TFC Financial Management

October 8, 2010

QUARTERLY INVESTMENT LETTER – THIRD QUARTER, 2010

That Uncomfortable Feeling Persists (And Probably Always Will)

In our August 31st interim e-mail commentary, "A Left-Brain Moment", we suggested that "excessive caution today could be a costly long-term (investment) strategy." In that message we listed six general reasons which led us to conclude that global equity markets were at least reasonably valued and bond prices vulnerable in a rising interest rate (i.e., increasingly inflationary) environment. At the time, the investment markets' psychological backdrop reflected the dark side incessantly sold by the media. As always, publicizing fads-of-the-moment such as the "Hindenburg Omen" (". . . the market will be at 4000 on the Dow by the end of September"), as well as fanning the lingering fear of a repeat of the "flash crash" of early May, the headlines make it difficult to maintain a balanced investment market outlook. For individual investors the perception often is that the stock market is reflective only of current "real" economic circumstances.

But the investment markets are usually not discounting the news of the moment, rather anticipating and pricing the extension of unfolding trends and weighing the probabilities of future events. Today, it appears the equity markets in the U.S. are coming to grips with the realization that domestic corporate earnings reports this year, and next, will continue to improve incrementally quarter-by-quarter. In other words, corporate earnings (which in the end drive common stock prices) will continue to outperform the perception of what is reported to be occurring in the real economy. Wall Street keys off an assessment of predicted corporate earnings per share. Main Street and our policy mavens are hostage to the pressures of current events, and the emotions of the moment.

This disconnect between improving corporate results and the reported weak economic performance is easily demagogued. Obvious popular indicators, like the unemployment index, will continue to dominate the political dialogue; no doubt intensifying as November 2nd draws closer. At the moment, it is possible investors are beginning to assess the impact of a more level political playing field for business following the elections. How this will play out beyond November is anyone's guess and better left to the commentariat, but by then at least some of the current uncertainty weighing on the minds of investors will have been lifted.

Of Markers, Straws and Canaries (The Case for the Other Side of the Coin)

We stated the rationale for remaining in the game in our August 31st e-mail memo. Although the argument for not abandoning equities in August still resonates, as usual there are cross-currents in the outlook which should not be ignored. On balance, however, for *investors* with a longer horizon, the positives outweigh the negatives. As usual, the mix of factors in the investment equation continues to shift. It *is*, and always will be, a different combination of dependent variables to consider.

To illustrate:

- Today, for the first time in memory, the Federal Open Market Committee (FOMC), the part of our Federal Reserve system charged with controlling inflation and unemployment, has stated ". . . inflation is below where we want it to be." Perhaps introducing a new Fed policy-lever, the implication might be that our central bank is considering further credit-easing measures. Assuming this possible policy shift results in higher rates of inflation in the future, Gold Bugs will continue to enjoy the spotlight. If this turns out to be a correct reading of the Fed's next move, such further credit easing (which should bolster the economy) would be an indication that the highly publicized "double-dip" recession school would seem to have lost traction.

- Corporate boards and managers, mindful of the cash reserves building on business balance sheets, are urging CFOs to buy back stock in the open market at what appears to be very reasonable prices, thus reducing the number of outstanding shares. This will have the further effect of increasing earnings-per-share growth across a broad sample of U.S. companies.

- With the Fed-policy-induced decline in interest rates, the cost of debt capital has declined to unprecedented levels. This has prompted many corporations to refinance their balance sheet debt structure. IBM has recently borrowed $1.5 billion at 1% for 3 years. Microsoft (with $36 billion sitting in reserves on its balance sheet) just floated $1.0 billion in 30-year bonds, paying a coupon rate of just 4.5%. Tennessee Valley Authority (TVA) underwrote 50-year bonds at an interest rate of 4.6%. Norfolk Southern Corporation (Railroad) sold 100-year bonds with a 6% yield! This could be a sign CFOs see a return to a more normal structure in interest rates ahead.

- In a recent interview conducted by the writer with the Chairman of a national real estate purchase and lease-back firm, he indicated his firm's financing banks had reduced borrowing rates, lowered deal equity requirements, loosened lease term language, and extended loan maturity periods. His assessment is that the credit markets for business borrowing are much more accommodating than a year ago.

Despite the constant negative din and dire overtones of the media's news cycle, today a faint sense of improvement in the economic and credit markets is palpable. Although the recession officially ended in June of last year, for many, understandably, that call seems premature. But the global equity markets are focused on what might occur next year. Today's news is already baked into securities prices.

“Economists Have a Very Poor Record of Predicting Changes in the Business Cycle . . .”

Eugene Fama, Professor of Finance at the University of Chicago Booth School of Business is regarded as a plain-spoken champion of free markets. When speaking at DFA’s Annual Advanced Investment Symposium in Austin last week, Fama, one of DFA’s founding Directors and an important driver in the firm’s investment market research effort, left no prisoners in his assessment of whether investors (professionals as well as individuals) should pay heed to those attempting to call the macro-economic outlook. It is his conclusion that the academic research yields no peer-reviewed evidence of enduring predictive skills on the part of those who attempt to read the economic tea leaves for a living, much less for the efforts of those who endeavor to translate such forecasts into actively managed *tactical* portfolio shifts in holdings. To Fama’s way of thinking, getting the investor’s strategic portfolio asset class mix correct is job one; applying over time a disciplined rebalancing process assumes almost equal importance.

