TFC Financial Management

January 20, 2010

QUARTERLY INVESTMENT LETTER – FOURTH QUARTER, 2009

We thought you might find our quarterly investment letter of interest.

<u>From the "Great Repression" to the "Great Stabilization*" (A Fragile Recovery Replaces Abject Panic)</u>

A year ago global financial markets appeared locked in an irrational free-fall. Investor sentiment could only be characterized at best as an emotional funk. Coordinated worldwide central bank and government fiscal policies eventually lifted the psychological gridlock, but today as we begin the New Year an anemic economic recovery is the consensus expectation. How we got here from there has been well chronicled, and we will leave it to the pundits to summarize; each has his/her own rationale and unique causality, usually rooted in which side of the political spectrum one happens to inhabit. But throughout the planet, the turnaround in investor behavior has been remarkable, leading to one of the most robust rebounds in equity market prices since 1926.

No doubt the perception of activist central bank monetary policy and Congressional fiscal stimulus had its affect on investor sentiment, but once again, as was often the case during the decade just ended, policy-induced short-term interest rates are abnormally low and the world is awash in liquidity. The monetary printing presses in the U.S. are running 24/7. But a media-reinforced sense of unease continues and the conventional wisdom is that the rich world's economies are walking along a path parallel to the edge of the precipice. All this is unfolding while the emerging nations, most of whose economies are natural resource-based, are prospering. Ushered in by globalization, the rebalancing of the world's economies continues.

As we recorded last fall, prompted mostly by extreme downward worldwide financial market price adjustments, many well-regarded investment strategists, assuming global economic growth had turned positive, were becoming cautiously bullish. Today, some are suggesting that operating earnings for the S&P 500 Index companies this year could reach an annualized rate of $80 by the fourth quarter (up from approximately $65 expected for the calendar year 2009). Should this seemingly optimistic scenario materialize (and the odds of it playing out are improving), stocks today would be valued at about 15X this year's expected earnings per share; by most measures a very reasonable price level. Other major equity markets around the globe appear similarly situated.

**The Economist*, December 19, 2009

But the psychological backdrop to this improved corporate earnings picture will be clouded by a continuing toxic debt overhang in the banking system, burdensome real estate foreclosure backlogs (particularly in the U.S.), U.S. consumers' need to reduce personal balance sheet leverage, and a preoccupation with the unemployment rate. The economic rebound we are beginning to experience may turn out to be only half a recovery. As is often the case, on Main Street the perception of any improvement lags behind, and is out of sync with, Wall Street. For many today, as that well-known investment market and portfolio strategist, Yogi Berra, once opined "the future ain't what it used to be." We wouldn't, however, wish to underestimate the recuperative power of the U.S. economy, as well as the entrepreneurial spirit of the American small business owner. Longer term, for the individual investor, despite all the evident hurdles, a globally-diversified, intelligently balanced fixed income and equity portfolio remains a sensible approach to both building and preserving wealth.

"Go to Where the Puck Will Be . . ."

Someone once asked Wayne Gretzky why his record-breaking ice-time stats were so far ahead of all other NHL players. His reply (of course, easy enough for him to say) was, "I skate to where the puck is going to be . . . not where it has been." In a way, Gretzky has defined the never-ending challenge the individual faces when attempting a sensible risk-adjusted deployment of his/her investable portfolio assets. In an era apparently threatening both deflation and the prospect of greater inflation is a media mantra, where will the puck be a few years out? Which asset classes will turn in superior *future* relative performance, and what combination in investor portfolios will yield a meaningful, risk-adjusted *real* return? The answer one will have to accept is we don't know for certain. But if you are managing other people's money, and working with multiple unknowns, you have to consider and play the probabilities.

In this "new normal" financial environment today, it goes without saying the government is our not-so-welcome partner and promises to become more so. Coupled with this reality, our interconnected, information-abundant, just-in-time, real-time, media-driven, Facebook world confronts us with a seemingly limitless menu of choices. So for the investor, reducing the complex to the workable becomes the challenge—a practical diversification strategy the objective.

