TFC Financial Management

January 13, 2011

QUARTERLY INVESTMENT LETTER – FOURTH QUARTER, 2010

2010: In the U.S., From Doom and Gloom to Rising Optimism - The Markets and the Voter Blow the Whistle

Before the Washington crowd takes too much credit for the "accomplishments" of the final two weeks of the lame duck 111th Congress, one should remember that it was the voter who finally broke the deadlock, showed the red card, and forced our political class out of its do-nothing torpor. Similarly, in the late summer and fall, in the U.S. and other developed countries, the financial markets (in particular the interest-rate-sensitive sovereign bond markets) were contending with renewed concern about a possible Eurozone implosion, but also signaling that economic growth was reviving and investor sentiment improving. Central banks, elected and appointed officials, and even the media were compelled to reevaluate and act. Voters in the U.S. and markets worldwide demanded a response.

As discussed in our November 1st communication to clients, it was becoming apparent then that the structure of interest rates was approaching an inflection point. Since August, when Federal Reserve Bank Chairman Ben Bernanke announced his intention to continue forcefully reflating (through QE2) the U.S. banking system, although not necessarily the intended consequence, it became evident that the 30-year bull market for bonds was coming to an end. Short-term interest rates in October reached zero, and the Federal government even floated Treasury issues at negative yields (i.e., Treasury security purchasers in effect pleaded with the U.S. government to exchange their hard cash for a piece of Federal government paper and happily paid a fee to the issuer for the privilege).

A watershed in the fixed income markets seemed (still seems) to be at hand. The markets have confronted developed country politicians with the necessity to regroup. In the Eurozone, both Germany and the U.K. have responded. In the U.S., the remedial process may have started. The Irish have had to swallow a variety of spending retrenchment measures, the Greeks and French are in the streets protesting entitlement cut-backs, and the U.K. is imposing self-generated spending cuts, moving toward greater fiscal discipline. How the situation in Spain sorts itself out (20%+ unemployment, plus a speculative housing bust far worse than in the U.S.) is the concern in the Eurozone at the moment. How the Portuguese economy survives the inevitable imposition of the necessary spending restraints ahead, and whether Italy can avoid the clarion call (when, as it seems probable, its sovereign debt is downgraded) is still to be determined. The Germans, who correctly regard themselves as the creditor-of-last-resort for the entire Eurozone, are understandably uneasy and intent to see implemented a return to less profligate spending policies by their less-disciplined, unintended client-states.

<u>Currency Strategy: The Global Investor's Other Dimension</u>

As has often been suggested in our client letters, if appropriate *strategic* asset class structure is the basis for long-term portfolio return results, then a currency overlay should be regarded as another asset class variable in this equation and needs to be monitored. The irony today, of course, is that with the exception of perhaps Switzerland and at the moment Japan, most developed country government balance sheets pale in comparison with those of the average emerging country (and it might be noted also to the solid financial condition of the average U.S. non-financial corporation). Understandably, these country balance sheet differences drive a currency preference strategy in our client portfolios favoring exposure to developing (i.e., emerging) and Asian region countries. As most clients are aware, our international equity fund managers *take the currency risk* and seldom hedge their portfolios back to the U.S. dollar. For many years prior to 2010, this strategy tilt improved dollar-translated returns for U.S. investors in foreign securities, but last year (because of U.S. dollar relative strength) foreign currency exposure was something of a headwind.

Gold, as another form of currency (there are some 50 currencies with which one can trade in the world today), has gained prominence in the minds of speculators and some investors. But the price of gold today appears to be managed by speculators, not determined by investors or end-users with a long-term view. At the moment, the extraction cost per ounce averages about $1,000 throughout the world. Today, gold ($1,400 per ounce) as the basis for jewelry production, is losing its allure. At this price those who actually take delivery and produce precious metal jewelry are having second thoughts and looking for substitutes. The pricing of gold, and also silver, in the investment markets has, therefore, been conceded to speculators (e.g., hedge funds), and governments such as India, whose policy now is to carry a portion of its foreign currency reserves in hard assets.