And yet, today the prevailing wisdom in the investment profession is that portfolio managers must be *more* cognizant of the macro outlook, adopt a contemporary (read: active tactical) style, broaden the asset class diversification exposure in accounts, and employ the newly-minted investment vehicles (e.g., ETFs, hedge funds, etc.) in portfolios. Not to do so, it is asserted, risks under-performing investor expectations.

The challenge to economists’ predictive credentials persists today and will into the future. In our more interdependent global economy, the problem only increases in complexity. Even with super-computers and all-encompassing, multi-factor econometric models, it is not yet possible to model the interaction of investor emotional behavior, nor the impact of government policy shifts; not to mention “Black Swan” or statistically unexpected “tail events.” Remaining open-minded as always, our belief continues to be that in the long run markets price securities rationally and attention to valuation differences on a global playing field will yield optimal portfolio return results.

A Recap of TFC’s Portfolio Strategy for Third Quarter 2010

Fixed Income:

Cash flows into fixed income mutual funds year-to-date through August 31st totaled nearly $200 billion as investors continued to liquidate money market fund balances in search of higher yields and, in many cases, unknowingly taking on increasing price, duration and credit risk.

Global demand for U.S. Treasury and government agency bonds has not abated, driving prices higher and yields even lower. The current yield for a 5-Year Treasury note is 1.26% and 2.6% for a 10-Year note compared to 2.3% and 3.3%, respectively, a year ago. For the past 10 years, the average yield for 5-Year Treasury bonds is 3.6% and 4.3% for 10-Year Treasuries.

The year-to-date total return for the iShares Barclay 7–10 Year Treasury ETF is 14.3%, of which 2.5% is from interest income and nearly 12% from price appreciation.

When interest rate and inflation expectations inevitably rise, bond prices will decline, exacerbated by a predictable mass redemption from long-term and intermediate-term bond funds. So today, we are willing to forgo some modest yield advantage offered by longer term and lower quality bonds in favor of price protection.

Equities

In contrast to significant inflows to bond mutual funds, there has been a net negative outflow of over $9 billion from U.S. equity funds year-to-date through May, though inflows to international equity funds have been positive. However, in the month of May, investors liquidated nearly $20 billion from both U.S. and international equity funds. This illustrates the volatile and emotionally-driven behavior of most investors fearing another bear market.

Market sentiment and psychology quickly shifted from cautious optimism to pessimism in May and June. The fundamental evidence of a continuing, albeit uneven global economic recovery, positive corporate earnings news, and reasonable equity market valuations in a low inflation environment failed to counteract the selling forces. All global equity asset classes lost value in the quarter.

The MSCI All Country World Index fell by 12% this quarter, down 9.4% year-to-date in U.S. dollar terms. In local currency, the index declined 10.5% and 6.7% respectively. The U.S. dollar, once again judged to be the world's safe haven reserve currency, appreciated by 16% vs. the Euro, 8% against the British Pound, 6% against the Yen, and 1% against the Chinese Yuan. (So far, the new "managed float" policy announced by the Chinese government to allow a gradual appreciation of their currency has not materialized.) This short-term dollar strength magnified the negative returns for U.S. investors from developed international equity markets.

We did not execute any strategic asset allocation shifts this quarter, as there were no material discrepancies in relative valuation multiples among global equity sub-asset classes. Global developed market equities are currently trading at prospective multiples of earnings, price-to-book, price-to-cash flow and dividend ratios below long-term historical averages. Emerging markets are trading in line with long-term averages, but with much more attractive growth prospects.

We are currently researching investment options in the newly-emerging countries (called frontier markets) and other more focused alternative investments in natural resources, such as timber and mining companies.

The accompanying chart, "Global Equity Market Valuations" on the following page illustrates the relative valuations amongst the three major equity market benchmarks, as compiled by J.P. Morgan.

With anemic economic growth, sustained high unemployment and low inflationary pressures expected in the U.S., it seems unlikely that the Fed will be raising interest rates in the near future.

While we are maintaining our fixed income strategy of investing in a diversified mix of shorter-term, U.S. and international government-guaranteed, national municipal (for taxable accounts) and high-quality U.S. and international corporate bonds, we made a minor portfolio shift recently which was previously communicated to our clients. We reduced our position in the Federated Government Ultra-Short Duration Fund and added to the DFA Five-Year Global Fixed Income Fund holding.

Our primary rationale for the change was to reduce the allocation to low-yielding, short-term U.S. government bonds and increase our exposure to a more diverse group of slightly higher-yielding, global (developed country) government and high-quality corporate bonds.

The overall fixed income portfolio duration remains short-term; 2.5 years for taxable accounts and 3 years for tax-deferred/retirement accounts which include Treasury Inflation-Protected Securities (TIPS).

