Van Sant & Mewshaw Inc.

Registered Investment Advisor

Common Sense Advisor ©

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Market Mantra

Analysis/Commentary

To say the markets have been a bit erratic for the first nine months of 2010 might be considered an understatement. Indeed, when we switch on our computer screens in the morning we do so with trepidation. We are never sure which Jekyll-Hyde personality we will be dealing with. So far this year the S&P 500 peaked in April at 1212 and bottomed in July at 1028, a 15% drop, peak to trough. In May, after scaring the bejeezus out of investors with a

(Continued on page 2)

Returns 2010

Index	YTD	1 Year
S&P 500	+2.30%	+10.80%
Dow Jones Industrial	+3.50%	+13.40%
Nasdaq	+4.40%	+15.10%
Russell 2000	+8.10%	+15.80%
Foreign Stocks	+1.07%	+3.27%
Very Aggressive	+4.87%	+11.00%
Aggressive	+4.81%	+9.76%
Moderate	+4.75%	+8.53%
Conservative	+4.68%	+7.29%
Very Conservative	+4.62%	+6.06%
1YR T Bill	+0.15%	+0.20%

News and Updates

Address Changes/Snowbird Migration

If you need to change your mailing address please contact our office. We can prepare the necessary paperwork so that both VSM & Charles Schwab have the correct information. This way any correspondence, including monthly and quarterly statements will not be delayed.

IMPORTANT! IMPORTANT! IMPORTANT!

If you are a snowbird and about to begin the migration to warmer weather, please **remember to inform us to change your address of record on your accounts.**

Required Minimum Distributions

If you are required to take a minimum distribution from your IRA for tax year 2010 the distribution form will be mailed to you in the near future.

IMPORTANT! IMPORTANT! IMPORTANT!

Please return these signed forms to the *VSM* office promptly so that we may process them in a timely manner. Please notify our office if you are over 70 1/2 and have other qualified IRA assets held outside of Van Sant & Mewshaw purview. This will allow us to calculate the correct distribution. Account holders that have reached the age of 70 1/2 in 2010 must take an RMD by April 1, 2011. After an account holder takes the initial RMD, all future RMDs must be taken by December 31. If you have any questions please call Sara Bowser.

Year-End Planning

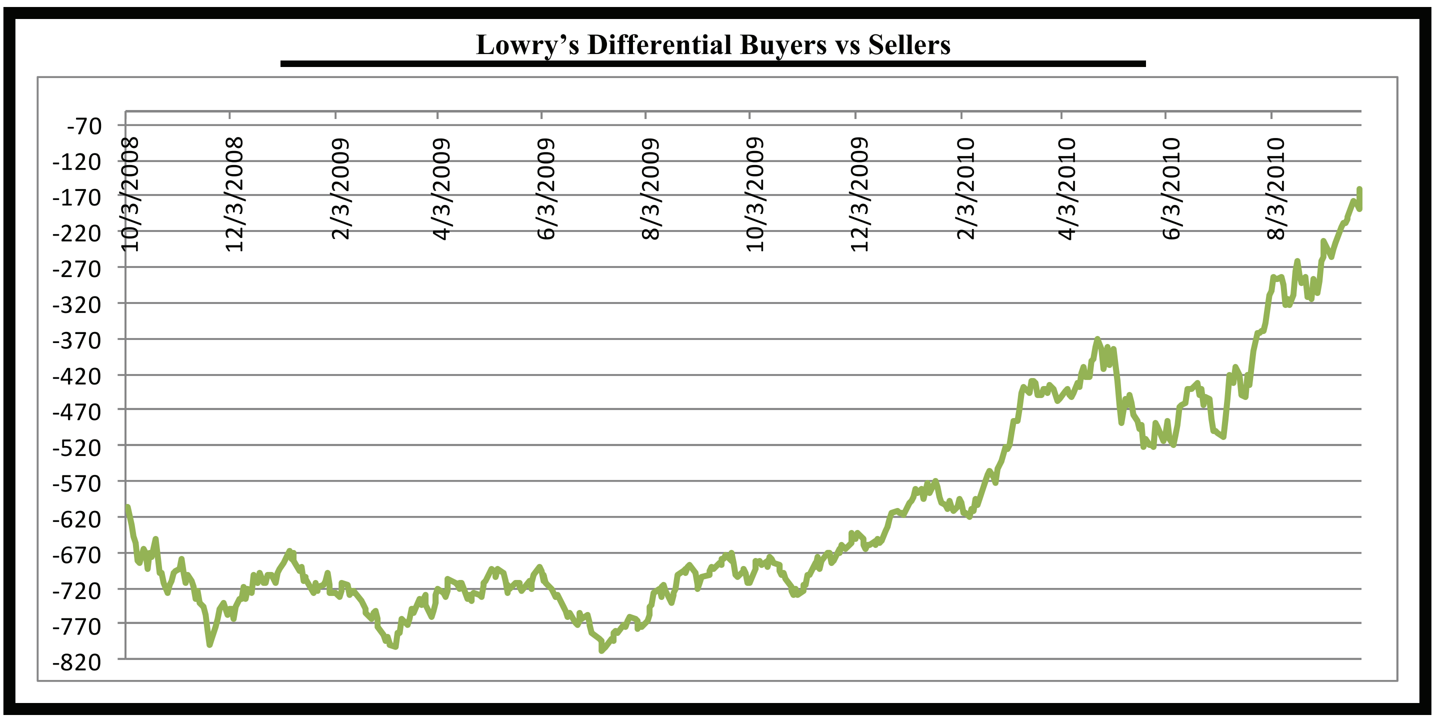
As the year draws to a close, we will be busy reviewing accounts for tax-planning, portfolio rebalancing and other related issues. Should you have questions or would like to schedule a year-end review please call your investment counsellor to arrange an appointment.

