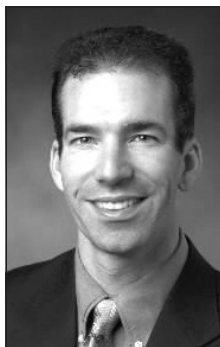


THE PLAIN DEALER

SUNDAY, SEPTEMBER 6, 2009



ASK THE EXPERT

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Credentials: Certified Financial Planner, Certified Public Accountant, Certified Investment Management Analyst

Experience: 15 years

Assets under management: About \$200 million

Question: *My uncle was talking about this great mutual fund that he has all of his money in and has basically not lost anything in the last two years while the market was down. Is this possible? How could I tell whether he or his investment adviser is messing with me? Are there warning signs that an investment is not what it's cracked up to be?*

Advice: Your skepticism is commendable. Perhaps many of the financial scandals in the recent news could have been averted if more investors were like you. Although headlines reporting the villainous actions of Bernard Madoff and Allen Stanford (both bilked billions from trusting individuals) are beginning to fade from memory, investors are encouraged to keep their guard up.

Before we examine the impressive claims noted in your question, let's take a step back and brush up on some financial terminology. It's important to remember that mutual funds are not technically investments themselves, but rather an investment vehicle or holder of securities. Mutual funds come in countless flavors and styles (think conservative, aggressive, value, growth, etc.) and can be comprised of a wide variety of security types such as cash, bonds, domestic stocks and/or foreign stocks, to name a few.

Next, to give ourselves some background, let's take a closer look at how the markets performed for the time periods in question.

not the sexiest investment choice, historically, bonds have proven their worth by cushioning the blow when the stock markets head south.

	2008 Return	2009 Return (YTD through 8.31)
U.S. Stock Market*	(37.3%)	+16.3%
Foreign Stock Market*	(43.4%)	+21.2%
U.S. Bond Market*	+5.2%	+5.1%

*U.S. Stock measured by the Russell 3000 Index, Foreign Stock Market measured by the MSCI EAFE Index and U.S. Bond Market measured by the Barclays U.S. Aggregate Index

As you can see in the chart, overall, 2008 was a horrific year for stock investors (one of the worst on record). Fortunately, after a rocky start to 2009 the equity markets rallied considerably off the lows reached in early March and are now firmly entrenched in positive territory for the year. It should be noted that although bonds were not completely immune to the volatility, returns were actually positive for full year 2008 and year-to-date 2009.

Therefore, before you phone your uncle to call his bluff or sling any premature false accusations, it's entirely plausible that the mythical mutual fund you alluded to was invested in nothing more than plain old domestic bonds. While certainly

In order to determine your best-fit financial course, we suggest that you begin by clearly defining your personal financial goals and objectives. Understanding where you are headed will help guide your investment vehicle selection and ensure that you are choosing security types that are most suitable for your needs.

In the future, if you come across an investment advisor that appears "too good to be true," we suggest conducting a background check on the Security and Exchange Commission website (www.sec.gov) or the Financial Industry Regulatory Authority website (www.finra.org).