Equities:

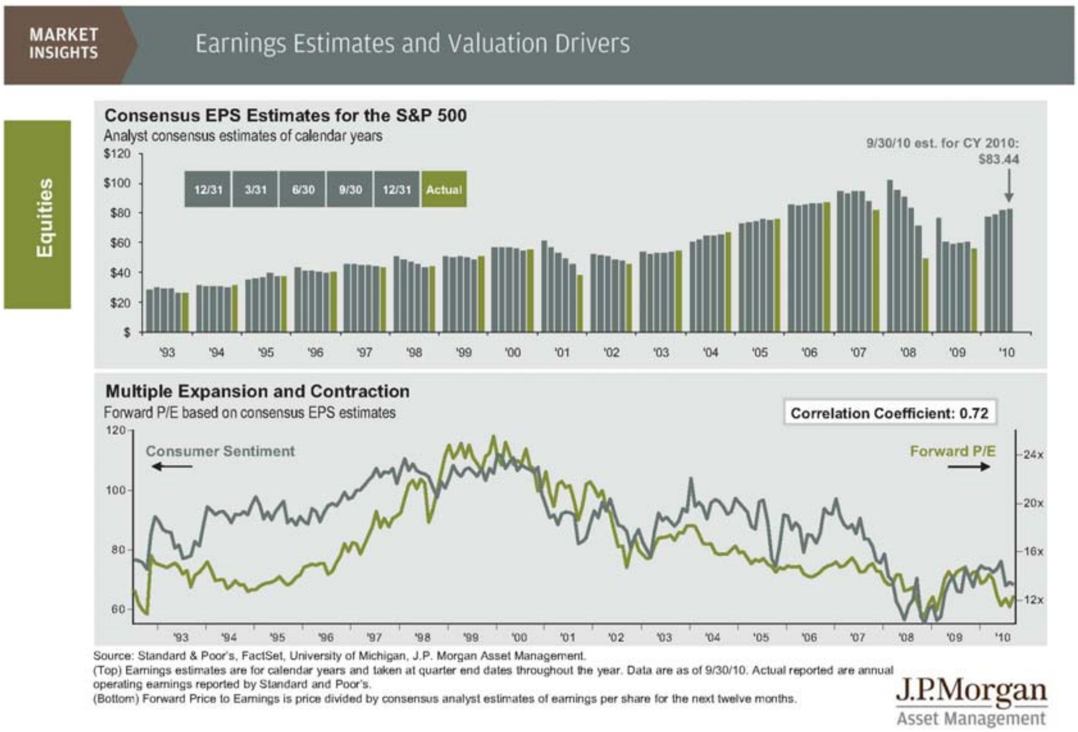
Fears of a "double dip" recession, "hard landing" scenario in China, contagion risk from the Eurozone debt, and currency crisis were among the many unsettling news headlines which fueled a global equity market correction through the summer. Then pundits and the media predicted that stock markets would fall further in the months ahead.

"September has firmly secured the rank as the worst month of the year," according to Stock Traders' Almanac.

The S&P 500 Index ultimately rebounded 9% last month, the best September performance posted by the Index since 1939. The Russell 2000 Index (representing U.S. small-cap stocks) also gained 9%; + 10% for MSCI International EAFE (developed markets) Index and +11% for the MSCI Emerging Markets Index.

Despite the receding probability of another economic recession in this country, positive corporate earnings reports, reasonable equity market valuations, and low cash and fixed income yields, individual investors have not reinvested cash into equity markets. Until there is a sustained improvement in investor psychology (and consumer sentiment) and a material decline in unemployment, among other important factors, equity market valuation multiples will likely remain below long-term ranges. Therefore, going forward, the fundamental driver of stock market performance in the future should be corporate earnings growth, which is clearly positive.

The chart below illustrates actual historical and projected earnings estimates for the S&P 500 Index since 1993. The lower panel shows the positive correlation (0.72) between Consumer Sentiment and Forward Price Earnings Ratios.



The current estimated total U.S. cash balance (in bank deposits, CDs and money market funds) stands at $10 trillion. The current total stock market capitalization (value) of all publicly-traded U.S. stocks is $15 trillion.

While U.S. investors are still selling domestic equity mutual funds (approximately -$50b YTD to 9/30), fund flows into international equities have been positive (approximately +$24b).

As you may be aware, our equity portfolios have been strategically oriented overseas (20% to 40% of total equities) since the inception of our portfolio management services over 25 years ago. Our present equity allocation is roughly 60% U.S. and 40% international including developed and emerging markets, vs. 43% U.S. and 57% international in the MSCI All Country World and Frontier Markets Index.

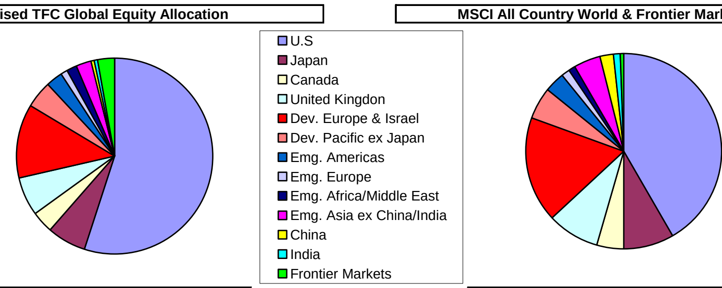
Divergence of future economic growth rates, consumer and resource demand between developed (lower) and emerging countries (higher) will increase, which may further weaken the U.S. Dollar over time, except in periods of crisis and extreme market volatility. In this past quarter, with the Eurozone and Euro currency crisis posing a global contagion risk, the U.S. Dollar Index has declined by over 7% (against the major foreign currencies) boosting international equity returns. Year-to-date, the U.S. Dollar Index is flat.

We are planning to increase our international equity allocation by 5% in the next few weeks, primarily to emerging and frontier markets. We believe this strategic shift will provide additional global and regional diversification benefits and hedge against a potentially weakening U.S. Dollar.