Simply stated, despite all the recent talking-head, "expert" assertions to the contrary, global diversification remains the best course longer-term. Approached as a weighted asset class portfolio allocation equation amongst three primary levels of risk, investors need to apportion across a spectrum ranging from riskless (i.e., deflation hedges) to growth (global equities) to inflation protection (natural resources, unhedged foreign currencies). Fixed income holdings (e.g., U.S. Treasury securities, high quality corporate bonds, the discounted present value of Social Security and other guaranteed annuity streams, etc.) play the role of riskless deflation hedges. Equities offer the prospect of participation in economic and earnings growth worldwide.

Inflation protection is provided through ownership of domestic and international investment real estate, natural resources funds, as well as unhedged foreign currency exposure. To this three-dimensional model we would add a fourth component: a fall-back, riskless liquidity reserve which would cover three to six months' cash flow needs.

The key variables in this four-part representation are the relative size of each segment within the whole and when to vary the weights. Monitoring the relative values amongst these asset classes around the world provides our guidance, watching the dynamic macro-economic signs supplies further insight; experience, judgment and intuition in the end drive policy portfolio shifts, periodic rebalancing is the implementation discipline.

The Fed's (Chairman Bernanke's) Next Move

The remedial reflation *experiments* implemented by Federal Reserve Board Chairman Bernanke in late 2008, and the Congressional fiscal "stimulus" package enacted in early 2009 (which will have its greatest impact in the current quarter), have arrested the financial market emotional free-fall of twelve months ago. But a re-emergence of rising inflationary expectations could be the unwelcome consequence. Unless the political will can be mustered to rein in the worldwide-coordinated, central bank-administered liquidity infusions of the past 18 months, a revival of a Carter-era "malaise" (Carter's own characterization) will be hard to avoid.

When the time arrives to begin to skim off this policy-induced surplus liquidity, the question will be whether those in power are of a temperament to raise interest rates back to more normal levels and tighten the money supply. As the reader is no doubt aware, the Fed Chairman's field of study while in academia was the Great Depression and the decade of the 1930s. As the New Year progresses, with his Congressional confirmation for another four-year term in hand and armed with an historian's understanding of the successes and errors of his predecessors, we wouldn't bet against his willingness to take the heat. Rates will need to be raised (the consensus seems to be sometime in the summer) to dampen escalating inflation expectations and to defend the dollar.

Indeed, reading between the lines of Bernanke's recent public statements might lead one to expect the move toward a less accommodative Fed policy to begin sooner than presently anticipated. If so, the bond market, often the most sensitive interest rate direction barometer, could be expected to back off (higher interest rates, or their expectation, often prompting lower bond prices). However, a move toward a tighter monetary policy in today's uneasy investment market psychological environment might well be regarded as a constructive development for skeptical global stock investors. In fact, history (although only an indicator) reveals that stock markets initially often react quite positively to the early phases of a less accommodative redirection in Fed policy.

<u>The Path to a Core-Passive Investment Portfolio Philosophy (More Than a Few Personal Musings on What Works and the Ephemerality of Investing)</u>

You may have heard of the recent passing of Nobel Laureate Paul A. Samuelson. He was, as many have said, a titan in the field of economics. While in college in the fall of 1954, this naïve sophomore from the Midwest enrolled in Economics 1 (equivalent to today's "101"), then taught by Professor Samuelson. The course text was his seminal <u>Foundations of Economic Analysis</u>, now in its 38th printing and still selling 35,000-40,000 copies annually. Cowering in the last row of the lecture hall, hoping not to be called upon, understanding at best a bare minimum of what was being presented (not his fault), of course at the time one wasn't prescient enough to realize that Professor Samuelson was destined to become America's first Nobel Laureate in Economics. But there was imparted then in his course a sense that a basic understanding of economics was an essential element of a liberal arts education. It was a wake-up call gratefully acknowledged. And although not realized at the time, subliminally it was the initial step for this writer towards a professional path leading to quarterly client communiqués like this.

Professor Samuelson's unification of mathematical technique with economic analysis changed the course of the discipline and laid the groundwork for today's computerized financial engineering (some applications of which by others, in his later years, he regarded as misguided). In his analysis of the investment markets, he concluded early on that the stock selection skills of the average portfolio manager were certain to produce sub-average returns. "The mob," as he sometimes referred to Wall Street professionals and individuals alike, was doomed to less-than-market-benchmark performance because of fees and cash flow timing miscues. In many ways these early observations formed the foundation of today's passive portfolio management approaches, and the basis for this firm's *core-passive* investment portfolio philosophy.

