

Second Quarter 2009

Progress Report

When is conventional wisdom wrong? Rising joblessness, swine flu fears, bankrupt automakers, fears about a depression, and the best two-month market gain since 1975¹: How can we explain a 34%² rally in the S&P 500 Index off its March lows? Let's try to answer that with a few other questions: How can a 50:1 long shot win the Kentucky Derby? How can a small division II college (Appalachian State) beat a division I powerhouse university (University of Michigan) in college football in 2008 when the experts and odd makers told us it couldn't happen? Well, sometimes the experts are just wrong!

World renown economist John Galbraith once said, "There are two kinds of forecasters: those who don't know, and those who don't know they don't know"! The conventional wisdom was that the economic problems were so severe that we could be headed for an honest-to-goodness meltdown. Proof of just how bearish the conventional view was is the fact that stories in the media that mentioned "Great Depression" increased 500% in 2008 compared to 2002-2007.³ As usual the end of the world didn't occur, and even if it did, there isn't anything that you could do about it. Unfortunately, most *(continued)*

Your Core Investments at June 30, 2009

Category	Fund Name	YTD Return	Date First Purchased	Period Owned	Period Return	
					Fund	Comparison Index
Aggressive Equity Strategies	DFA Emerging Markets Core Equity	+37.9%	Mar 25, 2008	16 mos.	-25.0%	-25.0% (a)
	DFA Intl Small Cap Value	+13.4%	Mar 25, 2008	16 mos.	-29.5%	-29.5% (b)
	DFA U.S. Small Cap Value	+2.4%	Mar 25, 2008	16 mos.	-33.1%	-33.1% (c)
Diversified Equity Strategies	First Eagle Global**(1)	+5.0%	Sept. 26, 2001	93 mos.	+154.5%	+46.4% (d)
	DFA Large Cap Int'l	+7.6%	July. 31, 2008	11 mos.	-29.2%	-29.2% (e)
	Kinetics Paradigm	+18.3%	Aug. 16, 2007	23 mos.	-31.9%	-32.3% (f)
	Income Fund of America	+3.3%	Feb. 17, 2005	52 mos.	-7.0%	-16.8% (f)
Income and "Market Neutral" Strategies	Fairholme Fund	+12.5%	July. 31, 2008	11 mos.	-14.1%	-25.9% (f)
	DFA Inflation-Protected Securities	+5.1%	July. 31, 2008	11 mos.	-3.4%	-1.8% (g)
	Capital World Bond Fund	+2.9%	Aug. 30, 2007	20 mos.	+7.1%	+11.0% (h)
	Loomis Sayles Bond	+17.0%	Sept. 8, 2005	43 mos.	+9.4%	+12.7% (h)

(1) Fund's standard sales charge waived for clients of IFC Advisory.

* Fund is closed to new investors.

** Fund is generally closed, but still open to new and existing IFC Advisory clients.

- (a) DFA Emerging Markets Index
- (b) DFA Intl Small Cap Value Index
- (c) DFA US Small Cap Value Index

(d) MSCI-EAFE (iShares MSCI EAFE Index as proxy)

(e) DFA Large Cap International Index

(f) S&P 500 Index (Vanguard S&P 500 Index Fund as proxy)

(g) TIPS Index (VAIPX as proxy)

(h) Vanguard Total Bond Market

Risk tolerance considerations and other individualized factors determine specific holdings for each account. Many accounts do not include all funds listed. Individual fund returns include the reinvestment of dividends and interest, but do not reflect IFC Advisory fees and trading costs. Model portfolio returns reflect IFC Advisory fees and trading costs. Some accounts include additional investments for specialized purposes. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities on this list. We obtain data from sources we believe are reliable, but they should not be relied upon for making financial decisions without consulting your advisor. Past performance is no guarantee of future results.

investors don't understand this, fall victim to their own emotions, and sell at the wrong time when the news is bad, such as during October and November 2008 and again in February and March 2009.

The silver lining is that according to the Investment Company Institute, investors have been funneling money back in to the equity market for a sixth consecutive week⁴. They realize that the world isn't going to end and that the economy and markets are stabilizing as shown by the fact that tax refunds and mortgage refinancing have boosted consumer confidence, government programs designed to stabilize the economy and get credit flowing again are starting to have a positive impact, and the majority of S&P 500 companies have raised earnings projections for 2009.⁵

Proof is also in the fact that our IFC Advisory model portfolios had a very good quarter, with all of them out performing their respective performance benchmarks, as well as the overall U.S. equity markets as measured by the S&P 500 Index (-.5%) and the Dow Jones Industrial Average (-6.5%) through 6/30/09. Much of this has to do with the overall allocation of the portfolios and the superior investment selection from IFC Advisory's investment policy committee. As you review your quarterly progress reports and the overall performance of your portfolio with IFC Advisory, keep in mind what the performance returns are in many areas of the investment world which would include the equity markets (see above index returns for the S&P 500 and DJIA), real estate investments, tax-free and taxable bonds, and many

commodity investments.

The best recommendation we can give to our clients is to avoid emotional decisions, as they usually turn out to be disastrous. Currently, extremely low rates on short-term investment vehicles like certificate of deposits (six-month rate = .40% nationwide, and a two-year CD = 2.25% nationwide) or money market instruments (.10-.15%) isn't going to help anyone reach their long term financial goals. In fact, at such low yields, an investor's portfolio will not even be competitive against long-term inflation which is approximately 3% per year. Our recommendation is to stay the course and remain invested in a quality portfolio that mirrors their risk tolerance and will achieve their financial goals, or start a dollar-cost-averaging (DCA) plan that will work available cash investors have available back into a diversified portfolio of investments. A DCA plan doesn't guarantee a positive return, but it will take the emotion out of the magical question of "when is the best time to invest"?

In closing, we want to thank our clients for their patience and continued trust in IFC Advisory in these challenging times. We continue to monitor your funds and act in your best interest on a daily basis. Please call us at any time with questions or concerns — we are here to serve you!

¹ Source: Bloomberg. ² As of May 4, 2009. ³ Source: Ned Davis Research. February 2009. As of 2/28/2009. ⁴ As of May 4, 2009. ⁵ Source: Bloomberg

~ IFC Advisory's Spotlight ~

We would like to welcome **Michael Solomon** to the IFC Advisory team!

Michael is currently in IFC Advisory's Internship Program while attending college at the University of Southern California (USC). He is majoring in economics and will also minor in accounting.

Michael is a very eclectic and talented young individual with a current GPA of 3.8 and a very bright future. After obtaining his undergraduate degree, he plans earning his MBA degree as well as the Chartered Financial Analyst® (CFA) designation. His ultimate goal is a career in institutional investment banking, private equity, or working in some aspect with a hedge fund.

Michael has been assisting our vice president of investments, Anthony Diaz, CFA, with equity and fixed income research. He is also taking on various projects to help streamline and improve our internal systems and operational platforms. He is also assisting with recruiting, interviewing, training, and supervising additional participants in our internship program.

We are very happy to have Michael participate in our firm's internship program. If you have a question or would like to speak with Michael, you can reach him at (800) 632-2463.

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Main Office
6101 W. Centinela Ave., Suite 335
Culver City, CA 90230
(800) 632-2463

www.ifcadvisory.com

Central Coast Office
2125 S. Broadway Suite 110
Santa Maria, CA 93454
(805) 346-2989