

JEFF SPROWLES AND ASSOCIATES, LLC

FEE ONLY FINANCIAL PLANNER AND INVESTMENT ADVISOR



VOLUME 1, ISSUE 2

THE (NOT SO) ALMIGHTY DOLLAR

AUGUST 16, 2007

QUARTERLY NEWSLETTER AND UPDATE

Ladies and Gentlemen,

Many of you are familiar with my target stock style allocation system. Until now it has been based in large part on historic performance of various indices from 1959 through the most recent calendar year. A former colleague once dismissed this as “trying to foresee the future by looking in the rear view mirror.”

I am not ready to totally abandon my understanding of how stock styles have behaved in the past but I believe there has been a sea change in the way the world in general and the investment world in particular works.

The internet and availability of cheap computing power has leveled the playing field. Thirty years ago any company expecting to grow had to make a significant investment in infrastructure to support record keeping, advertising, printing and communication. Inexpensive computers, servers, printers and the internet have made this much less of an obstacle, not only for companies but for third world economies.

It is my conclusion that fundamental characteristics such as population demographics and availability of raw materials are going to be even more important in determining the most profitable areas in which to invest than in the past. Based on this idea and the inconvenient facts of the U.S. trade and budget deficits, I have concluded that it is time to increase international exposure significantly, and break away from the not so almighty dollar.

Best regards,

Jeff Sprowles, CFP®

Mid-Quarter Update

- S&P 500 – domestic large cap
 - 6/29 to 8/15 (6.2%)
 - YTD 0.3%
- Lehman Intermediate Gov Bonds
 - 6/29 to 8/15 2.0%
 - YTD 3.7%
- 90 Day U.S. Treasury Bills
 - 6/29 to 8/15 0.6%
 - YTD 3.1%
- Emerging Markets ETF (EEM)
 - 6/29 to 8/15 (8.4%)
 - YTD 5.6%
- Jeff’s Current Stock Outlook
 - 100% of target

MARKET COMMENTS

In the last issue I suggested that we could expect a better than average stock market for 2007 and advocated a 100% of target equity position. This was great advice through the end of June. The market has been mostly down since then and really got feathered in the past few days.

The fundamentals aren’t that out of whack. I am still looking for a double digit 2007 in stocks. On the other hand, a lot of volatility in the market is sometimes a characteristic of an end of a market cycle. If that is the case we are near the end of a relatively short bull market. I don’t consider myself a market timer and so unless something dramatic happens I will probably ride this out at least through the end of the year using “down” days to invest cash or to rebalance portfolios to increase international exposure. Also, I am starting to sell large cap growth and domestic small cap positions.

CURRENT INVESTIGATION – In January, 2005 my international exposure was 20% – distributed evenly among Europe, Japan, China and India. That worked well, but based on my current thinking Japan with its aging population and low natural resources is out. I have expanded the formula to include much more diversification including Brazil, the rest of Latin America, and Canada.

JEFF’S PICK:

Exchange Traded Funds

ETFs are securities that track indices or particular market segments.

They can be traded throughout the day, a characteristic among others that make them more appealing than traditional mutual funds. As an indexer, Jeff uses several ETFs including: Emerging Markets Index (EEM), and Russell 1000 Value Index (IWD).



Certified Financial Planner

**Miss Havisham's solution
from Vol. 1, Issue 1:**

Jeff Sprowles and Associates, LLC, recommended that Miss Havisham open a **529 Plan** for each nephew or niece, naming them "participant." This conveys no ownership on the participant, Miss Havisham continues to control the funds, but for estate and gift tax purposes it is considered a completed gift. The funds grow tax free and as long as the funds are withdrawn for post-secondary expenses, there is no income

tax then either. Miss Havisham can make annual \$12,000 gifts without worrying about gift tax. She should name a responsible adult as contingent owner to take over in the event of her death before the funds are spent. While all states offer 529 plans, we have been recommending Nebraska's because we like its investment options.

**Financial Fable of
Mr. Stevenson:**

Mr. Stevenson is a widower with a large estate. His net

worth is approximately 10 million dollars which includes a 2 million dollar vacation home on Long Beach Island. Paralleling current trends, Mr. Stevenson believes his LBI house will only continue to go up in value. Despite this luxurious retreat, he is worried about the estate tax the house's beneficiaries will have to incur. He would like to keep the home in the family but only if he can pass it on to his children without burdening them with large taxes.

*Answer will be posted on
www.sproles.com on October 17, 2007*



Do you think you can help ?

E-mail your answer to Jeff by **October 17, 2007**. Author of the best answer wins lunch for two with Jeff at The Nassau Club.

*Congratulations to:
Andrew Popkin
For the best answer to Miss Havisham's fable from Issue 1.*



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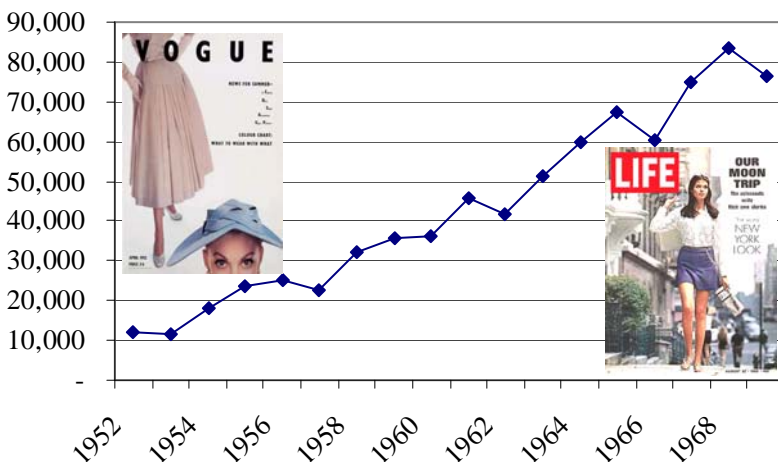
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FACT OR FICTION??

Can women's skirt lengths predict stock activity?

\$10,000 in stocks 1952 to 1969



Continuing our investigation from Issue 1, we follow the stock market's performance in relation to women's skirt lengths according to the fashion trends of the time. The chart to the left shows the market in 1952 and its climb through 1969. The Vogue cover to the far left shows a woman in a skirt that reaches past the knee. The woman on the cover of Life Magazine in 1969 is wearing a mid-thigh skirt. While our findings support the skirt length theory, the question still stands: Does skirt length determine stock performance or does the market have bearing on fashion?

Application: Today, as skirts seem to climb higher and higher, we might apply our findings to conclude that the market is going to continue to go up.

**Please keep in mind this investigation is for enjoyment purposes and is not recommended by Jeff Sprowles and Associates as a timing tool*

*This issue of The (not so) Almighty Dollar marks the departure of our assistant, **Johnelle Lee**, who is returning to the University of Pittsburgh for her junior year. Johnelle has been an immense help this summer and we hope to see her back next year.*