<u>TFC Celebrates Its 30th Year! (Origins and Thoughts on the Evolution of an Investment Methodology)</u>

Reflecting further on the writer's passing brush while in college with Professor Samuelson prompted added musings on this professional's trail travelled over the past 40 plus years. As in life generally, one's vocational associations have everything to do with the attitudes, methods and strategies encountered and adopted along the way. This is particularly so in a dynamic discipline like the money management field in which styles, trends, theories, fashions, emotional states, and geopolitics all compete for attention, and are spun daily by a generally ill-informed media. How to sift through all the noise and develop a practical, contemporary, relevant, longer-term philosophy remains the challenge.

Along the way, the writer was lucky enough to be associated with a few other guiding lights in the investment management profession. With the reader's indulgence, perhaps a few references to these "mentors" might be of interest, since their influence is directly reflected in the current portfolio structure of our client accounts.

Early on, Lynn Savage, one of the founders of the CFA (Chartered Financial Analyst) movement and Research Director of the Trust Department at the Bank of New England, had the task of teaching me how to analyze a company, write a research report and attempt to convince a Trust Committee to adopt the analyst's point of view. Still clear in the writer's mind is the 1963 rejection of his first report on Gillette, presented at the bank's Trust Committee meeting, because the Chairman quite literally that morning had cut himself shaving with the company's new double-edged Blue Blade. Gillette was not placed on the Trust Department's approved list. Sometimes the political trumps the analytical.

While at Wellington in the late 1960s, my occasional squash doubles partner, Jack Bogle, to a then passionate active management advocate, opened up the world of passive investing through low-cost mutual funds. It's a personal and professional association that is much valued and has continued to this day. Although those in the active management camp have never allowed the logic of Jack's approach to overpower the marketing-driven, asset-gathering instincts of today's money management business, for most, his Vanguard Group will stand out as *the* low-cost alternative for the average individual investor seeking solutions at a reasonable price.

During the Wellington days, the writer also had the daily benefit of hearing the unique market analysis of one of the country's premier *value* investment management practitioners, John Neff. Many will remember that his Windsor Fund for the better part of a decade bettered all relevant benchmarks and competitors by a wide margin.

John Hobbs, Chairman of Jennison Associates, for whom the writer worked in the mid-to-late 1970s, was a most sagacious observer of trends in the investment world. His pioneering analysis of how Modern Portfolio Theory (MPT) would run aground (as, he suggested, also would econometric modeling) highlighted the pitfalls of purely quantitative computerized portfolio management techniques. He also identified in the late 1970s that as soon as the institutional (e.g., pension plan, endowment, etc.) money management market became saturated with consultants, wholesalers and in-house marketers, the next opportunity would be high net worth individuals who needed a trusted financial advisor.

In the early 1990s, TFC's association with Dimensional Fund Advisors (DFA) began. Perhaps the premier institutional passive portfolio management firm in the world, TFC's relationship with DFA has broadened our portfolio coverage to include greater exposure to the international equity markets, illustrated the beneficial impact of overweighting smaller companies in the equity mix and encouraged an already existing overall portfolio tilt toward value funds. DFA's fixed income bias toward high quality, short duration bonds greatly benefited balanced account results during most of the decade just ended.

Since the firm opened its offices on Union Wharf in 1980, our investment approach has always benefited from the consistent, carefully reasoned, sometimes contrary viewpoint of our long-time associate and earlier co-founder, Warner Henderson. A patient advocate and practitioner of the core-passive, no-load fund portfolio management approach, his input at TFC's monthly Investment Committee meetings has been integral to the development of our portfolio strategic overview and its implementation throughout the past 30 years. Ours has been a symbiotic relationship in every sense of the word which we hope will continue to be the case well into the future.

The "take-away" from this personal journey of discovery is that portfolio structuring is a dynamic process requiring an open mind and continually synthesizing many variables. Filtering out the noise and attempting to arrive at a practical application is always the goal for each client's account. It's a never-ending challenge the writer finds stimulating, and optimistically looks forward to continuing the engagement in the years ahead.

A Reaffirmation

The odds of a medium-sized, independent, fee-only, wealth management firm remaining true to its origins through 30 years, retaining its client-first cultural orientation, and operating within its initially chosen business model are not terribly high. If TFC stands as an exception to the rule, it's because a loyal group of professionals made certain it would be so and believed in the adage upon which the firm's mission was/is founded: "Our goal is to enable clients to take control of their financial future."

