



June 16, 2011

With summer upon us, we hope you are doing well and planning some time for rest and relaxation with family and friends.

As your private wealth manager, we continue to manage the inherent risk in the financial markets which are, once again, entering another period of volatility. As expected, the stock market is behaving like it was in the late spring and early summer of 2010. Last year, reports showing a slowdown in the pace of the economic recovery, coinciding with riots in Greece, sent stock markets retreating. Today, once again, even before the Federal Reserve has taken its foot off the monetary accelerator with the end of their bond buy-back program on June 30<sup>th</sup>, U.S. economic growth appears to be coming in weaker than anticipated. The housing market recovery continues to be held back by tight mortgage lending standards and an excess supply of homes for sale. Although corporate profits have been strong and American companies continue to strengthen their balance sheets, overall growth remains tepid. The large majority of economic forecasts are now being adjusted downward.

The financial markets are wrestling with an unusually long list of thorny structural issues as ongoing baggage from the global banking crisis. In addition to the massive U.S. deficit, debt ceiling impasse and dysfunctional political process, instability in the Middle East continues to create uncertainty over the price of oil. The European debt problems are not improving and Greece looks like it will need to either restructure their smothering level of indebtedness or exit the European Union completely and default on their government bonds. We believe the European Central Bank intransigence and polarizing political winds on both sides of the issue, leave little alternative to a breakup.

Renowned investor, Benjamin Graham said, "The essence of investment management is the management of risks, not the management of returns. Well managed portfolios start [and end] with this precept."

As we have stated over the years, *Pacific Wealth Management* believes it is prudent to maintain a wealth preservation focus for your investment portfolio. We continue managing the inherent risk in these markets effectively with diversified portfolios of both traditional and alternative investments. Our Proactive Asset Management process is maintaining a conservative bias to your investments and



will allow us to effectively take advantage of opportunities when they present themselves. Please call us if you have any questions about the news of the day or your portfolio. We are looking forward to speaking with you soon.

Best regards,

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