In client accounts presently, non-dollar foreign currency exposure amounts to approximately 45% of the combined equities portion.

<u>"The Love Affair of American Investors with the Stock Market Appears to Have Ended"</u>

So opines Floyd Norris, long-time financial market writer for the New York Times, in his 2010 year-end summing up. In 1979, *Business Week's* cover proclaimed, "The Death of Equities" (more on this later). The basis for Norris's present assertion is that throughout the four years ending September 2010, investors had, on balance, continually withdrawn lopsided amounts from common stock mutual funds, reinvesting the proceeds in "less risky," higher-yielding, longer duration bond funds. Pundits like Norris usually have never managed other people's money and, therefore, often only concern themselves with current perceived wisdom rather than assessing the probabilities of a trend-in-being reversing itself.

In fact, starting in November, a swing in investor sentiment (e.g., net positive mutual fund cash inflows began to favor equity funds) became more evident daily. The majority of the money coming out of bond funds now appears destined for international, non-dollar-denominated equity funds, and the stampede to capture yield in longer-dated bonds seems to have abated. Some investors appear to have realized that stock yields (i.e., dividends related to stock prices) are now in many cases competitive with bond coupon interest rates. Additionally, it may turn out that the carefully nurtured cash reserves building on U.S. corporate balance sheets could be employed in either stock buy-back programs (increasing earnings per share) or to support increased dividend payouts; or, in some instances, corporate Boards may employ both strategies to reward shareholders.

This developing shift in the direction of investor cash flows into equities and the improving outlook in the U.S. for stocks is occurring at a time when worldwide earnings valuations are quite reasonable (13x 2011 estimated earnings per share), and possibly undervalued on 2012 prospects. Macro-economic growth and corporate earnings forecasts are being marked up. The media's incessant downbeat drone seems to be fading. As suggested in our November 1st e-mail, barring any monetary and fiscal policy mistakes or geopolitical confrontation, the backdrop for an improvement in equity price-earnings ratios could be in place.

Although 4th quarter 2010 strength in global equity markets would seem to be discounting this improved outlook, and even though near-term stock prices may have moved ahead too quickly, longer term there still appears to remain a fair amount of upside potential.

A footnote: shortly after *Business Week* made its dire prediction in 1979 about the demise of the U.S. stock market, one of the strongest bull markets in equities on record began, lasting nearly 20 years. Two years ago, in 2008, near the U.S. stock market nadir, McGraw Hill sold (nearly gave away) *Business Week* to Bloomberg. The media’s record of managing its own business affairs is about as impressive as its ability to call major turns in the financial markets.

The View from Europe

Having been forced to extend our December stay in London (an additional week through Christmas because of weather on both sides of the Atlantic), the writer had more time than expected to sample attitudes and opinions about the political and economic outlook amongst friends and relatives in the U.K. Joining the Eurozone and substituting the Euro for the Pound is again on the U.K. media’s story line list. However, with the collapse of the Irish economy and banking system, plus the pending sovereign debt problems of the Eurozone’s southern tier, the anti-European view in the U.K. continues to hold the stronger hand at the moment. There is also serious concern in the U.K. about the survival of the Euro and the political and trade union underlying its rationale.

Now that the U.S. dollar (by default) appears to be reasserting itself as the dominant reserve paper currency for international financial transactions, there is also concern in the U.K. and throughout Europe that its further debasement is the unstated, but obvious, monetary and fiscal policy of our Federal government. That there has been virtually no discussion of how the added stimulus and entitlement programs recently legislated in Washington are to be paid for, further calls into question our credibility as the leading economy in the Western world. Particularly in the U.K., which is in the process of implementing serious fiscal spending and entitlement cuts, the contrast with the U.S. lack of fiscal restraint rankles.

The British are also having trouble coming to grips with the Sarah Palin phenomenon. The failure of our political system to produce a leader with stronger credentials in either party is both perplexing and saddening.