We have been slightly underweighted in emerging and frontier markets relative to a global market index so far. A separate newsletter and commentary on investment opportunities and risks in frontier markets will be sent shortly.

In summary, our equity rebalancing goal is reflected in the chart below, comparing our future global regional allocation to the MSCI global stock market index.

Revised TFC Global Equity Allocation | **MSCI All Country World & Frontier Market Index**



Revised TFC Global Equity Allocation

Region	Allocation
U.S	55.1%
Japan	6.3%
Canada	3.6%
United Kingdon	6.4%
Dev. Europe & Israel	12.1%
Dev. Pacific ex Japan	4.6%
Total Developed Markets	33.0%
Emg. Americas	2.7%
Emg. Europe	1.1%
Emg. Africa/Middle East	1.7%
Emg. Asia ex China/India	2.5%
China	0.5%
India	0.7%
Total Emerging Markets	9.2%
Total Frontier Markets	2.7%
Total	100.0%

MSCI All Country World & Frontier Market Index

Region	Allocation
U.S	41.6%
Japan	8.4%
Canada	4.4%
United Kingdon	8.6%
Dev. Europe & Israel	17.6%
Dev. Pacific ex Japan	5.2%
Total Developed Markets	44.3%
Emg. Americas	3.3%
Emg. Europe	1.4%
Emg. Africa/Middle East	1.1%
Emg. Asia ex China/India	4.3%
China	2.5%
India	1.1%
Total Emerging Markets	13.7%
Total Frontier Markets	0.4%
Total	100.0%

As always, we welcome your questions and comments.

