SELECTOR® Money Management
2009 Year End Review

Financial markets made back a lot of ground in 2009. The Bear Market of 2007-2009 officially ended on March 9th of 2009, with the S&P 500 at 676.53. That also marked the beginning of our new Bull Market for equities. By year's end the S&P 500 had climbed back to 1,115.10, an impressive rise of +64.8% from the March lows, and a gain of +26.46% for the year. International equities markets, especially Emerging Markets equities, had dramatic performances in 2009. The S&P Europe 350 Index closed the year up +35.21%, the S&P Global Asia 50 Index rose +61.43%, and the S&P Latin America 40 Index advanced by an amazing +96.96%.

The sizzling equity sectors in 2009 were oil & gas, basic materials, and technology. The Dow Jones U.S. Select Oil Equipment & Services Index finished 2009 up +64.67%, the Dow Jones Basic Materials Index was up +63.62%, and the Dow Jones U.S. Technology Index ended up +64.48%. Meaningful and timely allocations to these sectors propelled SELECTOR® Money Management portfolios in 2009. These allocations contributed significantly towards portfolio performance even as more defensive bond allocations were adjusted in the course of the year.

Bond market performances varied extensively in 2009, depending heavily upon the sector and the maturity. The big winners were high yield bonds. The iBoxx $ Liquid High Yield Index finished the year up +44.46%, while outperforming most equity indexes. Putting in strong performances, though not so dramatic as high yield bonds, were intermediate-term, high quality corporate bonds. The Barclays Capital U.S. Intermediate Credit Bond Index was +15.93%. The S&P National AMT-Free Municipal Bond Index was +12.20%, and the Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index finished 2009 up +11.41%.

The poorest performances for 2009 were seen in the U.S. Treasury bond markets as they buckled under the pressures of the debt load associated with the numerous federal bailouts. The Barclays Capital U.S. 7-10 Year Treasury Bond Index declined -6.03%, the Barclays Capital U.S. 10-20 Year Treasury Bond Index fell by -8.12%, and the Barclays Capital U.S. 20+ Year Treasury Bond Index dropped -21.40%. We have no interest in these bond sectors, especially in lieu of potentially higher inflation, a stronger U.S. dollar and rising interest rates.

A great deal of the 2009 positive performance for financial markets stems from a reversal from the sharp drops seen in 2008. Money flows into sectors which normally assume secondary roles approached mainstream levels, resulting in exaggerated relative performance. Conversely, when more traditional equity allocations gain momentum, those performances could easily be reversed. For example oil prices, in the past two years, have gone from $52 to $145 back to $36 and now are over $81 again. Emerging markets have been equally volatile.

The new year represents a new chariot race for financial markets. Like any good race, there are obstacles and there are opportunities, often times coexisting within developing situations. In 2010 we have several of the old obstacles/ opportunities which include unemployment, real estate, and high oil prices. The new obstacles and opportunities include the after effects of massive federal debt, a resurgence for the U.S. Dollar accompanied by rising interest rates, and corporate earnings growth following one of the worst recessions on record. We do believe that asset allocations will need to be very precise in the coming year, as in 2009.

During the fourth quarter, SELECTOR® Money Management took profits in oil & gas and emerging markets allocations within managed portfolios. A portion of those proceeds were reinvested into large cap growth equities, with the remaining portion reinvested in high quality, intermediate-term bonds. SELECTOR® Aggressive Growth models are 100% invested in equities. SELECTOR® Growth models are now 80% invested in equities and 20% invested in bonds. SELECTOR® Conservative Growth models are now 60% equities/40% bonds. SELECTOR® Balanced Growth models are 40% equities/60% bonds, and SELECTOR® Income & Growth models are 20% equities/80% bonds. Equity emphasis includes large cap growth, international equities, technology, and basic materials. Bond emphasis includes high yield and intermediate-term corporate bonds.

Edward D. Foy
Manager, SELECTOR® Money Management
Chief Investment Officer, Foy Financial Services, Inc.

 Sources: Bloomberg, Standard and Poor's, Morningstar, CBS Marketwatch, Lipper Analytical.

Foy Financial Services, Inc.
12501 Holdrege Street
Lincoln, Nebraska 68527

SELECTOR
Real-Time Money Management