2003 Tax Cuts Extended (Prelude to Serious Tax Code Reform?)

Tax-cut activists achieved a compromise goal of minor proportions when the President signed into law the two-year extension of the Bush-era Federal income tax rate schedule, along with new estate tax parameters. The former provides further stimulus to U.S. GDP growth, perhaps moderating the need for the Fed's extended quantitative easing (QE2) intervention in our banking system. The latter removes, for a couple years at least, the uncertainty hanging over many estate plans under review currently. But the long-term benefit of this income tax rate compromise may well be that a full revision of the U.S. tax code (50,000+ pages; last major overhaul in 1986) could result after the next election. Also, it is no mere coincidence that December's surprisingly strong job and hiring numbers followed the November election results. Removing the tax cost uncertainty in the business profit and loss equation allows many small business managers to move ahead with plans to add employees.

If undertaken, tax code simplification and rate reduction would be the objectives, and if accomplished along with some entitlement rationalization (e.g., eliminating special interest deductions and/or moving social security payout eligibility out closer to age 70), the outcome could be a notable political accomplishment. The economic benefits for the U.S. competitive position amongst our trading partners could be immense. Following the 1986 Congressional IRS code rewrite which resulted in a downward U.S. rate revision for both middle- and upper-income individuals and corporations, in order to remain competitive, counter-party governments worldwide responded with more constructive domestic tax policies. Trade flourished, profits grew, portfolio values rose, and even though capital gains rates were reduced, receipts from sale of capital assets ballooned.

The President's Deficit Commission Report just being circulated provides a non-partisan background for a constructive political tax and fiscal policy debate, as well as the blueprint for the needed tax code overhaul. Three principles hopefully will be embraced to achieve a salutary outcome: 1) The Federal government should adopt generally accepted accounting standards; 2) Proposed tax rate change revenue estimates should be modeled *dynamically*, not statically, and, 3) Economists of all stripes need to leave their social and political biases at the door when attempting to reach a consensus.

Federal government accounting transparency is essential to this dialogue, as well as for the long-term stability of the U.S. dollar. Politically, this remains a difficult objective to achieve. It's too easy to shade assumptions with loaded supporting statistics and demagogue a few catchy "facts." Perhaps it's naive to expect of both our media and political class, but honesty with the numbers would be an essential building block toward a practical tax code revision consensus.

Beyond this, modeling the potential impact of a proposed change in the structure of tax rates and code provisions should be adjusted for the expected resulting shifts in taxpayers' behavior. Today, when Congress requests an estimated tax revenue outcome from an anticipated legislated change in the tax code, the "non-partisan" Congressional Budget Office (CBO) uses computer algorithms which make no adjustments for probable taxpayer behavioral reactions. Such *static* modeling, for example, in 1986 predicted, because capital gains rates were to be reduced, that resulting revenue from this source would decline. In fact, when finally implemented, gains tax receipts doubled and tripled in subsequent years. Individuals and corporations, when faced with changes in taxation, will alter their behavior to optimize the net after-tax result. With computers ubiquitous today, these tax optimization outcomes are easily modeled and compared one with another by any taxpayer. Ironically, the Federal government is unable to mount such an effort in modeling probable revenue projections, and as far as can be determined, has no plans to do so in the future!

Finally, today's economists on both the left and right need to dial down the shrill nature of their rhetoric. Generally speaking, because the financial markets have morphed into high-frequency, short-term, speculative, computerized trading platforms, the role of most economists in both the conventional investment process and political forum has reverted to sound bite entertainment status. Many practitioners of the "dismal science" insist its first principles should be morally based, and are often reluctant to admit individual behavioral patterns influence outcomes importantly. Contemporary economics as a discipline has been reduced for the most part to quantitative, computerized modeling. Regardless, Wall Street, Washington, Main Street and the media still pay attention to the often shifting projections continually emanating from macro economists and portfolio strategists, even though there is no peer-reviewed evidence that they add value. In the political arena, practical tax policy could emerge if the emotions-of-moment could be removed from the discussion ahead.

