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Comprehensive financial counsel for individuals, families and trusts

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The enclosed short review and analysis by Parker Hall provides some reassuring insights relating to your financial life which are especially fitting at the close of another eventful year.

Natural disasters, international events, fiscal, foreign, and domestic policy issues cause concern for many of us. Clients frequently remark to us that events outside of their control make them anxious about their finances. And emotions often lead to actions that may be harmful over the long run.

Addressing these concerns, Hall's first observation is about economic resiliency. The timeline of the last fifty years is peppered with frequent and continuous disruptive events, but even so the economic system has been tremendously resilient. While certain events may bring our emotions to the fore, when looking back we realize that things worked out with time. This suggests that one might want to adopt a Rip Van Winkle approach: sleep (just fugettaboutit because there isn't anything to be done).

But with investments, there is something to be done and we agree with Hall's second insight about what that is: systematically trimming the winning segments (asset classes) and supplementing the losing segments. By taking these actions you can take advantage of market resiliency that expresses itself in cycles of overreaction.

In other words, just as we've all observed, one year's low-performing asset class is often next year's star (and visa versa). By exploiting these overreactions we can add value to a portfolio. This is what we call tactical asset allocation. Incidentally, it is quite different from "market timing" which we consider a seductive and unproductive form of gambling on the stock and bond markets.

Hall provides a straightforward explanation of the thinking behind the management theory we apply in establishing your investment policy and in rebalancing your asset allocation.

These, we hope, are helpful insights. Enjoy the great holidays and have a wonderful 2006!

Best regards,



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