July 13, 2010

To our Clients and Friends:

Equity markets made a reversal in the 2nd quarter of 2010; with the S&P 500 down 11.42% for the quarter and thus down for the year to date period. We had highlighted in our last letter that corrections were common after strong, across the board, rallies in risk assets. All asset classes did not suffer to the same extent as the S&P 500 for the quarter; our high yield funds were down only marginally and still post a positive return for the year. Some of our hybrid managers were down substantially less than the market for the quarter and thus still have positive performance for the year. The go-anywhere approach we require in our hybrid managers, has been the primary reason that **all of our Risk Adjusted Portfolios outperformed their respective benchmarks for the quarter and also for the year to date time period.** 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 have always endeavored to be more cognizant of downside risk, than of gathering all the return of every rally. Everyone likes risk when markets are up, but when they complete a downward correction many are inclined to invest in risk free assets where principal is protected. By managing the portfolios to reduce downside risk while maintaining appropriate and adequate exposures to risk oriented assets, we help you to avoid such self-destructive tendencies. Currently risk-free assets like Treasury Bills and Bank CDs are providing a negative return when you account for inflation, (taxation makes this even worse). Recently, the average rate on a 1 year CD, according to www.bankrate.com, is 1.14% APY., the average inflation (as measured by Consumer Price Index) over the last 1 year has been 2%. So while your principal is protected on face value, the actual purchasing power of that principal declines. We like to take prudent risk in our portfolios, risk that is adequately compensated by the reward that it provides. One of the alternatives to CDs, providing a yield which represents your real return and counters inflation with price adjustments tied to the CPI-U, is using funds that invest in treasury inflation protected securities (TIPS). TIPS are designed to always provide a positive real return above inflation and are backed by the full faith of the US government. Their price is more volatile than a bank CDs but that volatility is compensated in the form of a positive return after inflation, and liquidity at all times.

Equity markets will continue their oscillations as the year progresses but they are much more reasonably priced currently than they were at the end of first quarter. This valuation is also relative, if we believe the people who are guaranteeing a double dip in the economy then they may be expensive, however if the street analysts are to be believed then it is a bargain at the current level. We will consider a more central approach and assume that going forward it will be a stock pickers market. Managers who do their own sound fundamental and quantitative research and then base their security selection on that research will be rewarded. Some managers prefer to build their portfolios around a particular index and then try and outperform it by changing the percentage weighting of some of the securities in that index. These managers will

move in line with the market and periodically outperform but it is hard to justify their high expenses since they lack consistency. We try and avoid these, 'flavor of the month' managers and funds and try and find managers who will bring consistency and stability in their performance.

As an example, we will highlight the IVA Worldwide fund which is part of all our model portfolios. The mangers mange this fund very uniquely by trying to preserve capital in the short term (12-18 months) and at the same time outperform the equity benchmarks over a full economic cycle (5 -10 years). They try and achieve this goal via a sound investment philosophy (from their website www.ivafunds.com), in which the primary focus is on 'downside protection'. They do their stock picking based on their own fundamental research across the globe; they are benchmark agnostic; and lay emphasis on intrinsic value and quality of businesses. They treat both gold and cash as a portfolio allocation because gold acts as insurance during a period of crisis and cash acts as an opportunity during a crisis. The IVA Worldwide fund is up 14.5% annualized since its inception on Oct 1, 2008, and the S&P 500 index is down 2% during that time period. We prefer these kinds of managers because they treat clients' money like their own money, and actually have a substantial portion of their own net worth invested in the funds.

We will use these quarterly communications to highlight the features of some of the core funds that we use in your accounts and the reason why they are being used as part of our overall investment allocation. 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.

Sincerely,

Benjamin G Baldwin III CFP®, ChFC	Pranav (Paul) Mahadevia CMFC, AAMS
President	Vice President