A Recap of TFC's Portfolio Strategy for Fourth Quarter 2010 and Rebalancing

Fixed Income:

In the U.S., interest rates and yields are rising (from financial crisis-low levels) in anticipation of improving economic growth prospects. The 10-Year Treasury bond yield at year end was 3.4%, after bottoming at 2.4% in early October. Net redemptions from bond mutual funds in December are estimated to exceed $14 billion, the first cash flow reversal since 2009.

We are currently at an inflection point in bond markets: at the end of a three-decade-long decline in interest rates, yields and inflation. The inverse relationship between bond yields and bond prices, which is magnified by duration/maturity, is clearly illustrated in Exhibit 1. For a recent example, the total return of a 10-Year Treasury bond was -6.4% from October to December 2010 vs. -0.32% for a 2-Year Treasury note. (Note: the 2-Year Treasury note yield increased by only 0.2%, from 0.37% to 0.59%, during the same time period.)

Therefore, the conservative fixed income strategy (high quality, short duration, broad security diversification) which we have advocated and adhered to for the past few years, should be maintained today to protect capital.

In December, we swapped out of the DFA 5-Year Global Fixed Income Fund (average duration of 3.7 years) into the DFA 2-Year Global Fixed Income Fund (1.3 year average duration). Our overall fixed income portfolio duration is presently at 1.7 years for most taxable accounts and 2.7 years for tax-deferred/retirement accounts which include Treasury Inflation-Protected Securities (TIPS).

Equities:

As many of you are aware, through our previous quarterly investment commentary letters, periodic market updates and meetings/phone calls, we were quite optimistic about the potential global equity market returns, corporate profitability and earnings prospects for 2010 despite weak economic growth in the developed world.

Our strategic equity portfolio overweights in small capitalization funds and value-style holdings, plus our orientation towards international markets (~45% of equities, including emerging markets), global natural resources and global real estate boosted overall equity portfolio returns for the fourth quarter and calendar year 2010.

The total return for the S&P 500 Index for 2010 was +15%; +27% for the Russell 2000 Index (U.S. small company index); +8% for the MSCI EAFE Index (international large companies in developed markets); +23% for MSCI EAFE Small Cap Index; +19% for MSCI Emerging Markets Index; + 26% for the MS Commodity Related Index (global natural resources); +20% for the NAREIT Global Real Estate Index.

We remain cautiously optimistic for global equity markets in the near term, supported by still-reasonable market valuations today (across all equity asset classes), 10-12% estimated corporate operating earnings growth for the S&P 500 Index this year and 9-11% for 2012 (according to Decision Economics and consensus forecasts), moderate inflation, a strengthening U.S. economy (from recovery to expansion) and positive cash flows into equity funds after 3 years of significant redemptions.

Some primary identifiable risks in the markets today include: contagion risk from the Eurozone debt and European banking crisis, government and monetary policy errors, currency and trade wars, hard landing for the Chinese economy, premature U.S. sovereign debt and dollar crisis (resulting from political stalemate and gridlock), geopolitical and terrorist events, etc.

To mitigate against these risks, a balanced, globally-diversified portfolio, rebalanced periodically, remains the optimal portfolio strategy for investors.

The Asset Class Returns chart (see Exhibit 2) shows the annual returns of the best and worst performing asset class and for an average balanced portfolio (with 30% in bonds), labeled “Asset Allocation”, for each of the past 10 years and cumulatively.

Shortly, we will be rebalancing client portfolios to policy targets (fixed income to equities), raising cash reserves for spending needs, tax payments, minimum required distributions from retirement accounts and other anticipated capital expenses.

As always, we welcome your comments and questions.