Sincerely,

Jim

James L. Joslin
Chairman, CEO & CCO

Renée

Renée Kwok
President

TFC Financial Management
Equity Funds
Sorted by YTD Performance
09/30/10

Name	Fund Category	1 Month	3 Month	YTD	1 Yr	2 Yr	3 Yr	5 Yr	2009	2008	2007
MORGAN STANLEY INS US REAL-I	Specialty-Real Estate	4.7	13.1	20.1	29.6	2.5	-6.1	3.1	29.6	-38.1	-16.6
DFA REAL ESTATE SECS PORT	Specialty-Real Estate	4.3	13.2	19.8	30.6	0.7	-6.3	1.6	28.2	-37.4	-18.7
ISHARES DJ US REAL ESTATE	**Specialty-Real Estate**	**4.7**	**13.0**	**18.3**	**28.7**	**-0.2**	**-6.9**	**0.7**	**30.5**	**-39.9**	**-18.1**
LAZARD EMERG MKT EQY PORT-IN	Diversified Emerging Mkts	11.1	20.8	16.6	23.4	45.8	2.3	13.8	69.8	-47.9	33.0
MORGAN STANLEY INS GLBL RE-I	Specialty-Real Estate	8.8	19.1	14.0	17.9	17.6	-7.8	n/a	41.0	-45.0	-7.9
EPRA/NAREIT Dev TR USD	**Specialty-Real Estate**	**8.6**	**18.4**	**13.4**	**18.4**	**7.0**	**-9.7**	**2.6**	**38.3**	**-47.7**	**-7.0**
DFA EMERGING MRKTS VALUE	Diversified Emerging Mkts	12.0	20.2	12.6	22.8	63.3	0.8	16.5	92.3	-53.9	45.6
DFA EMERGING MKTS PRTFOLIO	Diversified Emerging Mkts	11.3	18.3	12.0	20.3	47.5	0.3	13.1	71.8	-49.2	36.0
VANGUARD S/C GROWTH INDX-INS	Small Growth	13.6	13.6	11.8	16.6	18.0	-2.6	3.7	42.1	-39.9	9.8
DFA US SMALL CAP PORTFOLIO	Small Blend	13.1	12.0	11.6	15.3	14.3	-2.8	2.2	36.3	-36.0	-3.1
DFA US MICRO CAP PORTFOLIO	Small Blend	12.2	10.6	11.6	14.4	6.9	-5.6	0.3	28.1	-36.7	-5.2
MSCI Daily TR Net Emerging Mar	**Diversified Emerging Mkts**	**11.1**	**18.0**	**10.8**	**20.2**	**47.0**	**-1.5**	**12.7**	**78.5**	**-53.3**	**39.4**
DFA TAX MGD US TARGET VAL PO	Small Value	11.8	11.1	10.7	14.7	4.8	-6.8	-0.5	27.6	-37.8	-8.5
T ROWE PRICE INTL DISCOVERY	Foreign Small/Mid Growth	11.4	17.9	10.7	14.4	31.1	-5.3	6.6	55.7	-49.9	16.6
DFA INTERNATIONAL SMALL CO	Foreign Small/Mid Value	11.0	17.5	10.6	11.1	25.3	-5.9	4.4	42.0	-43.9	5.7
RUSSELL 2000 GROWTH IDX	**Small Growth**	**14.2**	**12.8**	**10.2**	**14.8**	**10.6**	**-3.7**	**2.4**	**34.5**	**-38.5**	**7.1**
DFA US S/C VALUE PORTFOLIO	Small Value	12.9	12.5	10.2	13.3	7.9	-5.3	0.5	33.6	-36.8	-10.7
ALGER SMID CAP GROWTH FUND-A	Small Growth	13.2	14.1	10.1	15.2	18.1	-5.6	5.0	44.0	-48.6	26.3
DFA US TARGETED VALUE	Small Value	12.3	11.2	9.8	13.6	8.6	-4.1	1.5	31.9	-33.8	-8.2
DFA TAX MNGD US SMALL CAP PO	Small Blend	12.4	10.9	9.7	13.0	2.7	-7.0	-0.3	26.3	-38.4	-1.6
MSCI EAFE SMALL CAP	**Foreign Small/Mid Value**	**11.5**	**17.7**	**9.6**	**8.6**	**22.9**	**-6.4**	**2.8**	**47.4**	**-46.7**	**2.3**
TEMPLETON DEVELOPING MKTS-AD	Diversified Emerging Mkts	12.2	19.9	9.4	20.6	40.4	-3.6	9.2	74.4	-53.8	29.1
RUSSELL 2000 INDEX	**Small Blend**	**12.5**	**11.3**	**9.1**	**13.4**	**5.9**	**-4.3**	**1.6**	**27.2**	**-33.8**	**-1.6**
RUSSELL 2000 VALUE IDX	**Small Value**	**10.7**	**9.7**	**7.9**	**11.8**	**1.4**	**-5.0**	**0.8**	**20.6**	**-28.9**	**-9.8**
TURNER EMERGING GROWTH FD-IV	Small Growth	12.2	9.5	7.8	12.2	-2.4	-7.3	0.9	26.8	-43.0	17.3
DFA TAX MNGD US MKTWIDE VAL	Large Value	9.9	10.9	6.7	10.1	7.2	-8.5	-0.5	31.1	-41.6	-1.8
