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IN HONOR OF LABOR DAY

MMM salutes the American worker and the progress we have made in just a decade. Here are some interesting facts on how the average American spends their day:

WORKING

7.56 hours

SLEEPING

8.58 hours

EATING & DRINKING

1.3 hours

HOUSEWORK

1.76 hours

COOKING

1.02 hours

HOUSEHOLD MANAGEMENT (INCL. FINANCIAL)

0.78 hours

SHOPPING

1.77 hours

LEISURE & SPORTS

5.33 hours

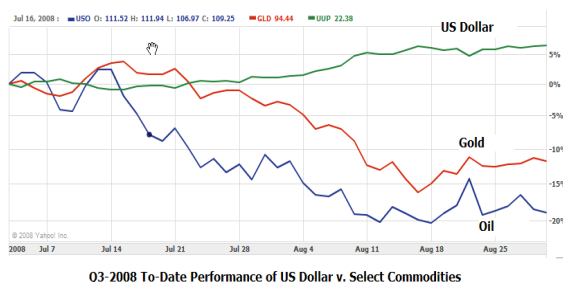
MMM takes pride in helping Clients with the amount of time they spent - or were unable to spend - in managing their personal finances.

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Q3 / 2008 High-Level Market Update

Investors have been tugging in opposite directions almost daily as conflicting information emerges and is digested in the markets. On the one hand, the bears continue to beat the drum of a housing and credit crisis. On the other hand, the bulls point to the recent decline in oil as a sign that inflation is cooling and that the Fed will keep monetary policy loose to stimulate the economy.

During the first half of Q3, the big story has been the resurgence of the US dollar. The belief that the US is in the late stages of correction, while other areas of the world are just starting to slow down, is



becoming the consensus amongst market participants. This view has resulted in a flight of funds from foreign equities and commodities into the US dollar and Treasuries (bonds). Foreign and emerging market equities have quickly declined 8 - 12 percentage points in the past two months, and commodities have declined even more. Examples of this decline include oil dropping from a peak of \$147 per barrel to the current \$110-115 per barrel range. Gold which approached \$1,000 per ounce is now in the \$820 per ounce range. Granted, these levels are still elevated relative to historical averages, but the rapid nature of decline has indeed been impressive. The only net increasing asset classes for the quarter have been US and Foreign Bonds, which have steadily paid out dividends. US equity markets have been volatile, but remain mostly flat for the quarter-to-date.

Going forward, it remains to be seen whether the resurgence of the dollar is here to stay or whether the recent rise was simply a bounce in an ongoing downward trend. With bonds, we expect their safe-haven status may be coming to an end as interest rates go back up and provide a headwind to fixed income investments. Also, we will monitor whether the commodity inflation trend is over or whether recent events are merely a correction in a long secular bull commodity market. Commodities are prone to rapid declines in the midst of their bull markets, so these current moves to the downside are not unprecedented, and the jury is still out.

PRESIDENTIAL ELECTIONS HISTORICAL IMPACTS ON THE MARKETS

Few things cloud a person’s objectivity faster than the insertion of politics into a conversation. Not to be excluded, the investment industry often clamors to satisfy their client’s cravings of market and political analysis, specifically addressing the question, “What is the market going to do if the Democrats or Republicans get elected?”

At MMM, we believe that elections do have some long-term bearing on how markets behave, as well as a shorter-term bearing on the tax consequences of investments. However, election outcomes are simply one indicator amongst many that need to be analyzed in deciding the attractiveness of various investments. With that said, please enjoy the following statistics which we have compiled since 1928.

S&P 500 Median Returns			Fixed Income (Intermediate Bonds)		
	Republican	Democrat		Republican	Democrat
President	8.69%	13.09%	President	3.39%	0.04%
Senate	12.87%	10.35%	Senate	4.70%	0.58%
House of Reps	11.64%	10.69%	House of Reps	3.33%	0.70%

Investor Psychology

What’s to Like About Bear Markets?

While it may feel great to watch your account balances going up during a bull market, the reality is that with each percentage point increase, new investments become more and more expensive. Being the disciplined accumulators that you are, you continue to save month-after-month, and it often feels easy to do so as the good keeps getting better. For those of you in retirement or with specific cash income needs, bull markets also provide comfort that you will not outlive your savings.

When bear markets set in, the typical reaction is one of fear and panic. A slightly more controlled version is the “let’s sit this out for a little bit until things clear up” type of outlook. As discussed in previous newsletters, both of these approaches are damaging to a long-term portfolio. Less typical, yet still common, is the “this will hopefully be over soon” reaction, which allows an investor to remain in the markets while trying to ignore the pain. We applaud this reaction, especially for those fixed income clients who have current cash needs and are working hard to manage their emotions. However, for those who are in the asset

accumulation phase of their lives, which includes a large share of MMM clients, we argue that bear markets should not be feared or ignored, but rather embraced and cherished. For these clients, bear markets offer an opportunity to capitalize on the mass of emotional flip-flopers who sell us their portfolios at fire-sale prices. When prices decline in the 20-40% range, as they have done in the US and in global equity markets over the past 12 months, it represents a strong fundamental buying opportunity. Could investments go lower from here? Sure they can, and that would make new investments an even less expensive proposition than where they are at current levels. For those of us with the courage and faith to believe that equity markets will once again rise beyond the recent peaks of last year, there is nothing better than a time like now to take advantage of good values.

It goes without saying that there are investment approaches and techniques that should be used to protect from downturns (e.g. conservative investment utilization, diversification, technical stops, etc.), especially with fixed income clients. MMM not only employs these tactics, but also uses comprehensive data modeling to increase the odds of predicting the approximate timing of downturns and upturns, so that portfolios are adjusted accordingly.



Investor Psychology (continued)

However, we also rely on our clients to be disciplined accumulators, who refuse to be shaken, and continue with their methodical savings programs. Together, we can take advantage of the golden opportunities to buy more shares, and to improve long-term returns. Furthermore, the longer the bear market, the more shares we can accumulate together at depressed prices. Inevitably, markets return to bullish times, and when they do so, those investors that stuck with their savings programs will realize greater returns than if the market had continued up in a straight up-trending line throughout history (which is fruitless to wish for anyway because it never happens that way). So we say, “Fear not bear markets. Rather, be greedy and accumulate as much as you can at low prices.”

As always, we invite you to pursue life’s dreams while we manage, grow, and protect your wealth.

Warm Regards,

Raphael & Megan Martorello
MMM - Martorello Money Management, Inc.
LotusGroup Advisors, LLC.

QUESTIONS?

As always, we are available to discuss any questions you may have regarding our progress towards your financial and investment objectives.

REFERRALS?

We appreciate your referrals as they are the lifeline to our business. Please let your family, friends and colleagues know about our wealth management services.

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