

Contact Us:

4128 Crosshaven Drive
P.O. Box 43828
Birmingham, AL 35243

(205) 298-8480
Birmingham

(256) 237-0000
Anniston

(800) 791-4087

Email Us:

Brooks Clark-
Brooks@
ClarkFinancialAdvisors.com

Elizabeth Levant-
Elizabeth@
ClarkFinancialAdvisors.com

Rusty Corley-
Rusty@
ClarkFinancialAdvisors.com

Karen Caputo-
Karen@
ClarkFinancialAdvisors.com

To Our Valued Clients & Good Friends:

What can we learn from the weakest quarter of Standard & Poor's 500 performance since 1928?

If my math is correct, you have to go back 83 years, which is even longer than I have been around, to find a quarter of S&P performance to compare with the loss of value that comes with the S&P performance of the last 90 days. The index lost 14% during the 3rd quarter, with half of that drop occurring during the month of September.*

It is difficult to remember a period in recent history when investors have been thrown as many curveballs as we are faced with today. The European Union, or lack of union, seems to be the darkest cloud overhanging the market. The default of Greece seems to be a foregone conclusion, yet it is the breakup of the European Union and how such a breakup could affect both the European economy and both European and American

banks that the market fears the most.

Unfortunately, the European problems have bled over to their currency, the Euro, with the value of that currency dropping 7.75% during the last 30 days (\$1.45/Euro 30 days ago vs. \$1.31/Euro today)**. This decline in the Euro's value has hurt our international bond positions, as the dollar has risen in value and the value of foreign bonds has declined.



The value of the Euro has dropped 7.75% over the last 30 days, fueling concerns over the stability of the European Union.

Lesson Number 1

No matter how messed up our economy and leadership appears, investors will quickly exchange their troubled foreign investments for the liquidity that is provided by the broad U.S. market. It is better to be able to sell in a poor market for cash, or U.S. dollars, if the alternative might include being "locked into" a foreign currency in freefall.

We have taken action to dramatically reduce our

exposure to foreign currency fluctuations by hedging our currency risk.

Lesson Number 2

Really understand your risk tolerance. During this quarter, I found that I had too much equity exposure in my own portfolio. This discomfort is pretty easy to determine. If you are losing sleep and are tempted to kick your dog when you return home after the market has a bad day, you likely have too much equity risk.

Here is the calculation that you need to make. Each of us has a dollar amount of fluctuation that we can endure with regard to the

value of our investment portfolios. For example, if your fluctuation threshold is \$20,000 and you understand that investment markets can quickly correct by 20%, then you should come to the realization that you should NOT have more than \$100,000 invested in the equity markets. If you do, you risk going beyond your threshold. End of discussion!

Lesson Number 3

Warren Buffet is fond of saying "be fearful when others are greedy and greedy when others are fearful."

This may be one of those

moments as there is enough fear to go around at least twice. Keep your powder dry—we are currently maintaining our highest cash position in our firm's history—as an opportunity might be less than a calendar quarter away.

Corporate earnings may surprise on the upside, and going back to 1928, the 4th quarter has historically been the Standard & Poor's 500 strongest quarter, averaging 2.4% and 4.6% during the last 20 years.

That's it! Hang in there.

M. Brooks Clark, CFP

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--Warren Buffett

*Study by the Bespoke Investment group, *Barrons*, 10/03/2011
 **Comparison of U.S. Dollar vs. Euro on Forex.com

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If you would like to have a copy of your consolidated statement from Clark Financial Advisors, listing all your accounts and their current values, please call or email Rusty Corley at Rusty@ClarkFinancialAdvisors.com, and he will provide you with an up-to-the-moment evaluation of all your accounts.

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