

Advisors Access Newsletter for July 2009

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As you are probably already aware, the S&P 500 posted a gain of 15.93% this quarter. To give you some perspective on this accomplishment in light of where we have been the past few years, here's a fun, quick quiz:

1. When did we last experience a positive quarter in the S&P 500?
 - a) First Quarter 2008
 - b) Third Quarter 2007
 - c) Second Quarter 2006

2. When did the quarterly performance of the S&P last exceed 15.93%?
 - a) Third Quarter 2005
 - b) Fourth Quarter 2000
 - c) Second Quarter 1997

3. When was the last time we endured six consecutive quarters of negative returns in the S&P?
 - a) Second Quarter 2001 through Third Quarter 2002
 - b) First Quarter 1969 through Second Quarter 1970
 - c) Third Quarter 1929 through Fourth Quarter 1930

(The answers are at the end.)

Okay, maybe that wasn't your idea of fun, but the exercise should leave us all with an appreciation for the magnitude of what we have just been through. The depth and duration of this market decline have truly been historic.

And yet the free enterprise system continues to function and create wealth. Yes, our system has been bruised and battered. There have been casualties (jobs lost, diminished portfolios, etc.).

But the world goes on. We still have to eat and there are companies that prosper from meeting that need. We still need a home and there are companies that prosper from meeting that need. The list could go on, but the principle is the same. As long as there are people with needs there will be companies that meet those needs and do so at a profit. And as long as there are those companies there will be opportunities to invest in those companies and to do so at a profit.

No one knows if the double-digit gains of the Second Quarter will begin a prolonged recovery. No doubt we will still experience negative pressures in the short run and will certainly face periods of negative returns again in the future. But the returns of the Second Quarter do show us that the system is not broken; capital markets work.

So while we don't want to put too much emphasis on one quarter, we should take a moment to enjoy a period of strong gains and realize that if you stayed invested in one of the Advisor-Managed Portfolios, or in a well-diversified custom allocation of your own, then you just experienced a quarter of returns the market has not seen since 1997.

(Answers: 1-b, 2-c, 3-b)