1%. When both consumer confidence and the markets stabilize, investors will feel encouraged to invest in higher yielding investments, to “earn some of their money back.”
5. Investment: The current market value of many assets, both financial (stocks & bonds), and real assets (homes, company assets) have fallen below their intrinsic value and/or replacement cost. This cannot last for an extended period of time. We’re beginning to see investors opportunistically buy risky assets at these discounted prices.

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We are not alone with this viewpoint. Here's an excerpt from an article written on February 23<sup>rd</sup>, in which The National Association of Business Economists (NABE) published their most recent forecast, in which they project 3.1% economic growth in 2010.

### **Economists Optimistic For 2010 Rebound — NABE Survey**

It seems like a while since any forecast for the U.S. economy included the words “above trend.” But that’s what the National Association for Business Economics expects next year, according to their latest survey of forecasters released Monday, even though the recession that started in December, 2007, is expected to drag on a few more months. “Following a sharp 5.0% (annual rate) contraction in the first quarter of this year, and another 1.7% drop in the second quarter, NABE forecasters expect real gross domestic product to rise at a sub-par 1.6% rate in the second half,” said Chris Varvares, president of NABE, as well as the forecasting firm Macroeconomic Advisers. “The good news,” Varvares added, is the economy in 2010 “is expected to see modestly above-trend growth of 3.1%.”

### **Our Current Strategy:**

Since our last newsletter, we’ve purchased a new fund for many clients with lower risk appetites. This fund invests in Treasury bonds that have a principal value that rises or falls with the consumer price index. This type of bond is currently cheap, because the market is more worried about *deflation* than inflation. We’re not worried about inflation in the near future, either. However, if the government’s efforts to stimulate the economy are successful, and inflation returns in 2010, then these bonds will increase in value. Also, for clients with a higher risk tolerance, we added a new fund that invests in high yield bonds. These first purchases were small, but we plan on adding to these holdings over the next couple of months.

From an equity standpoint, this most recent decline has kept us on the sidelines. Once we believe the market has stabilized, we will resume the rebalancing of client portfolios, as necessary. We are considering a small purchase of a fund that invests in companies in Asia, Latin America, and eastern Europe.

Please call us *any time* to discuss our interpretations of news coming from the financial markets. As always, **THANK YOU for your confidence in our ability to try to interpret the financial world for your benefit.**

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By Christopher Barker  
February 19, 2009

<b>Item</b>	<b>Issuer</b>	<b>Amount of Outlay</b>
<b>Commercial Paper Funding Facility</b>	<b>Federal Reserve</b>	<b>\$1,800 billion</b>
<b>Temporary Liquidity Guarantee Program</b>	<b>FDIC</b>	<b>\$1,400 billion</b>
<b>Term Asset-Backed Securities Loan Facility (TALF)</b>	<b>Federal Reserve</b>	<b>\$1,000 billion</b>
<b>Term Auction Facility (TAF)</b>	<b>Federal Reserve</b>	<b>\$900 billion</b>
<b>Fannie Mae (NYSE: FNM), Freddie Mac (NYSE: FRE), and Ginnie Mae</b>	<b>U.S. Treasury / Federal Reserve</b>	<b>\$800 billion</b>
<b>Obama Stimulus Plan</b>	<b>U.S. Treasury</b>	<b>\$787 billion</b>
<b>Treasury Asset Relief Program (TARP)</b>	<b>U.S. Treasury</b>	<b>\$700 billion</b>
<b>Total USD international currency swap lines</b>	<b>Federal Reserve</b>	<b>\$688 billion</b>
<b>Money Market Investor Funding Facility</b>	<b>Federal Reserve</b>	<b>\$540 billion</b>
<b>Citigroup (NYSE: C) Guarantee</b>	<b>U.S. Treasury / FDIC</b>	<b>\$306 billion</b>
<b>Hope for Homeowners Act of 2008</b>	<b>U.S. Treasury</b>	<b>\$304 billion</b>
<b>Term Securities Lending Facility (TSLF)</b>	<b>Federal Reserve</b>	<b>\$225 billion</b>
<b>Economic Stimulus Act of 2008</b>	<b>U.S. Treasury</b>	<b>\$168 billion</b>
<b>Other loans: Primary Dealer Credit, etc.*</b>	<b>Federal Reserve</b>	<b>\$142.9 billion</b>
<b>Paid to JPMorgan Chase (NYSE: JPM) to settle Lehman debt</b>	<b>Federal Reserve</b>	<b>\$138 billion</b>
<b>Bank of America (NYSE: BAC) Guarantee</b>	<b>U.S. Treasury / FDIC</b>	<b>\$118 billion</b>
<b>AIG (NYSE: AIG) Bailout</b>	<b>Federal Reserve</b>	<b>\$112.5 billion</b>
<b>Bear Stearns brokered sale</b>	<b>Federal Reserve</b>	<b>\$25.9 billion</b>
<b>I'm afraid to look ...</b>	<b>Total:</b>	<b>\$10,155,300,000,000</b>