

Third Quarter 2009

# Progress Report

Well, here we are about 6 1/2 months from the bottom of what some will say was the worst economic environment since the Great Depression, and guess what? We are still standing!! The financial media has done a complete 180 degree turn and has moved away from using terms like "collapse, disaster, & depression" to describe the economy and financial landscape to using terms like "green shoots, recovery, & rally"! Why the turnaround? The media and investors have been overcome by a run of more favorable than expected economic reports. Once this occurred, investors concluded that stocks were considerably

undervalued and began to increase their equity positions. As a result, by late September equity prices had reached their highest level in 2009 with a nearly +20% return year to date.

The positive economic situation wasn't a "head fake" as the decline in the real GDP during the second quarter was a minor 0.7% annual rate compared to the plunge of 6.4% in the first quarter. Moreover, corporate earnings in the second quarter were substantially better than analysts had forecast, though below their year-ago levels. (next page)

## Your Core Investments at September 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	+67.8%	Mar 25, 2008	19 mos.	-8.0%	-8.0% (a)
	DFA Intl Small Cap Value	+42.1%	Mar 25, 2008	19 mos.	-11.5%	-11.5% (b)
	DFA U.S. Small Cap Value	+29.7%	Mar 25, 2008	19 mos.	-15.0%	-15.0% (c)
Diversified Equity Strategies	First Eagle Global**(1)	+20.3%	Sept. 26, 2001	96 mos.	+191.6%	+74.8% (d)
	DFA Large Cap Int'l	+27.5%	July. 31, 2008	14 mos.	-14.9%	-14.9% (e)
	Kinetics Paradigm	+36.9%	Aug. 16, 2007	26 mos.	-23.3%	-21.7% (f)
	Income Fund of America	+16.6%	Feb. 17, 2005	55 mos.	+6.3%	-3.8% (f)
	Fairholme Fund	+28.3%	July. 31, 2008	14 mos.	-5.1%	-14.3% (f)
Income and "Market Neutral" Strategies	DFA Inflation-Protected Securities	+8.7%	July. 31, 2008	14 mos.	-0.2%	+1.2% (g)
	Capital World Bond Fund	+9.7%	Aug. 30, 2007	23 mos.	+15.2%	+11.0% (h)
	Loomis Sayles Bond	+30.7%	Sept. 8, 2005	46 mos.	+22.9%	+23.8% (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.

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All of this created momentum going into the third quarter and helped provide a +14.91% return in the third quarter for the S&P 500 Index.

We believe that the economy passed an important inflection point and has transitioned from a sharp recessionary environment to a moderate recovery. This started in the second quarter when the rate of decline in real GDP (mentioned earlier) slowed sharply to a nominal rate of less than 1% from the shockingly bad number in the fourth quarter of 2008 and the first quarter of 2009. There was clearly improvement in a fairly broad swath of economic indicators including consumer incomes, new unemployment claims, international trade, and durable goods orders. Even in the troubled housing sector, there has been positive news with respect to home sales, housing permits, inventories of unsold units, consumer attitudes, and affordability. Possibly looking forward into 2010, this key area (housing) will cease being a drag on overall economic activity.

As a result of these more favorable developments, it now appears that the second quarter represented the tail end of the recession. In fact, based on our latest expectations, we believe that the economy has now turned to a growth mode, which should persist for the upcoming 12 months, if not beyond, with the bottom of the recession actually reached back in June or July. A reasonable estimate at this point is that third quarter real GDP will increase at about a 1 to 2% annual rate.

In order to combat the adverse effects of the credit crisis and the global recession, the major governments of the world put forward a massive series of fiscal and monetary stimulus actions in their determination not to permit another economic depression. Of course, this frenzy of activity may not be particularly efficient, and it clearly took longer than the government expected for the fiscal stimulus to have an effect, but the magnitude of the actions is so large that it will necessarily have a significantly positive impact on economic growth (though at the expense of a larger budget deficit) over the near to intermediate term.

Certainly, corporate profits were adversely affected by the recession. As a result, comparisons with a year ago have been quite weak in recent quarters. However, we believe that results are improving, based largely on successful cost reduction efforts. Thus, while third quarter profits may still be down on a year-to-year basis, the shortfall should be relatively minor. Moreover, we believe that earnings comparisons will be sharply higher in the fourth quarter reflecting fewer asset write-downs and better operating profits. In addition, based on our expectations for economic recovery, we expect a further rebound in earnings in 2010.

In closing, we want to thank our clients for their patience and continued trust in IFC Advisory during 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!

Certain information obtained from Atlantic Trust

### ~IFC Advisory's Spotlight~

We would like to welcome **Melanie Buck** to the IFC Advisory team!

Melanie Buck is client relations manager at IFC Advisory, joining the firm in July 2009 with over 15 years of experience in the financial services industry.

Melanie worked as a customer service manager for Bankers Pension Services for three years and then with CNA Trust for five years, managing their in 401(k) retirement plan operations. Just prior to joining IFC Advisory, she was assistant vice president for Union

Bank of California, managing the distribution department in their retirement plan division.

Melanie supports her local Long Beach community through her work with Goodwill Industries. She also supports a Dachshund rescue organization, resulting in the adoption of her pet, a Dachshund named Ruby. She is married and has two sons. She enjoys cooking, traveling, and entertaining at home.

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