



Financial Advisors

Taylor & Williams, Inc.

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### Quarterly Investment Management Report October – December 2010

March 7, 2011

<Contact>

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<Home City>, <Home State> <Home Zip>

Dear <Salutation>:

Enclosed is the investment management report of your account(s) as of December 31, 2010. Included in the report are three different pages for each account with us:

- **Portfolio Performance Review**
- **Holdings by Asset Class** as of the end of the quarter, December 31, 2010.
- **Billing Statement** for the 1st quarter 2011 investment management services.

#### PERFORMANCE RETURNS:

2010 turned out to be a pleasant surprise. It confirms our investment core value that no human knows exactly where things are headed, so tweak allocations, but stay invested. While that sounds easy, the reality of weighing the risks and opportunities at any given time and acting accordingly is much more difficult. The S&P 500 (stock index) was up 15.1% for the year, a nice return for a continued rebound year. It makes it easy to forget how things felt back in early July, when the index was down 9.5% year to date. The Lehman Aggregate (bond index) was down 1.3% for the quarter, finishing up 6.5% for the year.

We were pleased with how our portfolios performed for the year. The more conservative portfolios finished just behind the indexes and our aggressive model ahead. Our slant towards protecting our conservative models from the downside, including the hedge we carried from July till November held us back a little. Yet, continuing to hold a smaller percentage of stock, plus gold, silver, and international stocks helped keep us real close. **As of the end of the year, all four portfolios are ahead of their end of 2007 balances, so we have recovered all of the 2008 and early 2009 losses. That is a God thing!** Balancing the fear of loss with the need for return is not easy. Extremely low interest rates make guaranteed investments like CDs tough to get much income from. Yet, the lag in housing and unemployment bring question to sustaining the economic recovery. Our allocations, including the significant changes below, continue the difficult task of doing just that.

Your **Portfolio Performance Summary** clearly shows the rate of return on your account(s), but here is how our four different portfolios generally performed, as well as their comparative indexes. As each account is individually traded, yours may be ever so slightly different. These returns are net of (or after paying) our management fees. As always, past performance is never a guarantee of future results.

Portfolio / Index	T&W	Index	T&W	Index	Description
	4th Q	4th Q	2010	2010	
Conservative Growth	3.5%	3.5%	8.2%	10.0%	40% S&P 500, 60% Barclay Agg
Moderate Growth	4.7%	6.0%	10.0%	11.7%	60% S&P 500, 40% Barclay Agg
Growth	6.2%	8.4%	13.1%	13.4%	80% S&P 500, 20% Barclay Agg
Aggressive Growth	8.4%	10.8%	17.2%	15.1%	100% S&P 500
S&P 500 Index		10.8%		15.1%	
Lehman Aggregate Index		-1.3%		6.5%	

Through December 31, 2010. Index data from Morningstar.

**PORTFOLIO CHANGES:**

We are starting to see and hear more positive economic momentum building. While there are still obstacles to overcome, the potential is there for continued stock and domestic growth. As you will see in the comparison charts below we are increasing our stock percentages in each model back to their normal allocations. This significant move ends the conservative stance we have incorporated since 2006 and puts us in position to better match and even outperform the comparative indexes. We are adding to all four domestic stock classes and decreasing Permanent Portfolio, our Stable class fund. We still have about a 10% gold and silver allocation in each model. There are some small changes to our Fixed class holdings as well, but nothing significant. We are making these changes as we send out this report, so you are probably getting the transaction confirmations at the same time. Remember, since we only use no-load, no-transaction fee funds, these changes do not cost you anything.

**2010**

	Fixed	Stable	Large Value	Large Growth	Small Value	Small Growth	International	Sector
Aggressive Growth	4%	25%	9%	9%	9%	9%	25%	10%
Growth	18%	30%	6%	6%	6%	6%	20%	8%
Moderate Growth	30%	35%	4%	4%	4%	4%	13%	6%
Conservative Growth	38%	40%	2%	2%	2%	2%	10%	4%

**2011**

	Fixed	Stable	Large Value	Large Growth	Small Value	Small Growth	International	Sector
Aggressive Growth	4%	0%	12%	14%	16%	18%	26%	10%
Growth	18%	10%	8%	10%	12%	14%	20%	8%
Moderate Growth	30%	20%	6%	7%	8%	9%	14%	6%
Conservative Growth	48%	20%	4%	4%	5%	5%	10%	4%

**THE RIGHT MODEL:**

One of the most important investment decisions is being in the right model, from Aggressive to Conservative. When you started with us, a model was selected and agreed upon in our Investment Policy Statement. As time goes on, things can change that would make a different model a better choice. Examples would be job or family changes, nearing retirement or the time frame to use the invested dollars, or even ability to stomach or tolerate the risk of your current model. If you have any questions about being in the right portfolio or even want to review just to be sure, please give us a call.

**THANKS!**

We appreciate you being a client and friend of ours. Our goal is to assist you in fulfilling God's plan for your life. Money is not an end itself, just the means to an end. We want God's best for your life and to see you using the resources God has entrusted to you to make that happen. If you have any questions about the investment reports or your account(s) with us, please give us a call.

**While God has blessed us incredibly with many great clients like yourself, we are always looking to be of help to anyone that we can. If you feel we have done a good job helping you with your accounts, feel free to pass our name along. We would love the opportunity to help.**

God Bless!  
 Brent Williams  
 Taylor & Williams, Inc.