Continued from page 1

"Flash Crash" dropping the Dow Jones Average 1000 points in less than fifteen minutes, the market finished the month with the worst performance on record in sixty years. For the month of May the S&P 500 Index dropped over 8%. In keeping with the established theme so far this year, the S&P 500 gave one of its best performances for the month of September in seventy-one years, weighing in with an 8.8% gain. So far, for this year, all of this volatility has proved to be "much to do about nothing" leaving the S&P 500 in the plus column by a meager 2.3%. Moreover, looking at the larger picture, the S&P 500 peaked in March of 2000 at 1527 and from where it rest today has provided investors with a negative (0.80%) annualized return for the ten year period. To make matters worse, during that ten year period investors were subjected to two of the most devastating bear markets since the Great Depression. The effect this has had on the average investor, to say the least is frustrating. We know, we too experienced that frustration.

As we have stated many times, we are not market prognosticators or market timers, we are risk managers. We hold to the belief that by measuring and managing risk, retreating from markets when risk is high and engaging markets when risk is low is the only common sense way of money management. During the last ten years of inflating and deflating market bubbles, the ephemeral returns that investors missed during periods of extreme valuations and market speculation were more than compensated for by avoiding the subsequent market declines and destructive losses that followed. This strong link between risk and return appears in all properly functioning capital markets. When investing in stocks, bonds, commodities, or other assets, investors must accept more risk to pursue a higher potential return. One of the most salient elements of managing risk is the elimination of unsystematic risk. Unsystematic risk is that risk which is specific to an investment alone. Having a portfolio concentrated in a single security such as the stock of BP is a textbook example. We eliminate that risk by utilizing index mutual funds spread over many different markets and asset classes for diversification. The important point to understand is that there is a difference between managing risk and avoiding it. Risk cannot be eliminated in any investment and is manifested in many different forms; equities are subject to declining share prices, bonds are subject to rising interest rates, and cash is subject to loss of purchasing power and devalued currency. Many factors influence the direction of markets and their subsequent performance. These are too complex for anyone to reliably predict short-term market direction. Hence, instead of placing our faith in "experts" or reacting to the most recent economic news we concentrate on assessing the level of risk at any given time in any given market. We believe this is a solid approach to managing portfolios in any type of market environment and especially so in this one.

One of the methods we use for measuring risk is to simply determine that either buyers or sellers dominate the market. The chart below depicts the difference between buying pressure (Demand) and selling pressure (Supply). As can be seen, while the economic news remains quite scary, the internal action of the US markets has continued to improve. This suggests better times for equity investors or at least less to worry about right now.



Notable Quotes

"A dollar spent by the government is always a dollar taken from somebody and diverted from some other activity. The only question is whether the dollar spent is more productive, or satisfies a more desperate human need, than the alternative activity would. If not. The spending is hostile to economic growth and public welfare. There is no free lunch. At best, what people call "stimulus" can only occur if the dollars spent by government are more productive than they would have been if they were allocated privately. I cannot imagine how allocating public funds to the same reckless stewards of capital that made the bad loans in the first place can possibly be a productive use of capital." *(Extraordinarily Large Band-Aids, John Hussman, Hussman Funds Weekly Market Comment, 6/7/10"*