Thank you for placing your confidence in our efforts on your behalf. Here's to the next 30 years!

As always, your comments and suggestions are welcome.

Sincerely,

Jim

James L. Joslin
Chairman & CEO

JLJ:sf

TFC Financial Management

Equity Funds

Sorted by YTD Performance

12/31/2009

Name	Fund Category	1 Yr	2 Yr	3 Yr	5 Yr	2008	2007
DFA EMERGING MRKTS VALUE	Diversified Emerging Mkts	92.3	-11.0	8.8	18.4	-53.9	45.6
MSCI Daily TR Net Emerging Mar	**Diversified Emerging Mkts**	**78.1**	**-13.0**	**5.1**	**15.5**	**-53.3**	**39.4**
IVY GLBL NATURAL RESOURCE-Y	Specialty-Natural Res	76.8	-32.5	-0.5	9.9	-61.3	43.7
TEMPLETON DEVELOPING MKTS-AD	Diversified Emerging Mkts	74.4	-17.8	1.3	11.5	-53.8	29.1
DFA EMERGING MKTS PRTFOLIO	Diversified Emerging Mkts	71.8	-12.1	5.9	14.8	-49.2	36.0
LAZARD EMERGING MKTS PORT-IN	Diversified Emerging Mkts	69.8	-10.6	5.6	16.7	-47.9	33.0
T ROWE PRICE INTL DISCOVERY	Foreign Small/Mid Growth	55.7	-21.8	-3.1	8.2	-49.9	16.6
MS CMDTY RELATED EQUITY	**Specialty-Natural Res**	**54.8**	**-10.7**	**9.7**	**14.7**	**-41.2**	**45.2**
VAN ECK GLOBAL HARD ASSETS-I	Specialty-Natural Res	53.2	-16.7	6.8	n/a	-44.5	43.2
MSCI EAFE SMALL CAP	**Foreign Small/Mid Value**	**47.3**	**-21.5**	**-7.1**	**4.2**	**-46.7**	**2.3**
MORGAN STANLEY INS INTN RE-I	Specialty-Real Estate	46.5	-26.3	-15.4	1.7	-50.0	-17.6
ING INTERNAT SML CAP MULT-I	Foreign Small/Mid Value	46.2	-28.7	-7.8	n/a	-51.6	10.6
ALGER S/C AND M/C GROWTH-A	Small Growth	44.0	-24.5	-2.2	5.6	-48.6	26.3
VANGUARD S/C GROWTH INDX-INS	Small Growth	42.1	-12.8	-2.1	2.7	-39.9	9.8
DFA INTERNATIONAL SMALL CO	Foreign Small/Mid Value	42.0	-20.2	-5.6	5.1	-43.9	5.7
MORGAN STANLEY INS GLBL RE-I	Specialty-Real Estate	41.0	-20.7	-10.6	n/a	-45.0	-7.9
DFA INTL SMALL CAP VALUE PT	Foreign Small/Mid Value	39.5	-18.5	-5.7	5.8	-41.7	2.9
DFA INTERNATIONAL VALUE	Foreign Large Value	39.5	-24.7	-6.2	5.0	-46.3	10.2
DFA INTERNATIONAL CORE EQTY	Foreign Large Value	39.3	-21.7	-5.4	n/a	-44.0	8.5
HARBOR INTERNATIONAL FD-INS	Foreign Large Value	38.6	-19.9	-1.1	9.2	-42.7	21.8
DFA TAX-MANAGED INTL VALUE	Foreign Large Value	37.8	-22.9	-5.3	5.7	-44.4	10.8
RUSSELL 1000 GROWTH INDX	**Large Growth**	**37.2**	**-14.3**	**-1.9**	**1.6**	**-38.4**	**11.8**
VANGUARD TOTAL INTL STK INDX	Foreign Large Blend	36.7	-23.2	-4.1	5.3	-44.1	15.5
VANGUARD GROWTH INDEX FD-ADM	Large Growth	36.4	-14.6	-1.7	1.7	-38.2	12.7
DFA US SMALL CAP PORTFOLIO	Small Blend	36.3	-10.3	-5.4	0.9	-36.0	-3.1
DOMINI SOCIAL EQUITY FD-INV	Large Blend	35.6	-14.3	-5.1	-0.4	-37.9	1.5
