



October 2011

Walden Capital Advisors is celebrating its five year anniversary this month. I want to thank all of our clients and friends for the trust and confidence you have placed in us during the past five years. It is an honor to work with all of you. We take pride in helping our clients achieve their goals and realize their dreams. I have seen many of you buy homes, send children off to college, and reach and enjoy your financial independence. To know that we had even a small part in helping you do those things is truly a joy!

Volatility was high this quarter as fear returned to the market. Investors were concerned about weakness in the global economy, the ongoing debt crisis in Europe and the political brinksmanship in the U.S. Confidence decreased this summer as the inability of our elected officials to reach meaningful compromises played out on television screens across the country. Markets questioned whether the people in power would be able to implement effective policies to stimulate our economy and solve our longer term debt problems. Rumors swirled about the first ever recession caused by a crisis of confidence. The hard data, however, indicated that while the economy is not booming just yet, it is not about to bust again either. The current economic indicators show mild improvement in the economy – not exactly the growth we are looking for but signs of a very slow recovery.

You will see in the reports that follow that by the end of the third quarter, the S & P 500 was down 13.9% for the quarter and 8.7% for the year to date. Since the end of September, however, the S & P 500 index has climbed back up 8.4%, had its best week since July 2009 and is now down only 1% for the year as of October 14. This dramatic increase followed news that there was progress in Europe toward resolving the debt crisis and retail sales, manufacturing and hiring numbers were all positive, suggesting that a recession may be less likely than originally feared.

We expect volatility to continue until we have clearer resolution on many of the macro issues facing the global economy. As we have seen, no one can accurately predict the course of the market over short term periods. If you have goals you need to meet in the short term, you should have minimal equity exposure. For your longer term goals, we control risk by investing in a diversified portfolio of assets which are not perfectly correlated with one another. Over the past two years, we have added in the diversifying strategies funds to lower correlations and reduce portfolio volatility. During this downturn, that sector has outperformed the market by a significant margin, helping mitigate some of the losses in other equity sectors. As always, we encourage you to communicate with us about your goals and time frames so that we can match your risk level and asset allocation appropriately.

Please note that you may receive information from your custodian (Fidelity or Schwab) shortly about the new rule requiring cost basis to be reported on the 1099 tax form you receive annually. This change will make it easier for you and your accountant at tax time. We will work directly with your custodians to make sure the cost basis in their systems is accurate. Please let us know if you have any questions on this issue.

Enjoy the beautiful colors and cool air that fall brings.

A handwritten signature in black ink, appearing to read 'Jill', is positioned in the lower right quadrant of the page.