Sincerely,

Jim

James L. Joslin
Chairman, CEO & CCO

Renée

Renée Kwok
President

Exhibit 1:

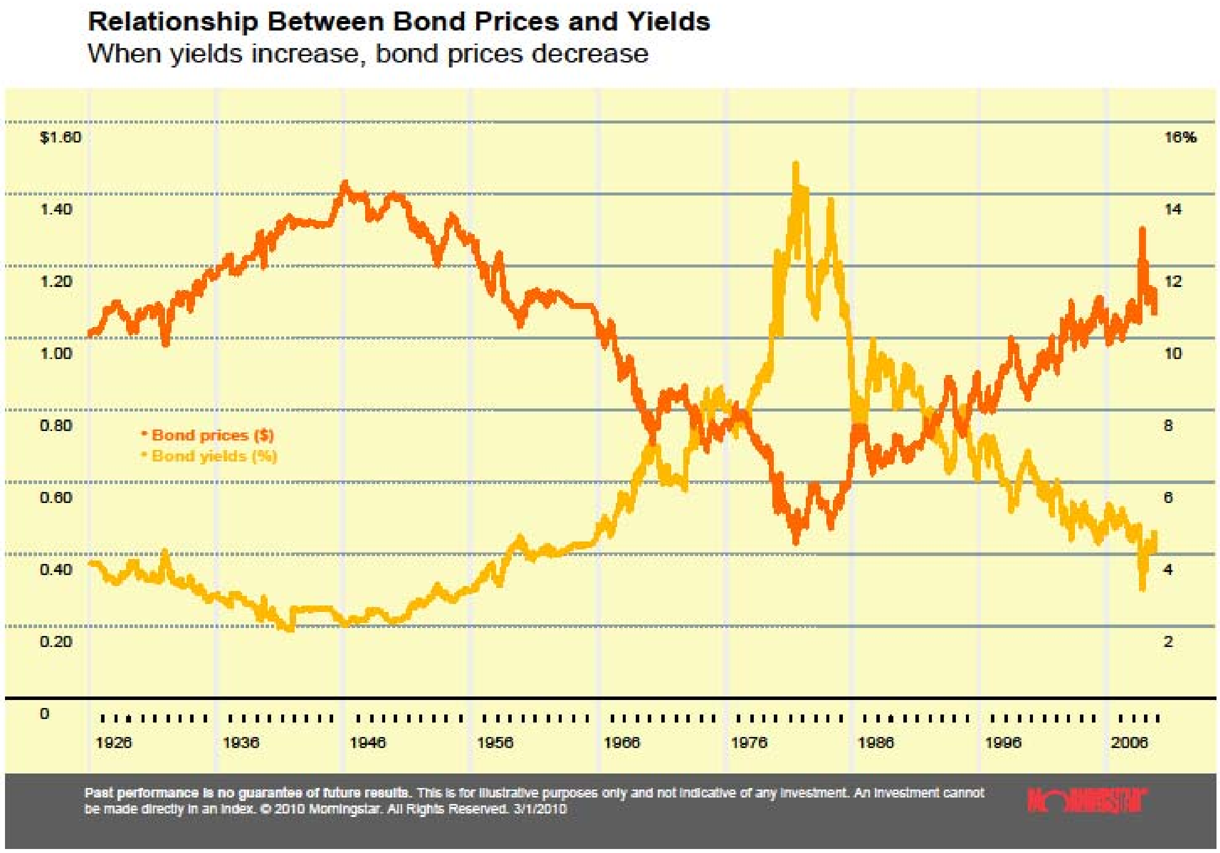
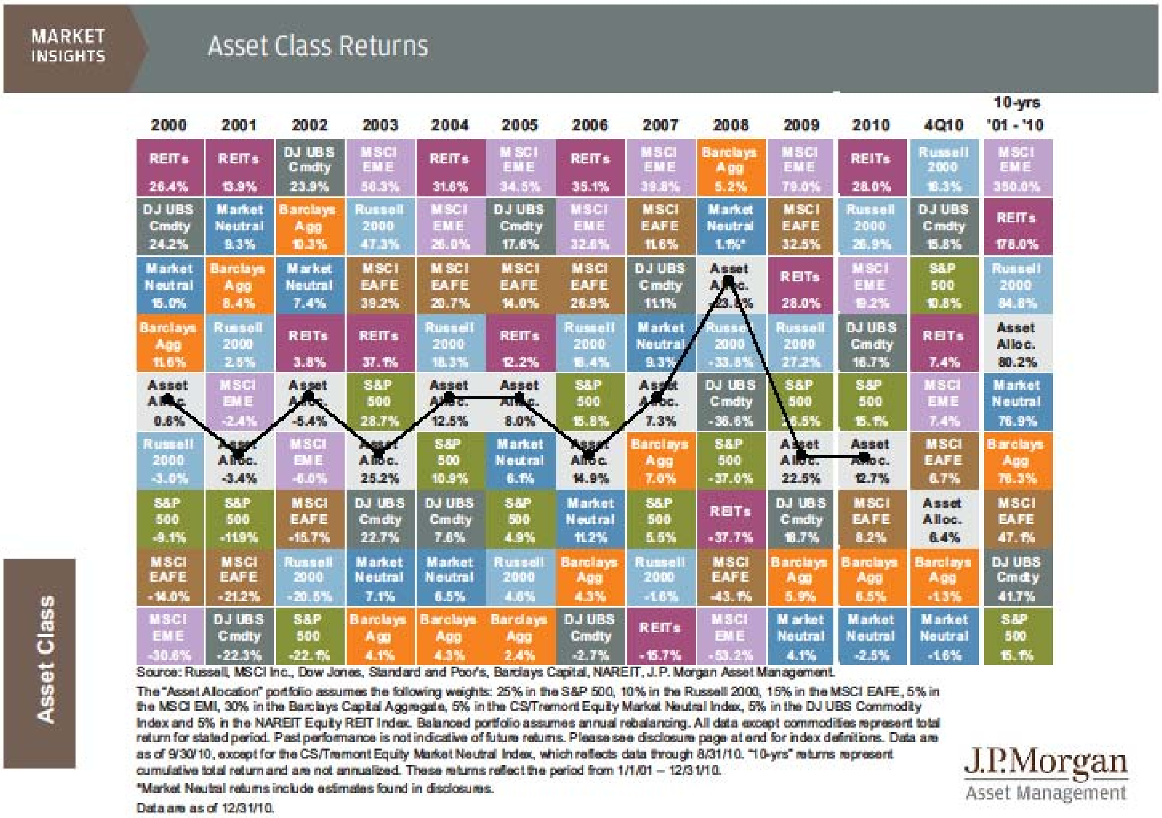