SCOUT INTERNATIONAL FUND	Foreign Large Blend	35.5	-15.9	-0.4	7.5	-38.1	17.8
RUSSELL 2000 GROWTH IDX	**Small Growth**	**34.5**	**-15.3**	**-4.0**	**0.9**	**-38.5**	**7.1**
FTSE EPRA/NAREIT Develop	**Specialty-Real Estate**	**34.0**	**-26.3**	**-14.8**	**0.9**	**-45.0**	**-16.1**
DFA US S/C VALUE PORTFOLIO	Small Value	33.6	-12.7	-9.0	-0.2	-36.8	-10.7
TIAA-CREF INST SOC CH EQ-RL	Large Blend	32.2	-14.2	-4.2	n/a	-36.2	4.2
VANGUARD EUROPEAN STK IND-IS	Europe Stock	32.1	-26.4	-5.9	4.0	-44.6	13.9
DFA US TARGETED VALUE	Small Value	31.9	-10.1	-7.1	1.0	-33.8	-8.2
MSCI Daily TR Net EAFE USD	**Foreign Large Blend**	**31.8**	**-24.6**	**-6.0**	**3.5**	**-43.4**	**11.2**
DODGE & COX STOCK FUND	Large Value	31.3	-24.7	-9.3	-0.7	-43.3	0.1
DFA TAX MNGD US MKTWIDE VAL	Large Value	31.1	-21.9	-9.0	0.3	-41.6	-1.8
DFA L/C INTERNATIONAL PORTF	Foreign Large Blend	30.6	-23.3	-4.9	4.0	-41.4	12.4
ISHARES DJ US REAL ESTATE	**Specialty-Real Estate**	**30.5**	**-18.3**	**-13.7**	**-1.1**	**-39.9**	**-18.1**
DFA US L/C VALUE PORTFOLIO	Large Value	30.2	-21.4	-9.1	-0.1	-40.8	-2.8
FMI LARGE CAP FUND	Large Blend	29.7	-3.6	-0.4	4.7	-26.9	4.1
MORGAN STANLEY INS US REAL-I	Specialty-Real Estate	29.6	-16.4	-12.5	1.8	-38.1	-16.6
DFA REAL ESTATE SECS PORT	Specialty-Real Estate	28.2	-16.3	-13.2	n/a	-37.4	-18.7
DFA US MICRO CAP PORTFOLIO	Small Blend	28.1	-16.7	-8.4	-1.2	-36.7	-5.2
VANGUARD LARGE CAP IDX-SIGNA	Large Blend	27.8	-18.4	n/a	n/a	-37.0	n/a
DFA TAX MGD US TARGET VAL PO	Small Value	27.6	-18.1	-10.1	-1.4	-37.8	-8.5
RUSSELL 2000 INDEX	**Small Blend**	**27.2**	**-13.4**	**-6.0**	**0.5**	**-33.8**	**-1.6**
VANGUARD WINDSOR II FUND-INV	Large Value	27.1	-18.5	-6.3	0.8	-36.7	2.2
TURNER EMERGING GROWTH FD-IV	Small Growth	26.8	-27.5	-5.4	1.5	-43.0	17.3
VANGUARD 500 INDEX FUND-ADM	Large Blend	26.6	-19.0	-5.6	0.4	-37.0	5.5
DFA US LARGE COMPANY PORT	Large Blend	26.5	-18.8	-5.5	0.5	-36.8	5.4
S&P 500 INDEX	**Large Blend**	**26.5**	**-19.2**	**-5.6**	**0.4**	**-37.0**	**5.5**
DFA TAX MNGD US SMALL CAP PO	Small Blend	26.3	-20.2	-8.5	-1.0	-38.4	-1.6
ARTIO INTERNATIONAL EQY II-I	Foreign Large Blend	24.8	-25.7	-4.6	n/a	-40.3	16.5
ARTIO INTERNATIONAL EQUITY-A	Foreign Large Blend	23.3	-30.9	-6.6	4.6	-43.9	17.6
VANGUARD PACIFIC STK IND-ADM	Japan Stock	21.2	-20.4	-5.8	2.8	-34.3	4.8
RUSSELL 2000 VALUE IDX	**Small Value**	**20.6**	**-11.5**	**-8.2**	**n/a**	**-28.9**	**-9.8**
RUSSELL 1000 VALUE INDEX	**Large Value**	**19.7**	**-23.3**	**-8.9**	**-0.2**	**-36.9**	**-0.2**
VANGUARD VALUE INDEX FD-INV	Large Value	19.6	-22.2	-8.5	n/a	-36.0	0.1