DFA US L/C VALUE PORTFOLIO	Large Value	9.8	11.2	6.4	10.5	6.3	-8.1	-0.6	30.2	-40.8	-2.8
SCOUT INTERNATIONAL FUND	Foreign Large Blend	10.6	17.4	5.4	9.6	16.7	-4.0	5.5	35.5	-38.1	17.8
MORGAN STANLEY INS INTN RE-I	Specialty-Real Estate	12.3	24.6	5.3	6.2	9.0	-12.3	0.9	46.5	-50.0	-17.6
VANGUARD PACIFIC STK IND-ADM	Japan Stock	7.7	12.8	5.1	5.6	11.9	-7.3	1.3	21.2	-34.3	4.8
DFA INTL SMALL CAP VALUE PT	Foreign Small/Mid Value	11.2	16.3	4.9	2.9	19.8	-7.5	3.6	39.5	-41.7	2.9
MS CMDTY RELATED EQUITY	**Specialty-Natural Res**	**7.9**	**16.2**	**4.7**	**15.0**	**22.1**	**1.0**	**12.3**	**54.8**	**-41.2**	**45.2**
VANGUARD GROWTH INDEX FD-ADM	Large Growth	10.8	13.4	4.5	12.8	13.9	-4.1	2.2	36.4	-38.2	12.7
RUSSELL 1000 VALUE INDEX	**Large Value**	**7.8**	**10.1**	**4.5**	**8.9**	**3.3**	**-9.4**	**-0.5**	**19.7**	**-36.9**	**-0.2**
DFA INTERNATIONAL CORE EQTY	Foreign Large Value	10.7	17.4	4.5	5.2	16.4	-7.7	n/a	39.3	-44.0	8.5
VAN ECK GLOBAL HARD ASSETS-I	Specialty-Natural Res	12.4	18.3	4.4	10.9	17.8	-1.6	n/a	53.2	-44.5	43.2
RUSSELL 1000 GROWTH INDX	**Large Growth**	**10.6**	**13.0**	**4.4**	**12.7**	**15.5**	**-4.4**	**2.1**	**37.2**	**-38.4**	**11.8**
VANGUARD LARGE CAP IDX-SIGNA	Large Blend	9.2	11.6	4.2	10.6	9.2	-6.6	n/a	27.8	-37.0	n/a
TIAA-CREF INST SOC CH EQ-RL	Large Blend	9.0	10.6	4.0	11.6	9.9	-5.2	n/a	32.2	-36.2	4.2
S&P 500 INDEX	**Large Blend**	**8.9**	**11.3**	**3.9**	**10.2**	**8.1**	**-7.1**	**0.6**	**26.5**	**-37.0**	**5.5**
VANGUARD 500 INDEX FUND-ADM	Large Blend	8.9	11.3	3.9	10.2	8.3	-7.1	0.7	26.6	-37.0	5.5
DFA US LARGE COMPANY PORT	Large Blend	8.9	11.3	3.9	10.1	8.3	-7.0	0.7	26.6	-36.8	5.5
VANGUARD TOTAL INTL STK INDX	Foreign Large Blend	10.4	17.9	3.7	7.0	16.0	-7.8	3.9	36.7	-44.1	15.5
VANGUARD VALUE INDEX FD-INV	Large Value	7.6	9.7	3.7	8.3	4.4	-9.3	-0.3	19.6	-36.0	0.1
HARBOR INTERNATIONAL FD-INS	Foreign Large Value	11.7	17.0	3.3	9.1	17.0	-6.0	7.0	38.6	-42.7	21.8
VANGUARD DIVIDEND GROWTH -IV	Large Blend	8.0	10.8	3.1	10.8	7.9	-2.8	4.0	21.7	-25.6	7.0
DFA INTERNATIONAL VALUE	Foreign Large Value	10.7	18.4	2.9	2.8	12.0	-9.5	3.7	39.5	-46.3	10.2
DOMINI SOCIAL EQUITY FD-INV	Large Blend	8.8	9.9	2.6	9.3	11.4	-5.8	0.2	35.6	-37.9	1.5
FMI LARGE CAP FUND	Large Blend	7.8	7.9	2.3	10.3	12.0	-1.8	4.1	29.7	-26.9	4.1
DFA TAX-MANAGED INTL VALUE	Foreign Large Value	10.7	17.9	2.1	2.4	12.2	-8.9	4.0	37.8	-44.4	10.8
DODGE & COX STOCK FUND	Large Value	10.0	10.9	2.1	6.7	8.7	-10.2	-1.5	31.3	-43.3	0.1
DFA L/C INTERNATIONAL PORTF	Foreign Large Blend	9.8	17.0	2.1	4.3	8.8	-8.4	2.7	30.6	-41.4	12.4
MSCI Daily TR Net EAFE USD	**Foreign Large Blend**	**9.8**	**16.5**	**1.1**	**3.3**	**5.4**	**-9.5**	**2.0**	**31.8**	**-43.4**	**11.2**
VANGUARD WINDSOR II FUND-INV	Large Value	8.9	10.3	0.7	7.3	5.4	-8.7	-0.4	27.1	-36.7	2.2
VANGUARD EUROPEAN STK IND-IS	Europe Stock	11.4	20.4	0.1	2.4	6.6	-10.1	2.6	32.1	-44.6	13.9
GMO QUALITY FUND-III	Large Blend	8.5	11.5	-0.8	8.2	7.9	-3.1	1.7	19.8	-24.1	6.0
IVY GLBL NATURAL RESOURCE-Y	Specialty-Natural Res	9.5	16.3	-3.5	4.3	7.9	-11.3	4.1	75.1	-61.3	43.7

