

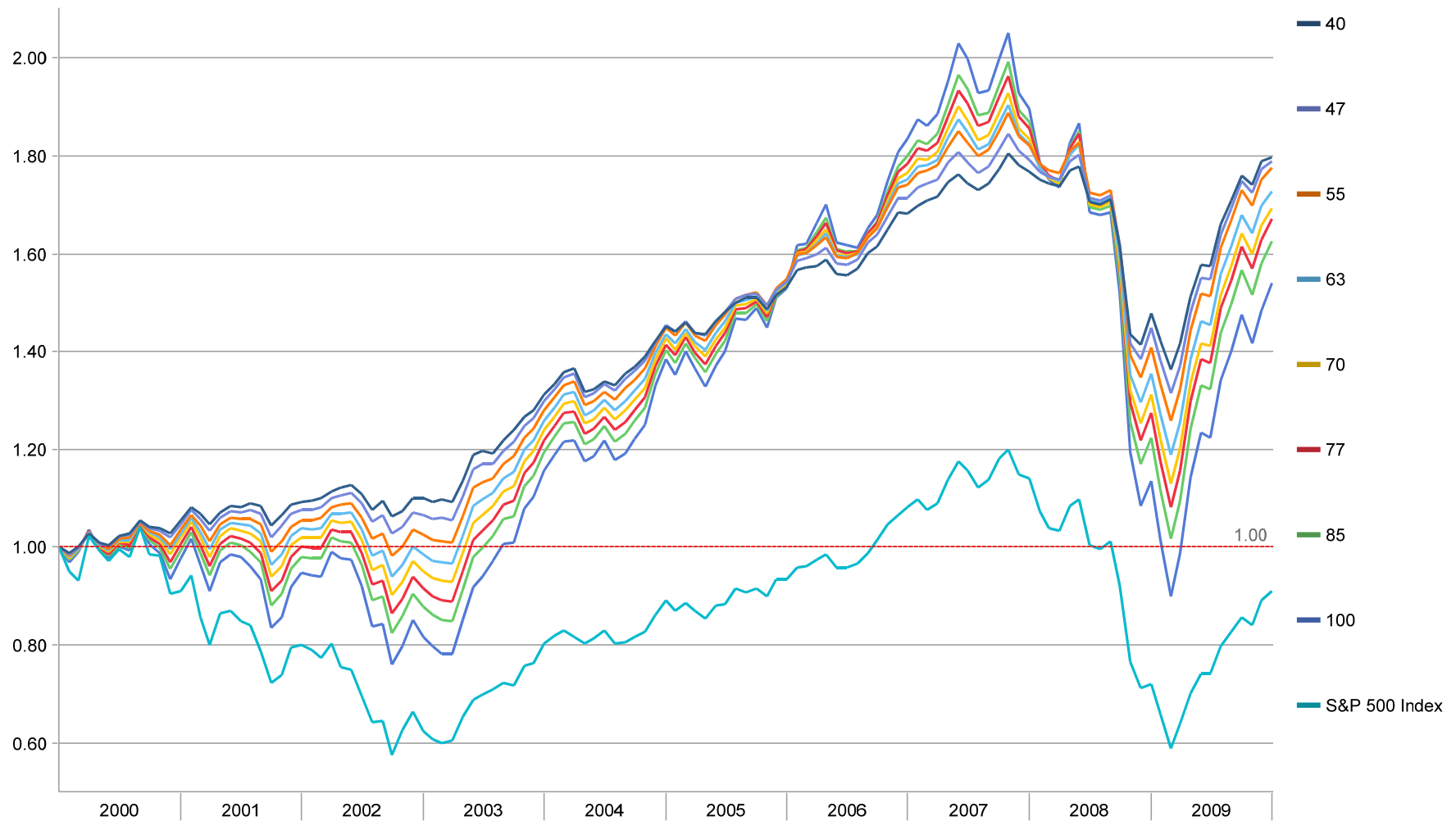
# The Lost Decade

1/1/2000 – 12/31/2009

- On the following pages, a real life investment drama will unfold in front of your eyes.
- Page 2: Our eight prudent model portfolios growth vs SP500 as a graph.
- Page 3: Same information in numbers. SP500: -9% Our portfolios: +54% to +79%. Our most conservative portfolio performed exactly as it should during the tumult – the best returns.
- Page 4: Examples of assets classes that experienced nice gains over the Lost Decade.
- Most people that lived through it believe investment success during the “Lost Decade” was impossible.
- The real data that follow illustrate the critical importance of properly diversifying. This means diversifying **among** asset classes and **within** each asset class.
- Many, if not most, “financial advisors” DO NOT understand this. As a group, they fared poorly during the Lost Decade.
- The key to success in investing is avoiding mistakes. ALWAYS PROPERLY DIVERSIFY. We can help.

## Growth of Wealth

Monthly: 01/2000 - 12/2009; Default Currency: USD



### See Standardized Performance Data & Disclosures.

Selection of funds, indices and time periods presented chosen by client's advisor. Indices are not available for direct investment and performance does not reflect expenses of an actual portfolio. Past performance is not a guarantee of future results. Graph represents a hypothetical investment of \$1. Performance includes reinvestment of dividends and capital gains.

The S&P data are provided by Standard & Poor's Index Services Group.

## Annualized Returns of Models - "LOST DECADE" - 1/1/2000 - 12/31/2009

The lost decade includes the "dot com crash" as well as the "great recession".

Portfolios (% Equity)	YTD	1 Quarter	1 Year	3 Years (annualized)	5 Years (annualized)	10 Years (annualized)	Total Return	Std Dev (annualized)
