



## February 2011 Portfolio Performance & Activity

SAMPLE Client  
 123 Main Street, NW  
 Washington, DC 20001

<u>Description</u>	<u>February</u>	<u>FYTD</u>
Beginning Value	16,592,775.47	14,483,648.79
Net Contributions	0.00	0.00
Capital Appreciation	314,783.18	2,235,529.76
Income	12,722.04	235,789.58
Management Fees	0.00	-34,687.44
Other Expenses	0.00	0.00
Ending Value	16,920,280.69	16,920,280.69
Total Investment Gain/Loss	327,505.22	2,436,631.90
Time Weighted (gross)	1.97	17.08
Time Weighted (net)	1.97	16.82
Portfolio Benchmark	1.67	16.04
Difference	0.30	0.78

*Performance is net of mutual fund fees and Raffa Wealth Management advisory fees.  
 You are encouraged to compare the account information in this report to the account information sent to you from the account custodian.*

*Benchmark Comprised of:  
 06/07 - Pres: Russell 3000 (32.5%), FTSE AW ExUS (17.5%), BarCap Agg (25%), BarCap Gov 1-3 (20%), BofAML US TBill 3M (5%)*

## February Market Commentary

March 9, 2010

---

### Overview

February was another positive month for global stocks as they rose steadily until increasing concerns over unrest in Libya cut into their positive performance. However, they still ended up 2% to 3.5%, climbing back to heights last seen before the Credit Crisis. Fixed income markets had middling performance on the mostly upbeat economic news for the month. The unrest in Libya, which looks to be a more violent and protracted uprising than in Egypt, has sent oil prices surging. The rising prices and their wider affect on inflation can be added to the list of potential roadblocks to the continued economic recovery. The Fed remains upbeat on the recovery and believes job improvements will begin to take hold. However, they do not expect the unemployment rate to drop significantly below 9% in 2011. They feel the threat of inflation will be muted until employment increases substantially, with the rate only edging up slightly to 1.3% to 1.7% excluding volatile food and energy prices.

### Economic News

The job market sent mixed signals in January with the unemployment rate dropping to 9.0% despite the economy only adding 36,000 jobs. The number of jobs added fell far short of expectations, however they were likely affected by severe winter weather. Initial jobless claims also rose over the course of February to continue to paint a weak picture in the job market.

Sales of existing homes rose in January to the highest level since May, but are facing increasing headwinds. Applications for mortgages have fallen 12% in the past two months on rising interest rates. Thirty year mortgage rates have risen above 5% for the first time since last spring making a home purchase more expensive and could signal a stalling of home sales.

January showed the US economic recovery is improving. Manufacturing activity jumped to its highest level since 2004 in the US and many similar gauges of activity throughout the world rose as well. January saw retail sales rise, auto sales jump, and consumer confidence reach its highest level in 3 years. U.S. consumer debt rose in December for the first time since august of 2008, a signal consumers are more optimistic about the economy.

Inflation fears continued to dominate the headlines and were emboldened by surging oil prices over the month. China's premier stated their goal is to slow growth in order to control inflation and raised interest rates yet again. U.S import prices rose a great deal more than expected in January and the producer price index gained as well. Consumer prices are beginning to rise as the CPI was

up 1.6% in January, but the dichotomy between the prices for services and the prices for goods may keep increases minimal. Commodities' rising prices are behind the increases of goods prices, but the continued slow economic recovery has been a drag on service prices.

### **Corporate News**

February saw several noteworthy mergers completed. AOL agreed to purchase the Huffington Post, the online newspaper, in another attempt to improve its fledgling brand. Deutsche Borse AG agreed to a \$10 billion deal to take over the New York Stock Exchange, which would create the world's largest financial exchange. It still has regulatory hurdles to pass in Europe and the US, but would be representative of the globalization of capital markets, with New York no longer being the main focal point. French pharmaceutical giant Sanofi-Aventis has finally come to terms to purchase biotech company Genzyme for \$20 billion to expand its position in the U.S. The move gives the company a foothold in the pharmaceutical research fertile Boston area and Genzyme's niche drug market.

The book is being closed on Borders as it files for bankruptcy clinching a long fall for the bookstore giant. It will be closing nearly a third of its stores as the book seller failed to keep pace with the changing book business environment.

The parade of earnings reports continued in February with many companies showing positive results. Companies including Disney, Coca-Cola, Lowe's, GM, and AIG all produced positive results. Other firms such as Viacom, Dell, Wal-Mart, HP, Daimler, Toyota and PepsiCo generated positive earnings, but their releases were tinged with bad news.

### **Market News**

In a continuance of a recent trend, global markets shot out of the gates to start the month with the release of global manufacturing activity. The Dow and S&P 500 surged past 12,000 and 1,300, respectively and reached highs last seen in the summer of 2008. Markets climbed steadily upwards on news of the relatively peaceful transition of power in Egypt. However, markets stumbled over the outbreak of civil war in Libya. Fears over cuts in the oil supply by OPEC's 10th largest oil exporter sunk global stock markets, but they still ended up for the month. The Dow ended the month up 3.2% and the S&P 500 rose 3.4%. Growth vs. value was a mixed bag with growth beating value in small and mid-cap, but value beating growth in large cap. On the market cap side February returned to the trend of small cap stocks outperforming large cap stocks. International developed markets also performed well rising 3.3%, however emerging markets continued to struggle and were down -0.9% for the month.

Oil continued to surge over the month over concerns of supply disruptions due to the unrest in North Africa and the Middle East. Oil reached pre-financial crisis levels rising over 8.5% a barrel in a single day, their biggest one day gain in more than 2 years and rose above \$100 a barrel before finishing the month at \$97. The strong rise in oil could push the economy back into recession, but the price of oil would likely need to rise to \$120 a barrel and remain there in order to affect the

recovery. It has undoubtedly increased inflationary pressures as a rising price of oil drives up a wide range of goods.

Bonds saw mostly flat to slightly down performance as investors interest in fixed income waned as the stock market rose, but rallied to end the month on investors North African and Middle Eastern fears. Performance was mostly down for Treasuries and US Government Bonds, while US credit bonds were up. Long term bonds fared the best over the month. On the flipside Munis rallied in February up 1.6% as the best performer in the asset class. Yields on the 10 year treasury rose for much of the month, but ended flat at 3.42%, on worries over Libya.

**Index Performance – February**

US Large Cap Stock (S&P 500)	+3.43%
International Stock (FTSE AW ex US)	+2.51%
US Broad Bonds (BarCap Aggregate)	+0.25%
US Government Bond (Barclay's Govt)	-0.06%
Cash (ML 3Month T-Bill)	+0.02%

---

**About**

Raffa Wealth Management is an independent investment advisor providing nonprofit organizations, high net-worth investors, and qualified retirement plans with a full range of investment consulting services. We were established to fill the need for transparency, clarity, and vision in the professional management of investment assets. Visit us at [www.raffawealth.com](http://www.raffawealth.com).