Relationship Between Bond Prices and Yields
When yields increase, bond prices decrease
$1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0
16%
14
12
10
8
6
4
2
• Bond prices ($)
• Bond yields (%)
1926
1936
1946
1956
1966
1976
1986
1996
2006
Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2010 Morningstar. All Rights Reserved. 3/1/2010

Exhibit 2:



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	4Q10	10-yrs '01 - '10
REITs 26.4%	REITs 13.9%	DJ UBS Cmdty 23.9%	MSCI EME 56.3%	REITs 31.6%	MSCI EME 34.5%	REITs 35.1%	MSCI EME 39.8%	Barclays Agg 5.2%	MSCI EME 79.0%	REITs 28.0%	Russell 2000 16.3%	MSCI EME 350.0%
DJ UBS Cmdty 24.2%	Market Neutral 9.3%	Barclays Agg 10.3%	Russell 2000 47.3%	MSCI EME 26.0%	DJ UBS Cmdty 17.6%	MSCI EME 32.6%	MSCI EAFE 11.6%	Market Neutral 1.1%*	MSCI EAFE 32.5%	Russell 2000 26.9%	DJ UBS Cmdty 15.8%	REITs 178.0%
Market Neutral 15.0%	Barclays Agg 8.4%	Market Neutral 7.4%	MSCI EAFE 39.2%	MSCI EAFE 20.7%	MSCI EAFE 14.0%	MSCI EAFE 26.9%	DJ UBS Cmdty 11.1%	Asset Alloc. -23.[illegible]%	REITs 28.0%	MSCI EME 19.2%	S&P 500 10.8%	Russell 2000 84.8%
Barclays Agg 11.6%	Russell 2000 2.5%	REITs 3.8%	REITs 37.1%	Russell 2000 18.3%	REITs 12.2%	Russell 2000 18.4%	Market Neutral 9.3%	Russell 2000 -33.8%	Russell 2000 27.2%	DJ UBS Cmdty 16.7%	REITs 7.4%	Asset Alloc. 80.2%
Asset Alloc. 0.6%	MSCI EME -2.4%	Asset Alloc. -5.4%	S&P 500 28.7%	Asset Alloc. 12.5%	Asset Alloc. 8.0%	S&P 500 15.8%	Asset Alloc. 7.3%	DJ UBS Cmdty -36.6%	S&P 500 26.5%	S&P 500 15.1%	MSCI EME 7.4%	Market Neutral 76.9%
Russell 2000 -3.0%	Asset Alloc. -3.4%	MSCI EME -6.0%	Asset Alloc. 25.2%	S&P 500 10.9%	Market Neutral 6.1%	Asset Alloc. 14.9%	Barclays Agg 7.0%	S&P 500 -37.0%	Asset Alloc. 22.5%	Asset Alloc. 12.7%	MSCI EAFE 6.7%	Barclays Agg 76.3%
S&P 500 -9.1%	S&P 500 -11.9%	MSCI EAFE -15.7%	DJ UBS Cmdty 22.7%	DJ UBS Cmdty 7.6%	S&P 500 4.9%	Market Neutral 11.2%	S&P 500 5.5%	REITs -37.7%	DJ UBS Cmdty 18.7%	MSCI EAFE 8.2%	Asset Alloc. 6.4%	MSCI EAFE 47.1%
MSCI EAFE -14.0%	MSCI EAFE -21.2%	Russell 2000 -20.5%	Market Neutral 7.1%	Market Neutral 6.5%	Russell 2000 4.6%	Barclays Agg 4.3%	Russell 2000 -1.6%	MSCI EAFE -43.1%	Barclays Agg 5.9%	Barclays Agg 6.5%	Barclays Agg -1.3%	DJ UBS Cmdty 41.7%
MSCI EME -30.6%	DJ UBS Cmdty -22.3%	S&P 500 -22.1%	Barclays Agg 4.1%	Barclays Agg 4.3%	Barclays Agg 2.4%	DJ UBS Cmdty -2.7%	REITs -15.7%	MSCI EME -53.2%	Market Neutral 4.1%	Market Neutral -2.5%	Market Neutral -1.6%	S&P 500 15.1%

Source: Russell, MSCI Inc., Dow Jones, Standard and Poor's, Barclays Capital, NAREIT, J.P. Morgan Asset Management.

The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EMI, 30% in the Barclays Capital Aggregate, 5% in the CS/Tremont Equity Market Neutral Index, 5% in the DJ UBS Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. All data except commodities represent total return for stated period. Past performance is not indicative of future returns. Please see disclosure page at end for index definitions. Data are as of 9/30/10, except for the CS/Tremont Equity Market Neutral Index, which reflects data through 8/31/10. "10-yrs" returns represent cumulative total return and are not annualized. These returns reflect the period from 1/1/01 – 12/31/10.

*Market Neutral returns include estimates found in disclosures.

Data are as of 12/31/10.

