



MELFA WEALTH MANAGEMENT

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Dear valued client,

Over the past six months we've witnessed one of the greatest appreciations in market history. It's relevant to note that while some other firms were quick to try to actively manage the swings, we remained cautious and long term, and stressed the importance of not selling at all time lows. Interestingly enough, many of the same investment firms that attempted to actively manage accounts by trading while the market dropped, are now unveiling "new" investment solutions aimed at capturing the very upside they seemingly ignored just months ago.

As we espoused earlier in the year, markets are as volatile on the upside as the downside. As such it remains ever important to execute investment decisions based on a detailed time horizon – not emotions. We are increasingly amused by all the prognosticators on Wall Street who continue to get it wrong. Most of the market commentary we read is inherently contradictory. Some analysts say we are ready for a major pullback - the same thing they said when the Dow hit bottom many months ago. To think, the selling they stressed would have cost you about 40% of you current portfolio! Other analysts are waiting for the double dip pullback that occurred in the 2001-2003 time frames after the .com bust. Others say that we are at a fair market value now and even others say we are still below the fair market value with much more upside in the short run. Many say we are going to be in a sideways market for a while.

The truth is that no one can truly predict market movement, especially in the short term. But the one thing that has become clearer than ever is that the action of selling into greatly depreciated markets is never well advised. If the prognosticators really "knew", then they wouldn't have to make money selling their articles, television spots, special trading programs, and seminars. Nor would they have been flat out wrong 6 months ago, when we told you to ignore their cries to panic and sell. As such, we sincerely hope the past few months has been a learning experience for everyone – on both market predictability (and unpredictability) as well as the brazen misguidance and general lack of knowledge of supposed stock gurus.



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Fortunately, we feel your decision to stay invested has proven vital for your portfolio. We commend you for your strength and patience the past few trying months. More so now than ever we are standing by our strategies that are not Wall Street fad and hype, but proven, long term, academic principles created by some of the greatest Nobel Laureates of our time. As we continue to emphasize, and for good reason, the rest is mostly noise and a distraction from your goals and plans. Therefore an intelligent investment conversation should always be grounded in your time horizon, risk tolerance, and allocation. If the market takes a hit and has a big pullback, don't get too worried; and conversely, if it skyrockets up, don't get too excited.

When we speak to you for your annual review we will continue to focus on these areas and will modify your allocation based on if these criteria have changed. We believe by keeping the focus on these major key elements you will continue to be rewarded as an investor.

Best Regards,

Victor J Melfa III & Victor J Melfa, Jr.