Source: Bloomberg

TFC Financial Management

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Equity Asset Classes

Sorted by YTD Performance

12/31/2009

Name	Fund Category	1 Yr	2 Yr	3 Yr	5 Yr	2008	2007
DOMINI SOCIAL EQUITY FD-INV	Large Blend	35.6	-14.3	-5.1	-0.4	-37.9	1.5
TIAA-CREF INST SOC CH EQ-RL	Large Blend	32.2	-14.2	-4.2	n/a	-36.2	4.2
FMI LARGE CAP FUND	Large Blend	29.7	-3.6	-0.4	4.7	-26.9	4.1
VANGUARD LARGE CAP IDX-SIGNA	Large Blend	27.8	-18.4	n/a	n/a	-37.0	n/a
VANGUARD 500 INDEX FUND-ADM	Large Blend	26.6	-19.0	-5.6	0.4	-37.0	5.5
DFA US LARGE COMPANY PORT	Large Blend	26.5	-18.8	-5.5	0.5	-36.8	5.4
S&P 500 INDEX	**Large Blend**	**26.5**	**-19.2**	**-5.6**	**0.4**	**-37.0**	**5.5**
RUSSELL 1000 GROWTH INDX	**Large Growth**	**37.2**	**-14.3**	**-1.9**	**1.6**	**-38.4**	**11.8**
VANGUARD GROWTH INDEX FD-ADM	Large Growth	36.4	-14.6	-1.7	1.7	-38.2	12.7
DODGE & COX STOCK FUND	Large Value	31.3	-24.7	-9.3	-0.7	-43.3	0.1
DFA TAX MNGD US MKTWIDE VAL	Large Value	31.1	-21.9	-9.0	0.3	-41.6	-1.8
DFA US L/C VALUE PORTFOLIO	Large Value	30.2	-21.4	-9.1	-0.1	-40.8	-2.8
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DFA US SMALL CAP PORTFOLIO	Small Blend	36.3	-10.3	-5.4	0.9	-36.0	-3.1
DFA US MICRO CAP PORTFOLIO	Small Blend	28.1	-16.7	-8.4	-1.2	-36.7	-5.2
RUSSELL 2000 INDEX	**Small Blend**	**27.2**	**-13.4**	**-6.0**	**0.5**	**-33.8**	**-1.6**
DFA TAX MNGD US SMALL CAP PO	Small Blend	26.3	-20.2	-8.5	-1.0	-38.4	-1.6
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DFA INTERNATIONAL VALUE	Foreign Large Value	39.5	-24.7	-6.2	5.0	-46.3	10.2
DFA INTERNATIONAL CORE EQTY	Foreign Large Value	39.3	-21.7	-5.4	n/a	-44.0	8.5
HARBOR INTERNATIONAL FD-INS	Foreign Large Value	38.6	-19.9	-1.1	9.2	-42.7	21.8
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VANGUARD PACIFIC STK IND-ADM	Japan Stock	21.2	-20.4	-5.8	2.8	-34.3	4.8
T ROWE PRICE INTL DISCOVERY	Foreign Small/Mid Growth	55.7	-21.8	-3.1	8.2	-49.9	16.6
MSCI EAFE SMALL CAP	**Foreign Small/Mid Value**	**47.3**	**-21.5**	**-7.1**	**4.2**	**-46.7**	**2.3**
ING INTERNAT SML CAP MULT-I	Foreign Small/Mid Value	46.2	-28.7	-7.8	n/a	-51.6	10.6
DFA INTERNATIONAL SMALL CO	Foreign Small/Mid Value	42.0	-20.2	-5.6	5.1	-43.9	5.7
DFA INTL SMALL CAP VALUE PT	Foreign Small/Mid Value	39.5	-18.5	-5.7	5.8	-41.7	2.9
DFA EMERGING MRKTS VALUE	Diversified Emerging Mkts	92.3	-11.0	8.8	18.4	-53.9	45.6
MSCI Daily TR Net Emerging Mar	**Diversified Emerging Mkts**	**78.1**	**-13.0**	**5.1**	**15.5**	**-53.3**	**39.4**
TEMPLETON DEVELOPING MKTS-AD	Diversified Emerging Mkts	74.4	-17.8	1.3	11.5	-53.8	29.1
DFA EMERGING MKTS PRTFOLIO	Diversified Emerging Mkts	71.8	-12.1	5.9	14.8	-49.2	36.0
LAZARD EMERGING MKTS PORT-IN	Diversified Emerging Mkts	69.8	-10.6	5.6	16.7	-47.9	33.0
IVY GLBL NATURAL RESOURCE-Y	Specialty-Natural Res	76.8	-32.5	-0.5	9.9	-61.3	43.7
MS CMDTY RELATED EQUITY	**Specialty-Natural Res**	**54.8**	**-10.7**	**9.7**	**14.7**	**-41.2**	**45.2**
VAN ECK GLOBAL HARD ASSETS-I	Specialty-Natural Res	53.2	-16.7	6.8	n/a	-44.5	43.2
MORGAN STANLEY INS INTN RE-I	Specialty-Real Estate	46.5	-26.3	-15.4	1.7	-50.0	-17.6
MORGAN STANLEY INS GLBL RE-I	Specialty-Real Estate	41.0	-20.7	-10.6	n/a	-45.0	-7.9
FTSE EPRA/NAREIT Develop	**Specialty-Real Estate**	**34.0**	**-26.3**	**-14.8**	**0.9**	**-45.0**	**-16.1**
ISHARES DJ US REAL ESTATE	**Specialty-Real Estate**	**30.5**	**-18.3**	**-13.7**	**-1.1**	**-39.9**	**-18.1**
MORGAN STANLEY INS US REAL-I	Specialty-Real Estate	29.6	-16.4	-12.5	1.8	-38.1	-16.6
DFA REAL ESTATE SECS PORT	Specialty-Real Estate	28.2	-16.3	-13.2	n/a	-37.4	-18.7

