April 16th, 2010

To Our Clients and Friends:

Capital markets experienced a much calmer first quarter this year compared to the first quarter of 2009. March 2009 was when the S&P 500 reached its trough. Economic conditions have continued to improve this year, although at a pace slower than previous recession recoveries. Please note that this is referring to *economic* conditions, not market conditions.

While there are still many challenges to overcome, investors' resolve makes them adjust to changing circumstances and act in the most suitable way to attempt to reap profits and avoid losses. To do so, investors look ahead, keeping the fundamentals of investing at heart. As has been obvious this past 12 months, investors do not wait for the economy; they do not wait for certainty. Investors anticipate business conditions and the financial results of employing capital. Economic conditions are but one of the many factors considered.

The flexible approach of many of our managers, which enables them to change their allocations to stocks, bonds or other assets, or change their tactics (for example from being long stocks to being short) as they deem fit, has continued to be effective. All of them allocated aggressively to equities and some to high yield bonds this time last year and have benefitted from rising prices across the board. They are not quite as aggressive today but are still allocating capital to provide good quality returns with a keen and watchful eye on risk. It is always their endeavor to invest in superior quality companies with sound management and profitability because that is where you get greater risk adjusted long term returns.

The S&P 500 posted a positive return of 5.39% for the quarter. The Treasury bill return for the quarter was nil, primarily because of the sustained zero interest policy from the Federal Reserve. Our portfolios, except the *All Equity Portfolio*, continue to meet or exceed their respective benchmarks through the quarter. Additionally, from a longer term perspective, all portfolios are exceeding their benchmarks for the five year and inception date period returns. For the details of how each Risk Adjusted Portfolio has performed over all of the time periods we have ever reported, please go to www.rfgweb.com and navigate to the Performance Reports section under the Letters and Articles tab.

We do still maintain a dedicated position to the high yield bond market and it is an overweight position relative to what we would normally have. Returns from this position have matched equity returns for the past year. As the year goes by we may reduce or eliminate that position as spreads (difference in interest rates) between high yield and treasury bonds converge to their long term average. We continue to have emphasis on international equities because of both higher dividend yields in the developed world and higher growth potential in the emerging world. The foreign exposure also helps diversify the dollar currency risk which we experience in all stages of our lives. Inflation chips away at the purchasing power of the dollar and while the recession helped control inflation temporarily, the threat of abnormally high future inflation intensifies as the money supply expands; thus the potential depreciation of the dollar is also elevated. We will be monitoring inflation very carefully in the coming years as it can have significant impact on capital markets as well as our day to day lives. Equity markets can be expected to add incremental gains going forward as inflation remains contained and interest rates are favorable. A combination of reasonable inflation and low to moderate interest rates is good for economic growth and thus good for corporate earnings, the primary driver of long term equity market performance. Even during bull markets, equity markets can still go through a downward correction phase of about 10% and this time may be no different. Moderate downward corrections can be quite beneficial for long term performance if you allow your portfolio to weather the downturns in a methodical manner. We do tend to rebalance and make allocation changes to our portfolios during such instances to take advantage of the opportunities presented. We do the same when substantial outperformance of some of our securities have reaped substantial gains and it appears to us that the risk of allowing the overweight position has begun to outweigh the upside potential.

**RFG Team updates** - Trevore Meyer joined RFG as a Financial Planning Apprentice in February 2010. Trevore was with us as an intern this past summer and it was a mutually productive time which laid the foundation for him joining us full time at the end of February. He graduated from Virginia Tech in December 2009 with a degree focusing on Financial Planning. Trevore will be responsible for the financial planning tasks associated with RFG and our clients. He has recently taken the comprehensive exam for the *Certified Financial Planner* ™ CFP® designation and is anxiously awaiting his results. While he will not be able to use the designation until he has three years of experience with us, we consider completing this exam to be fundamental to his development with us as a financial planner. Trevore and Ben will work together on all planning activities, and he is already very active in providing client administrative and operational services. As you communicate with him regarding your questions you will see that he is capable, highly energetic and eager to assist you with your financial needs.

We would like to remind you to log in through the **"My Accounts"** section of our website **(www.rfgweb.com)** to access **our online reporting and document management system** for you. You will find an easy and efficient way **to access** your adobe acrobat formatted reports and your dynamic or HTML Monthly Performance Reports online. You will receive an email from us each time we post a report to your page, with a link right to it on the "Unread items" page. **Please be sure to log in and review them** and contact us with any questions.

Look for our blog coming soon (which I really want to call "Ben's Soap Box")! I hope it will help us to communicate to you more frequently… and shorten these letters substantially!

Sincerely,

Benjamin G Baldwin III CFP®, ChFC
President

Pranav (Paul) Mahadevia
Vice President