"The Securities and Exchange Commission, in its first securities-fraud case against a state, accused New Jersey of misleading investors about the health of its two largest state pensions while selling billions of dollars in bonds...In the New Jersey action, the SEC cited municipal bonds in 79 separate offerings totaling $26 billion from 2001 to 2007. Many of those sales occurred after the SEC said the state abandoned a plan to bring pension funding up to snuff." *(SEC Sues New Jersey as States' Finances Stir Fears, Kara Scannell and Jeannette Neumann, Wall Street Journal,8/19/10)*

"From the makers of the Big Mac comes a small bond deal that is making bankers as giddy as kids with a Happy Meal. McDonald's Corp became the first nonfinancial foreign company to issue a yuan-dominated bond in Hong Kong, according to Standard Chartered PLC, the Asia-focused U.K. bank that underwrote the deal. The bank said Thursday that the fast-food giant was raising 200 million yuan, or about $29 million, with a three-year bond that will pay 3% annual interest." *(Investors Drool Over McDonalds Yuan Bond, Jason Chow, Wall Street Journal, 8/20/10)*

"Washington, D.C.'s workers enjoy the highest salaries of any major U.S. city., with a median household income of $85,198. The nation's capital fared better than most of the rest of the country in 2009, according to the Census Bureau's annual survey of income and poverty in the United States. While D.C.'s income was essentially flat from 2008 to 2009, nearly every other major metro area suffered a drop in income." *(Washington DC Post Highest Median Income in 2009, Les Chrisite, CNN Money,9/28/10)*

"The economy is still limping along, but some members of congress are nevertheless riding in style: At least 10 House members are spending more than $1,000 a month in taxpayer money to lease cars." *(Lawmakers spend 1K/Month on Taxpayer-Funded Cars, Jake Sherman,POLITICO,3/15/10)*

"Those who profess to favor freedom, yet deprecate agitation, are men who want crops without plowing up the ground. They want rain without thunder and lightening. They want the ocean without the awful roar of its many waters. This struggle may be a moral one; or it may be a physical one; or it may be both moral and physical; but it must be a struggle. Power concedes nothing without a demand. It never did and it never will." *(Frederick Douglass, 1818-1895)*

DILBERT BY SCOTT ADAMS

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Core Asset Allocations
September 30, 2010

Aggregate Index	Very Conservative	Conservative	Moderate	Aggressive	Very Aggressive
Equity	20%	40%	60%	80%	100%
Fixed Income	80%	60%	40%	20%	0%
YTD Return	4.62%	4.68%	4.75%	4.81%	4.87%
One-Year Total Return	6.06%	7.29%	8.53%	9.76%	11.00%
Three-Year Return	3.24%	0.85%	-1.55%	-3.94%	-6.34%
Five-Year Return	4.41%	3.59%	2.77%	1.95%	1.13%
Ten-Year Return	4.02%	3.08%	2.13%	1.19%	0.25%
Worst One-Year Return	-6.57%	-15.50%	-25.57%	-33.79%	-43.17%
Worst Three-Year Return	-1.93%	-1.89%	-6.71%	-11.51%	-16.28%
Best One-Year Return	17.37%	25.99%	36.08%	46.16%	56.24%
Best Three-Year Return	12.27%	16.59%	21.27%	25.97%	30.68%

Risk and return are inextricably intertwined.
Do not expect high returns without high risk and safety without low returns.

The Purpose of the core asset Allocation

Our Core Asset Allocations are hypothetical model allocations which reflect a logical, passive, strategic asset allocation for long-term investors who are subjected to varying degrees of risk. They are based on our evaluation of the historical long-term risk and return relationships of the asset classes, and what we consider to be realistic and reasonable expectations going forward. It is the starting point for our strategic active asset allocation process. The Core Allocation will serve as a benchmark against which to measure our value added.

The Core Allocation is the asset allocation that we will implement when our conviction level about any specific asset class is not high enough to justify changing the asset allocation mix. It gives us a sensible long-term allocation, based on sound research. It gives us a constant frame-of-reference against which to measure the risk and return relationship between actual client accounts and their respective benchmark represented by the Core Allocation.

All performance results of the Core Allocations are based on actual index funds which have been model/back-tested for the relevant asset allocation. The Core Allocation construction and the subsequent results were achieved with the benefit of hindsight and in no way does it reflect an actual portfolio result. The Core Allocations performance does not reflect management fees or transaction cost associated with the management of actual portfolios. There are limitations inherent in model allocation. In particular, model performance may not reflect the impact that economic and market factors may have had on the advisor's decision making process if the advisor were actually managing client money. This report should not be construed as advice meeting the particular needs of any investor. Investors are advised that past performance is no guarantee of future results. Historical data provided by Morningstar and made available upon request.