Model 40	21.6%	2.1%	21.6%	2.2%	4.4%	6.0%	79.7%	7.6%
Model 47	23.6%	2.3%	23.6%	1.4%	4.2%	6.0%	78.9%	8.5%
Model 55	26.0%	2.6%	26.0%	0.6%	4.1%	5.9%	77.5%	9.8%
Model 63	27.6%	2.9%	27.6%	-0.5%	3.8%	5.6%	72.8%	11.1%
Model 70	29.2%	3.2%	29.2%	-1.4%	3.5%	5.4%	69.3%	12.2%
Model 77	31.1%	3.5%	31.1%	-2.2%	3.4%	5.3%	67.1%	13.5%
Model 85	32.9%	3.8%	32.9%	-3.3%	3.0%	5.0%	62.7%	14.9%
Model 100	35.6%	4.4%	35.6%	-5.7%	2.2%	4.4%	54.0%	17.5%
S&P 500 Index	26.5%	6.0%	26.5%	-5.6%	0.4%	-0.9%	-9.1%	19.2%

Note: This is not account data; it has been assembled using a numerical modeling program. Prior to a fund's existence, the closest proxy has been substituted. The make-up of the models is shown below. The modeling includes an advisory fee of 1%, applied; 0.25% each quarter. The start date for annualized returns and standard deviation is March 1997. The S&P 500 Index data has 0% fees removed, is 100% stock and includes dividends. Contact O'Reilly Wealth Advisors with questions. 760-804-0910.

## Model Portfolio Designs - Fund Make-up

### Model Equity Percentage

Fund	Ticker	40	47	55	63	70	77	85	100
US Core Equity 2	DFQTX	24.5%	28.0%	34.0%	41.0%	46.5%	51.0%	57.0%	67.0%
Int'l Core Equity	DFIEX	7.0%	9.5%	10.0%	11.0%	12.0%	12.5%	13.5%	16.0%
Emerging Markets Core	DFCEX	4.5%	4.5%	6.0%	6.0%	6.5%	8.5%	9.5%	11.0%
Real Estate Securities (U.S.)	DFREX	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	6.0%
Investment Grade Portfolio	DFAPX	40.0%	36.0%	30.0%	25.0%	20.0%	17.0%	10.0%	0.0%
Intermed. Term Ext Quality*	DFTEX	10.0%	9.0%	7.0%	6.0%	5.0%	3.0%	3.0%	0.0%
Infl. Protected Securities (TIPS)*	DIPSX	10.0%	8.0%	8.0%	6.0%	5.0%	3.0%	2.0%	0.0%

Note: Note we modify some client's models slightly to accommodate clients' specific concerns on market volatility, inflation and income. If you would like detailed information on specific funds, contact O'Reilly Wealth Advisors. 760-804-0910.