Source: Bloomberg

TFC Financial Management

TFC Financial Management
Equity Asset Classes
Sorted by YTD Performance
09/30/10

Name	Fund Category	1 Month	3 Month	YTD	1 Yr	2 Yr	3 Yr	5 Yr	2009	2008	2007
VANGUARD LARGE CAP IDX-SIGNA	Large Blend	9.2	11.6	4.2	10.6	9.2	-6.6	n/a	27.8	-37.0	n/a
TIAA-CREF INST SOC CH EQ-RL	Large Blend	9.0	10.6	4.0	11.6	9.9	-5.2	n/a	32.2	-36.2	4.2
S&P 500 INDEX	**Large Blend**	**8.9**	**11.3**	**3.9**	**10.2**	**8.1**	**-7.1**	**0.6**	**26.5**	**-37.0**	**5.5**
VANGUARD 500 INDEX FUND-ADM	Large Blend	8.9	11.3	3.9	10.2	8.3	-7.1	0.7	26.6	-37.0	5.5
DFA US LARGE COMPANY PORT	Large Blend	8.9	11.3	3.9	10.1	8.3	-7.0	0.7	26.6	-36.8	5.5
VANGUARD DIVIDEND GROWTH -IV	Large Blend	8.0	10.8	3.1	10.8	7.9	-2.8	4.0	21.7	-25.6	7.0
DOMINI SOCIAL EQUITY FD-INV	Large Blend	8.8	9.9	2.6	9.3	11.4	-5.8	0.2	35.6	-37.9	1.5
FMI LARGE CAP FUND	Large Blend	7.8	7.9	2.3	10.3	12.0	-1.8	4.1	29.7	-26.9	4.1
GMO QUALITY FUND-III	Large Blend	8.5	11.5	-0.8	8.2	7.9	-3.1	1.7	19.8	-24.1	6.0
VANGUARD GROWTH INDEX FD-ADM	Large Growth	10.8	13.4	4.5	12.8	13.9	-4.1	2.2	36.4	-38.2	12.7
RUSSELL 1000 GROWTH INDX	**Large Growth**	**10.6**	**13.0**	**4.4**	**12.7**	**15.5**	**-4.4**	**2.1**	**37.2**	**-38.4**	**11.8**
DFA TAX MNGD US MKTWIDE VAL	Large Value	9.9	10.9	6.7	10.1	7.2	-8.5	-0.5	31.1	-41.6	-1.8
DFA US L/C VALUE PORTFOLIO	Large Value	9.8	11.2	6.4	10.5	6.3	-8.1	-0.6	30.2	-40.8	-2.8
RUSSELL 1000 VALUE INDEX	**Large Value**	**7.8**	**10.1**	**4.5**	**8.9**	**3.3**	**-9.4**	**-0.5**	**19.7**	**-36.9**	**-0.2**
VANGUARD VALUE INDEX FD-INV	Large Value	7.6	9.7	3.7	8.3	4.4	-9.3	-0.3	19.6	-36.0	0.1
DODGE & COX STOCK FUND	Large Value	10.0	10.9	2.1	6.7	8.7	-10.2	-1.5	31.3	-43.3	0.1
VANGUARD WINDSOR II FUND-INV	Large Value	8.9	10.3	0.7	7.3	5.4	-8.7	-0.4	27.1	-36.7	2.2
DFA US SMALL CAP PORTFOLIO	Small Blend	13.1	12.0	11.6	15.3	14.3	-2.8	2.2	36.3	-36.0	-3.1
DFA US MICRO CAP PORTFOLIO	Small Blend	12.2	10.6	11.6	14.4	6.9	-5.6	0.3	28.1	-36.7	-5.2
DFA TAX MNGD US SMALL CAP PO	Small Blend	12.4	10.9	9.7	13.0	2.7	-7.0	-0.3	26.3	-38.4	-1.6
RUSSELL 2000 INDEX	**Small Blend**	**12.5**	**11.3**	**9.1**	**13.4**	**5.9**	**-4.3**	**1.6**	**27.2**	**-33.8**	**-1.6**
VANGUARD S/C GROWTH INDX-INS	Small Growth	13.6	13.6	11.8	16.6	18.0	-2.6	3.7	42.1	-39.9	9.8
RUSSELL 2000 GROWTH IDX	**Small Growth**	**14.2**	**12.8**	**10.2**	**14.8**	**10.6**	**-3.7**	**2.4**	**34.5**	**-38.5**	**7.1**
ALGER SMID CAP GROWTH FUND-A	Small Growth	13.2	14.1	10.1	15.2	18.1	-5.6	5.0	44.0	-48.6	26.3
TURNER EMERGING GROWTH FD-IV	Small Growth	12.2	9.5	7.8	12.2	-2.4	-7.3	0.9	26.8	-43.0	17.3
DFA TAX MGD US TARGET VAL PO	Small Value	11.8	11.1	10.7	14.7	4.8	-6.8	-0.5	27.6	-37.8	-8.5
DFA US S/C VALUE PORTFOLIO	Small Value	12.9	12.5	10.2	13.3	7.9	-5.3	0.5	33.6	-36.8	-10.7
DFA US TARGETED VALUE	Small Value	12.3	11.2	9.8	13.6	8.6	-4.1	1.5	31.9	-33.8	-8.2
RUSSELL 2000 VALUE IDX	**Small Value**	**10.7**	**9.7**	**7.9**	**11.8**	**1.4**	**-5.0**	**0.8**	**20.6**	**-28.9**	**-9.8**
SCOUT INTERNATIONAL FUND	Foreign Large Blend	10.6	17.4	5.4	9.6	16.7	-4.0	5.5	35.5	-38.1	17.8
VANGUARD PACIFIC STK IND-ADM	Japan Stock	7.7	12.8	5.1	5.6	11.9	-7.3	1.3	21.2	-34.3	4.8
DFA INTERNATIONAL CORE EQTY	Foreign Large Value	10.7	17.4	4.5	5.2	16.4	-7.7	n/a	39.3	-44.0	8.5
VANGUARD TOTAL INTL STK INDX	Foreign Large Blend	10.4	17.9	3.7	7.0	16.0	-7.8	3.9	36.7	-44.1	15.5
HARBOR INTERNATIONAL FD-INS	Foreign Large Value	11.7	17.0	3.3	9.1	17.0	-6.0	7.0	38.6	-42.7	21.8
DFA INTERNATIONAL VALUE	Foreign Large Value	10.7	18.4	2.9	2.8	12.0	-9.5	3.7	39.5	-46.3	10.2
DFA TAX-MANAGED INTL VALUE	Foreign Large Value	10.7	17.9	2.1	2.4	12.2	-8.9	4.0	37.8	-44.4	10.8
DFA L/C INTERNATIONAL PORTF	Foreign Large Blend	9.8	17.0	2.1	4.3	8.8	-8.4	2.7	30.6	-41.4	12.4
MSCI Daily TR Net EAFE USD	**Foreign Large Blend**	**9.8**	**16.5**	**1.1**	**3.3**	**5.4**	**-9.5**	**2.0**	**31.8**	**-43.4**	**11.2**
VANGUARD EUROPEAN STK IND-IS	Europe Stock	11.4	20.4	0.1	2.4	6.6	-10.1	2.6	32.1	-44.6	13.9
T ROWE PRICE INTL DISCOVERY	Foreign Small/Mid Growth	11.4	17.9	10.7	14.4	31.1	-5.3	6.6	55.7	-49.9	16.6
DFA INTERNATIONAL SMALL CO	Foreign Small/Mid Value	11.0	17.5	10.6	11.1	25.3	-5.9	4.4	42.0	-43.9	5.7
MSCI EAFE SMALL CAP	**Foreign Small/Mid Value**	**11.5**	**17.7**	**9.6**	**8.6**	**22.9**	**-6.4**	**2.8**	**47.4**	**-46.7**	**2.3**
DFA INTL SMALL CAP VALUE PT	Foreign Small/Mid Value	11.2	16.3	4.9	2.9	19.8	-7.5	3.6	39.5	-41.7	2.9
LAZARD EMERG MKT EQY PORT-IN	Diversified Emerging Mkts	11.1	20.8	16.6	23.4	45.8	2.3	13.8	69.8	-47.9	33.0
DFA EMERGING MRKTS VALUE	Diversified Emerging Mkts	12.0	20.2	12.6	22.8	63.3	0.8	16.5	92.3	-53.9	45.6
DFA EMERGING MKTS PRTFOLIO	Diversified Emerging Mkts	11.3	18.3	12.0	20.3	47.5	0.3	13.1	71.8	-49.2	36.0
MSCI Daily TR Net Emerging Mar	**Diversified Emerging Mkts**	**11.1**	**18.0**	**10.8**	**20.2**	**47.0**	**-1.5**	**12.7**	**78.5**	**-53.3**	**39.4**
TEMPLETON DEVELOPING MKTS-AD	Diversified Emerging Mkts	12.2	19.9	9.4	20.6	40.4	-3.6	9.2	74.4	-53.8	29.1
MS CMDTY RELATED EQUITY	**Specialty-Natural Res**	**7.9**	**16.2**	**4.7**	**15.0**	**22.1**	**1.0**	**12.3**	**54.8**	**-41.2**	**45.2**
VAN ECK GLOBAL HARD ASSETS-I	Specialty-Natural Res	12.4	18.3	4.4	10.9	17.8	-1.6	n/a	53.2	-44.5	43.2
IVY GLBL NATURAL RESOURCE-Y	Specialty-Natural Res	9.5	16.3	-3.5	4.3	7.9	-11.3	4.1	75.1	-61.3	43.7
MORGAN STANLEY INS US REAL-I	Specialty-Real Estate	4.7	13.1	20.1	29.6	2.5	-6.1	3.1	29.6	-38.1	-16.6
DFA REAL ESTATE SECS PORT	Specialty-Real Estate	4.3	13.2	19.8	30.6	0.7	-6.3	1.6	28.2	-37.4	-18.7
ISHARES DJ US REAL ESTATE	**Specialty-Real Estate**	**4.7**	**13.0**	**18.3**	**28.7**	**-0.2**	**-6.9**	**0.7**	**30.5**	**-39.9**	**-18.1**
MORGAN STANLEY INS GLBL RE-I	Specialty-Real Estate	8.8	19.1	14.0	17.9	17.6	-7.8	n/a	41.0	-45.0	-7.9
EPRA/NAREIT Dev TR USD	**Specialty-Real Estate**	**8.6**	**18.4**	**13.4**	**18.4**	**7.0**	**-9.7**	**2.6**	**38.3**	**-47.7**	**-7.0**
MORGAN STANLEY INS INTN RE-I	Specialty-Real Estate	12.3	24.6	5.3	6.2	9.0	-12.3	0.9	46.5	-50.0	-17.6

