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ADVISORS

Beacon's Point: Ride the Monorail and Stay Off the Rollercoaster

November 23, 2010

Confidential – Proprietary

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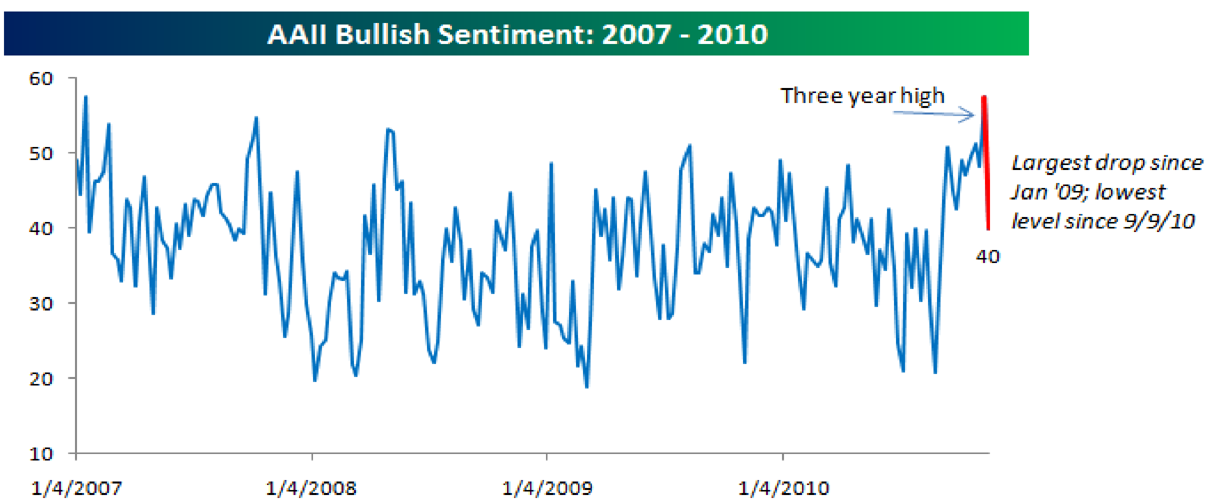
Ride the Monorail and Stay Off the Rollercoaster

In the investment world, a seat on the monorail is preferable to an exciting but dangerous rollercoaster ride. A smoother trip at a measured pace through gradually rising terrain produces much better results for investors over the long term. Granted, the monorail may lag in very strong UP markets, but it also avoids the big dips that wreak so much havoc on investors' psyches and portfolios. The prudent way to reach one's final destination is through a well thought-out investment plan, a long-term perspective, proper diversification, and diligent manager selection. Those investors striving to reach their goals with the least amount of risk should, therefore, ride the monorail and stay off the rollercoaster.

Nothing compares to the adrenaline rush during the ascent of a rollercoaster to the top before it plummets suddenly towards the earth. Near the peak, the view becomes spectacular and a pleasant euphoria settles in. And then, on the fast and furious descent, one is unable to speak or think, grabbing the bars for dear life and hoping to soon see the end. The experience is undoubtedly exhilarating and memorable. However, this dramatic rise and fall often leaves one with a queasy stomach and a thinning wallet.

Political, economic, and market news continue to provide ample reason for frequent sentiment swings. Consider the following chart from the American Association of Individual Investors. After hitting a multi-year high earlier this month, bullish sentiment recently saw its largest weekly decline since January of 2009. According to Bespoke Investment Group, these sudden shifts from one extreme to another "once again highlight the 'drive by' mentality and lack of conviction that investors have in the current market environment. When the headlines are positive, investors get bullish, but the slightest hint of any negative news sends investors scurrying for cover."