Source: Bloomberg

TFC Financial Management
Fixed Income Funds
Sorted by YTD Performance
12/31/2009

Name	Fund Category	1 Yr	2 Yr	3 Yr	5 Yr	2008	2007
VANGUARD INTM TERM INV G-INV	Corporate Bond	17.2	9.1	5.3	4.5	-6.2	6.1
VANGUARD S/T INVEST GR-ADM	Short-Term Bond	13.8	8.0	4.8	4.3	-4.6	6.0
VANGUARD INFLAT PROTECTED-AD	Inflation-Protected Bond	11.0	6.7	6.4	n/a	-2.8	11.7
VANGUARD MA TAX EXEMPT FD-IV	Muni Massachusetts	10.5	8.5	3.9	4.0	-1.3	2.8
VANGUARD INTRM TRM BD IDX-IN	Intermediate-Term Bond	6.5	11.1	6.4	n/a	5.1	7.7
BLACKROCK INTL BOND-INST	World Bond	6.1	7.5	6.1	2.9	2.7	9.4
VANGUARD LTD TERM T/E FD-INV	Muni National Short	5.4	8.2	4.2	3.4	2.9	4.3
DFA FIVE-YEAR GLBL FXD INC	World Bond	4.2	8.3	4.5	3.8	4.0	5.2
VANGUARD S/T BOND INDEX-ADM	Short-Term Bond	4.2	9.4	5.6	4.5	5.5	7.3
ISHARES BARCLAYS AGGREGATE	**Intermediate-Term Bond**	**3.0**	**10.3**	**5.8**	**4.7**	**7.9**	**6.6**
VANGUARD SHORT TERM FED-ADM	Short Government	2.7	9.6	5.8	4.7	7.1	7.5
DFA 2-YR GLBL FIXED INC PORT	World Bond	2.1	6.2	3.8	3.5	4.1	5.3
FEDERATED GOVT ULTRA DUR-IS	Ultra Short Bond	1.7	4.2	3.2	3.5	2.5	5.3
VANGUARD SHORT TERM TREAS-IV	Short Government	1.3	7.6	5.2	4.3	6.7	7.9
VANGUARD LONG TERM BOND INDX	Long-Term Bond	1.2	8.8	5.5	4.9	8.7	6.6

Source: Bloomberg