

KWAG October E-mail Update

Good afternoon. In the recent past, we have written frequently about the apparent “disconnect” between investor perceptions of the economy and financial markets and the actual performance of publically traded companies. Individual investors seemingly remain focused like lasers on the national debt and unemployment rates (both high), while individual companies remain focused on improving their bottom lines, or “cash flows.” The result has been that most individual investors continue to sit on the sidelines, or pull even more money out of the stock market, while the stock market continues to go up. Thankfully, our clients have mostly stayed calm and fully invested, thereby participating in the very nice rally we’ve experienced since March 2009. There have been bumps in the road, of course, and there will be more bumps going forward, but the recovery is now in full swing—albeit at a more subdued rate than we would generally see following an ordinary recession. In fact, we fully expect the slow, steady economic improvement we’ve seen since the end of the recession in 2009 to continue at least through 2011.

Just the Facts Ma’am

It may seem counterintuitive, but many of the issues individual investors obsess over are not the things that drive their portfolios up or down over time. And we all know the issues many individual investors are obsessing over because they’re the ones we saw beat to death during the recent election cycle. So at the risk of being accused of redundancy bordering on the obsessive ourselves, we’re throwing caution to the wind and repeating our broader message on the “disconnect” one more time: ***“As long as capital, labor and technological innovations are allowed to flow freely across a level playing field, the global economy will thrive and so will our portfolios.”*** You’ll note, we didn’t mention marginal tax rates, the bulging deficit, or high unemployment rates. Because,

while we believe those issues are extremely important, they are not the major drivers of our portfolios over time. Today, capital is cheap, labor is cheap and in large supply, and technological innovation continues to thrive—all major positives for the companies we invest in. So in our opinion, now is a very good time for those with long term investment horizons to be invested in stocks.

Fair Warning

Please note that we're not saying everything is perfect in the economy. It isn't. But there is already a great deal of "pessimism" built into stock prices, which we believe gives us much more upside potential in stocks than downside risk, at least over the next few years. We will undoubtedly experience our share of dips going forward, but they are short term phenomena and of little consequence to long term investors. In fact, if you are prepared for the inevitable dips, they provide a great opportunity to buy assets on the cheap.

Our Newsletter

At this point, we hope everyone has taken the time to read our most recent newsletter. In it, we outline just how well corporate America is doing and we discuss the rationale for our optimism about stocks and even the economy going forward. We also address the second round of "quantitative easing" (QE), which the Fed announced yesterday and even examine "Black Swans", which are unforeseen events that can dramatically impact investor portfolios. We have received a lot of positive feedback on the newsletter over the past few weeks so if you haven't read it we encourage you to do so at your earliest convenience. We also welcome any additional comments, questions, or concerns.

Client Dinners

The annual client appreciation dinners are now set and we can't wait to see everyone. We'll have some excellent information to share with you regarding

economic recoveries and investing strategies and we encourage you to bring a friend! The dates and locations for the dinners are as follows:

Ocean Isle, NC Monday, January 24th Sea Trails Convention Center 6-8PM

Greenville, NC Tuesday, January 25th Brook Valley Country Club 6-8PM

Asheville, NC Wednesday, January 26th Asheville Country Club 6-8PM

To reserve your seat, please call our headquarters office at 877-366-5623 or your specific advisor. If you would like to register via email, please email Kristen Below at kbelow@thekielygroup.com. Again, we encourage you to bring a friend, relative, or anyone you think would benefit from our educational message.

In Closing

As usual, if you have any questions about this update, our newsletter, your accounts or our managers, please feel free to call or e-mail us at anytime. Please enjoy the cool fall weather, and thank you for your continued confidence in our firm and the services we provide. The recent referrals are much appreciated and, as always, we remain 100% committed to your financial well-being.

- **Joe and The Gang at KWAG**

PS: Dr. Joe and his wife will be in Brazil providing outreach services to an orphanage we support during the last two weeks of November (through Thanksgiving). He will be checking e-mails daily...but (obviously) will not be returning calls. Katie and Kristen will follow up on any messages that are left for Dr. Joe or Kellie.