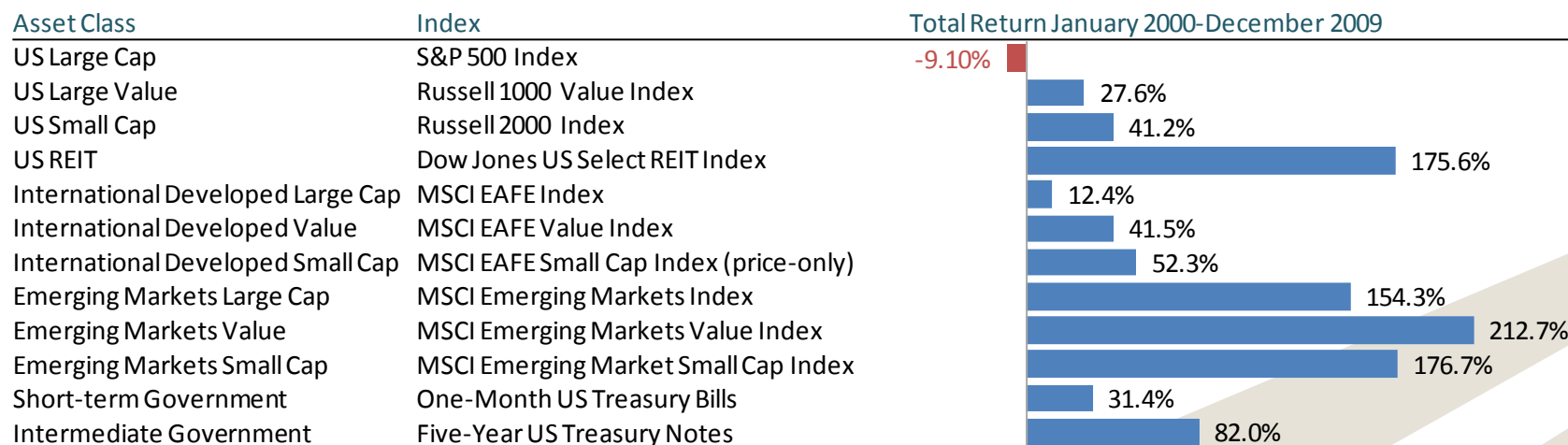
Turn this Page over to see "Growth of Wealth" for a Chart of the Models during the "LOST DECADE".

# Quarterly Topic: The Lost Decade, For Some.

Many in the popular financial media claim that 2000-2009 was a dismal period for US investors. Some commentators are describing the tumult as the “Lost Decade” in stocks. From a narrow market perspective, they are right. Investors who concentrated in US large cap stocks did not break even: one dollar invested in the S&P 500 in January 2000 turned into ninety-one cents over the next ten years. The results were even worse for investors who made concentrated bets on individual companies that ultimately failed. Among these are familiar names such as AIG, Enron, MCI, Circuit City and Bear Stearns.

However, for disciplined and globally diversified investors, the last ten years were not a lost decade. As suggested in the graph below, investors who deployed their capital across a broad mix of domestic, developed, and emerging markets were generally rewarded with positive returns. Furthermore, investors with greater need for stability could have balanced the risk of stocks with the lower volatility of bonds, and potentially avoided the large fluctuations of the stock market.

So, while it was a “Lost Decade” for some, those who walked a disciplined and broadly diversified path were sheltered from the worst of the storm, reinforcing the merits of this approach to investing.



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