Source: Bloomberg

TFC Financial Management
Fixed Income Funds
Sorted by YTD Performance
09/30/10

Name	Fund Category	1 Month	3 Month	YTD	1 Yr	2 Yr	3 Yr	5 Yr	2009	2008	2007
VANGUARD LONG TERM BOND INDX	Long-Term Bond	-1.5	5.1	16.2	12.8	31.1	10.1	7.3	1.7	8.7	6.6
VANGUARD INTRM TRM BD IDX-IN	Intermediate-Term Bond	0.3	4.4	12.5	12.5	27.0	9.4	n/a	6.9	5.1	7.7
VANGUARD INTRM TRM BD IDX-IN	**Intermediate-Term Bond**	**0.3**	**4.4**	**12.5**	**12.5**	**27.0**	**9.4**	**n/a**	**6.9**	**5.1**	**7.7**
VANGUARD INTM TERM INV G-INV	Corporate Bond	0.5	4.5	11.9	13.5	29.7	8.2	6.6	17.7	-6.2	6.1
ISHARES BARCLAYS AGGREGATE	**Intermediate-Term Bond**	**0.0**	**2.2**	**7.8**	**7.4**	**19.6**	**7.2**	**5.9**	**3.0**	**7.9**	**6.6**
BLACKROCK INTL BOND-INST	World Bond	3.5	10.7	7.4	5.2	18.0	6.4	5.8	6.1	2.7	9.4
DFA FIVE-YEAR GLBL FXD INC	World Bond	0.4	3.1	7.1	7.3	15.1	5.5	4.9	4.2	4.0	5.2
VANGUARD INFLAT PROTECTED-AD	Inflation-Protected Bond	0.8	2.6	7.1	9.1	12.2	6.7	5.3	11.0	-2.8	11.7
VANGUARD MA TAX EXEMPT FD-IV	Muni Massachusetts	-0.7	3.0	5.5	4.1	18.8	5.4	4.7	10.9	-1.3	2.8
VANGUARD S/T INVEST GR-ADM	Corporate Bond	0.2	1.9	5.1	6.5	16.4	5.2	5.1	14.2	-4.6	6.0
VANGUARD S/T BOND INDEX-ADM	Short-Term Bond	0.1	1.4	4.5	4.8	12.6	5.7	5.3	4.4	5.5	7.3
VANGUARD SHORT TERM FED-ADM	Short Government	0.1	1.1	3.9	4.0	10.8	5.5	5.3	2.9	7.1	7.5
DFA SELECT HEDGE GLOBAL F/I	World Bond	2.2	3.7	3.1	3.8	6.8	n/a	n/a	10.2	n/a	n/a
VANGUARD SHORT TERM TREAS-IV	Short Government	0.1	0.8	3.1	3.1	7.3	4.7	4.7	1.4	6.7	7.9
VANGUARD LTD TERM T/E FD-INV	Muni National Short	-0.4	1.2	2.7	3.1	10.3	4.2	3.8	5.6	2.9	4.3
DFA 2-YR GLBL FIXED INC PORT	World Bond	0.1	0.6	1.7	1.8	6.0	3.1	3.6	2.1	4.1	5.3
VANGUARD SHORT TERM T/E-ADM	Muni National Short	-0.1	0.5	1.2	1.6	6.2	3.2	3.2	3.2	3.8	4.3
FEDERATED GOVT ULTRA DUR-IS	Ultra Short Bond	0.1	0.2	0.7	1.0	3.1	2.1	3.2	1.7	2.5	5.3

Source: Bloomberg