Source: Bespoke Investment Group

This Thanksgiving week happens to offer mostly negative news on the menu. Investors' jitters du jour include:

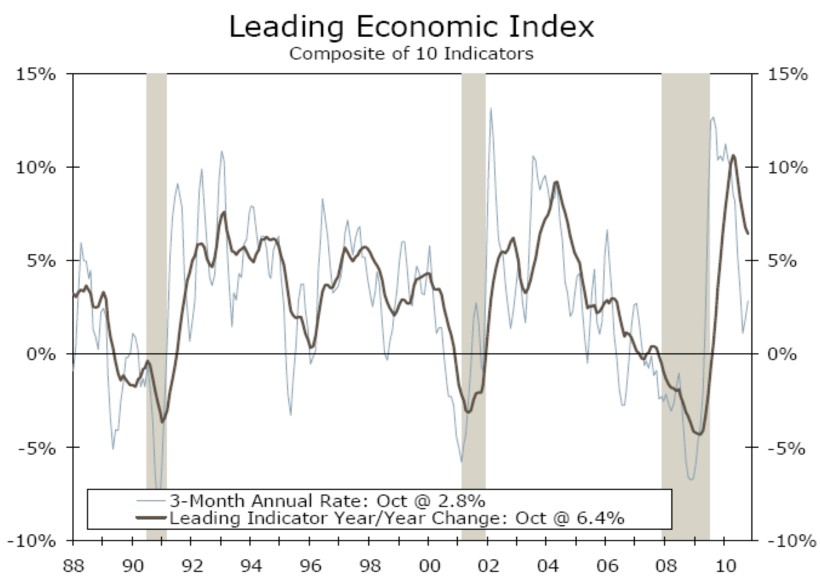
- Insider Trading Hedge Fund Investigation
  On November 22, FBI agents raided the offices of several Connecticut-based hedge fund managers as part of an ongoing insider-trading investigation. Details are still emerging, but the scope of this investigation is said to be larger than previous insider trading probes.

- Ireland, Portugal, Spain
  The health of peripheral European economies continues to be front-page news. The situation in Ireland is being closely monitored - while a bailout of that country seems likely, investors are concerned that it will not be enough to contain the debt crisis on the Continent.

- The Korean Peninsula
  On November 23, news broke out of North Korea's surprising and provocative attack on civilian territory in South Korea. What followed was immediate retaliation from South Korea and a broad and significant escalation of geo-political tension in the region.

- Inflation Fears and Tightening in China
  China has continued to move toward a tighter monetary policy in an effort to stem inflation and prevent an overheating economy. The country's Central Bank raised reserve requirements for banks just last week. In the meantime, rhetoric surrounding the possible appreciation or devaluation of various currencies resumed at a recent G20 meetings without clear resolutions.

- U.S. Economic Growth Slowdown
  Third quarter U.S. GDP grew at 2.5 percent. While modest compared to prior recoveries, this pace is higher than the 2.0% initially thought and the 1.7% pace seen in the second quarter. According to Wells Fargo Economics Group, "the pattern of steady final sales, low inflation, and moderating profits all suggest a sustainable expansion". The Index of Leading Economic Indicators (LEI), shown below, remains in positive territory, indicating that the recovery still has legs.



Source: Wells Fargo Economics Group

If you chose to ride the rollercoaster, this barrage of news makes for a bumpy ride. On the other hand, monorail passengers, while aware of the latest developments and risks, do not deviate from the route or abandon their investment plans and strategies. Granted, the picture out the window is less than perfect. But it rarely, if ever, is perfect. It wasn't so long ago that Greece and the Gulf Oil Spill took center stage. In hindsight, while both problems were serious and one of them is still on-going, they did not derail the global economic recovery or result in sustainable market losses. We remind ourselves that it is important to keep things in perspective and avoid the emotional highs and lows of short-term market movements.

The concerns discussed above are worthy candidates for addition to the annual list of reasons not to invest in the stock market, courtesy of Atalanta Sosnoff Capital. We shared this piece with clients last month, but it is probably worth including it in this issue of Beacon's Point as well. We will provide an update after the end of the year, as we close the books on 2010 and look forward to 2011.

