

Perspectives

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WHO'S WATCHING YOUR MONEY?

Retirement Assets Preserved in Piedmont's Managed Portfolios are Proving to Have a Powerful Advantage in Volatile or Down Markets.

Since October 1st of 2007 the S&P 500 is **DOWN 10.22%**.

The Dow Industrial Average is **DOWN 10.28%** over the same period.

The core component of the **Piedmont's Managed Portfolios** (*the intermediate term US Gov Bond Fund*) is UP 5.16%.

The deltas between the gains of the anchor fund in Piedmont's Managed Portfolios and the losses in S&P and the DIA recently, **15.38%** and **15.44%** respectively, are not insignificant to retirement plan participants in Piedmont's Managed Portfolios.

Retirement plan participants in Piedmont's Managed Portfolios typically experience less volatile, measured growth over time in their retirement plan savings accounts, than many retirement plan participants who attempt to navigate on their own through today's markets that are rife with acute volatility and unforeseen risk.

Most people think investment performance is the most critical factor in determining financial failure or success at retirement – obviously that thinking makes good sense.

However, what is often found by most investors and retirement plan participants who seek investment performance by chasing the latest “hot” performing mutual fund is that consistent future returns are not necessarily a product of past performance.

More often than not, and there are countless examples to point to over the last decade, the “hot fund manager” soon *cools down* after he makes the headlines or grabs the front cover of a financial publication.

A better approach to finding sound investment performance is to determine the elements that actually create performance, and then act on them.

The answer to “what elements actually create performance?” has been proven time and time again by the most brilliant investment minds: (1) choose a portfolio of low-cost, institutional share class mutual funds that are *representative of all asset classes that comprise the market*, then (2) arrange them or

allocate them according to your individual needs and tolerance for risk.

Easier said than done, right?

Well, as a client of Piedmont Investment Advisors, this is not a daunting task for you because you have a distinct advantage over the majority of people saving for retirement. In Piedmont, you have a steward of your investment best interests at your side, every day, who watches your money. Piedmont does all of the research and due diligence for you and then shows you the best way for you to accomplish your retirement savings goals.

Piedmont's research and due diligence determines the “best in class” institutional share class mutual funds for you, then, by incorporating these same quality, low-cost mutual funds into 5 Managed Model Portfolios, investors of every age, type and level of risk tolerance, can find just the right fit for their investment needs.

According to a recent study of Piedmont clients, almost 50% of retirement plan participants in the plans that we serve are utilizing Piedmont's Managed Model Portfolios, and they are very pleased that they are.

Here's an example of why Piedmont's Managed Portfolios are so well received:

“Plan Participant #1” enjoys the feeling of hands-on control of his investments and may want to self-direct his own investments. He chooses not to take advantage of the Piedmont Managed Portfolio investment approach.

In keeping with last year's hot performing fund choices, “Plan Participant#1” may have chosen to split his investments among last year's best performing asset classes: International Stock mutual funds and the U.S. S&P 500 stock mutual funds. After all they are proven winners aren't they?

If Piedmont had been asked by this “Plan Participant #1”, based on our due diligence, our experience and knowledge of market conditions, we would not have advocated this investment approach.

As shown at the beginning of this article, since October 1st 2007, these choices have declined considerably; The International Index (MSCI EAFE)

is down -12.17%, with the S&P 500 also down 10.22%.

Alternatively, “Plan Participant #2” chose to have her retirement plan savings invested in one of Piedmont's professionally Managed Model Portfolios, and in doing so experienced quite a different result.

Based on our analysts' view of past and current market conditions, for some time we deliberately chose the **DFA Intermediate Term U.S. Government Bond Fund - DFIGX** to be the largest single mutual fund holding on average in our Managed Portfolios. This has proven to have been a very good decision for our investors in our Managed Portfolios.

Every plan participant that has their retirement savings in one of Piedmont's Managed Portfolios has this specific DFA fund in their account. In comparison to the negative returns of the stock market indices, this bond fund has grown by +5.16% during the same period. The difference in performance is dramatic: Over 15% in a single calendar quarter. This means that for every \$100,000 invested for retirement, the difference between the values of the two accounts described above would be over \$15,000.

At the time of your enrollment into our program, you were asked a series of questions about your tolerance for risk and volatility in your portfolio. You are welcome to re-take this quiz at anytime and as many times as you like. This assessment of your individual risk tolerance coupled with the amount of time you have remaining until you plan to retirement provides Piedmont with the information that we need to recommend a the specific Model Portfolio allocation to you that would best and specifically meet your unique needs.

If you are not currently invested in one of Piedmont's Managed Portfolios, we invite you to discuss your options with us. Just give us a call...

Let us watch your money through a Piedmont Managed Model Portfolio, because the quality of life in your future retirement may be based on who's watching your money today.

Let us watch your money...

William J. Militello, CIMA



William J. Militello experienced Wall Street first hand as an institutional equity trader with Knight Capital Markets in New York, and currently serves as the Managing Principal of Piedmont, an SEC registered investment advisor. Mr. Militello has consulted for the Securities & Exchange Commission and is a graduate of the U.S. Naval Academy in Annapolis, MD, and received his MBA from Boston University. He is a Certified Investment Management Analyst (CIMA) and a member in good standing with the Investment Management Consultants Association (IMCA). Additionally, Mr. Militello is a volunteer with the Evelyn Brust Financial Research and Educational Foundation, where he provides unbiased, professional investment advice on a pro bono basis.

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