76 *Reasons*
Why People Did Not Invest in the Stock Market

1934	Depression	**1972**	Largest U.S. Trade Deficit Ever
1935	Spanish Civil War	**1973**	Energy Crisis
1936	Economy Still Struggling	**1974**	Steepest Market Drop in Four Decades
1937	Recession	**1975**	Clouded Economic Prospects
1938	War Clouds Gather	**1976**	Economic Recovery Slows
1939	War in Europe	**1977**	Market Slumps
1940	France Falls	**1978**	Interest Rates Rise
1941	Pearl Harbor	**1979**	Oil Prices Skyrocket
1942	Wartime Price Controls	**1980**	Interest Rates at All-Time High
1943	Industry Mobilizes	**1981**	Steep Recession Begins
1944	Consumer Goods Shortages	**1982**	Worst Recession in 40 Years
1945	Post-War Recession Predicted	**1983**	Market Hits New Highs
1946	Dow Tops 20 - Market Too High	**1984**	Record Federal Deficits
1947	Cold War Begins	**1985**	Economic Growth Slows
1948	Berlin Blockade	**1986**	Dow Nears 2000
1949	Russia Explodes A-Bomb	**1987**	Record-Setting Market Decline
1950	Korean War	**1988**	Election Year
1951	Excess Profits Tax	**1989**	October "Mini Crash"
1952	U.S. Seizes Steel Mills	**1990**	Persian Gulf Crisis
1953	Russia Explodes H-Bomb	**1991**	Communism Tumbles with the Berlin Wall
1954	Dow Tops 300 - Market Too High	**1992**	Global Recession
1955	Eisenhower Illness	**1993**	Health Care Reform
1956	Suez Crisis	**1994**	Fed Raises Interest Rates Six Times
1957	Russia Launches Sputnik	**1995**	Dow Tops 5,000
1958	Recession	**1996**	Dow Tops 6,400
1959	Castro Seizes Power in Cuba	**1997**	Hong Kong Reverts to China
1960	Russia Downs U-2 Plane	**1998**	Asian Flu & Long Term Capital
1961	Berlin Wall Erected	**1999**	Y2K Scare
1962	Cuban Missile Crisis	**2000**	Tech Bubble Burst
1963	Kennedy Assassinated	**2001**	9/11 Terrorist Attacks
1964	Gulf of Tonkin	**2002**	Recession
1965	Civil Rights Marches	**2003**	War in Iraq
1966	Vietnam War Escalates	**2004**	Rising Interest Rates
1967	Newark Race Riots	**2005**	Hurricane Katrina
1968	USS Pueblo Seized	**2006**	Real Estate Peaks
1969	Money Tightens - Markets Fall	**2007**	Liquidity Crisis & Subprime Lending
1970	Cambodia Invaded - Vietnam War Spreads	***2008***	Credit Crisis/ Financial Institution Failures
1971	Wage Price Freeze	***2009***	***Double Digit Unemployment Numbers***

And One Good Reason Why You Should Have:

$10,000 invested in the Stock Market (Standard & Poor's 500 Index)
in January of 1934 would have been worth approximately
$21,271,113 *before fees* at the end of 2009.

For illustrative and educational purposes only. Results derived from the return of the S&P 500 Index including the reinvestment of dividends and interest and does not include a reduction of any fees. The S&P 500 Index consists of 500 stocks traded on the NYSE, AMEX and NASDAQ chosen for market size, liquidity, and industry group representation. It is a market value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of U.S. equity performance. The S&P 500 Index is unmanaged and not available for direct investment. Past performance is no guarantee of future results. Source: ASC Company Research.

Atalanta Sosnoff

Source: Atalanta Sosnoff Capital

Please feel free to call Beacon Pointe at 949-718-1600 should you need additional information or have any questions.