TFC Financial Management
Equity Funds
Sorted by YTD Performance
As of 12/31/10

Name	Fund Category	1 Month	3 Month	2010	2 Yr	3 Yr	5 Yr	2009	2008	2007
WALTHAUSEN SMALL CAP VALUE	Small Value	6.4	19.0	41.9	102.0	n/a	n/a	42.4	n/a	n/a
DFA US MICRO CAP PORTFOLIO	Small Blend	8.2	17.7	31.3	68.1	2.1	3.2	28.1	-36.7	-5.2
VANGUARD S/C GROWTH INDX-INS	Small Growth	7.9	17.2	31.0	86.1	3.8	6.6	42.1	-39.9	9.8
DFA US S/C VALUE PORTFOLIO	Small Value	9.2	18.8	30.9	74.9	3.4	3.7	33.6	-36.8	-10.7
DFA US SMALL CAP PORTFOLIO	Small Blend	8.0	17.1	30.7	78.2	4.5	5.2	36.3	-36.0	-3.1
DFA TAX MGD US TARGET VAL PO	Small Value	8.7	17.9	30.4	66.5	1.2	2.4	27.6	-37.8	-8.5
MORGAN STANLEY INS US REAL-I	Specialty-Real Estate	4.5	8.1	29.9	68.4	1.4	3.8	29.6	-38.1	-16.6
TURNER EMERGING GROWTH FD-IV	Small Growth	6.9	20.0	29.4	64.0	-2.2	4.7	26.8	-43.0	17.3
RUSSELL 2000 GROWTH IDX	**Small Growth**	**7.6**	**17.1**	**29.1**	**77.1**	**2.2**	**5.3**	**34.5**	**-38.5**	**7.1**
DFA US TARGETED VALUE	Small Value	8.9	17.5	29.0	70.1	4.1	4.4	31.9	-33.8	-8.2
VAN ECK GLOBAL HARD ASSETS-I	Specialty-Natural Res	9.5	23.5	28.9	97.6	3.1	n/a	53.2	-44.5	43.2
DFA REAL ESTATE SECS PORT	Specialty-Real Estate	4.7	7.4	28.7	64.9	1.1	2.6	28.2	-37.4	-18.7
DFA TAX MNGD US SMALL CAP PO	Small Blend	7.8	17.2	28.6	62.4	0.0	2.6	26.3	-38.4	-1.6
RUSSELL 2000 INDEX	**Small Blend**	**7.9**	**16.3**	**26.9**	**64.8**	**2.2**	**4.5**	**27.2**	**-33.8**	**-1.6**
ISHARES DJ US REAL ESTATE	**Specialty-Real Estate**	**4.6**	**7.0**	**26.6**	**67.6**	**-0.2**	**1.9**	**30.5**	**-39.9**	**-18.1**
MS CMDTY RELATED EQUITY	**Specialty-Natural Res**	**10.5**	**20.0**	**25.7**	**97.2**	**4.6**	**15.4**	**54.8**	**-41.2**	**45.2**
RUSSELL 2000 VALUE IDX	**Small Value**	**8.3**	**15.4**	**24.5**	**53.5**	**2.2**	**3.6**	**20.6**	**-28.9**	**-9.8**
DFA INTERNATIONAL SMALL CO	Foreign Small/Mid Value	10.9	12.1	23.9	75.9	-0.4	5.4	42.0	-43.9	5.7
ALGER SMID CAP GROWTH FUND-A	Small Growth	6.8	12.0	23.3	77.6	-3.0	6.3	44.0	-48.6	26.3
LAZARD EMERG MKT EQY PORT-IN	Diversified Emerging Mkts	6.7	5.3	22.8	108.6	2.8	13.5	69.8	-47.9	33.0
MSCI EAFE SMALL CAP	**Foreign Small/Mid Value**	**11.7**	**11.9**	**22.6**	**80.8**	**-1.2**	**3.5**	**47.4**	**-46.7**	**2.3**
DFA EMERGING MRKTS VALUE	Diversified Emerging Mkts	8.3	8.4	22.1	134.7	2.6	16.8	92.3	-53.9	45.6
DFA EMERGING MKTS PRTFOLIO	Diversified Emerging Mkts	8.1	8.8	21.8	109.2	2.1	13.3	71.8	-49.2	36.0
DFA TAX MNGD US MKTWIDE VAL	Large Value	9.5	13.9	21.6	59.3	-2.4	1.7	31.1	-41.6	-1.8
T ROWE PRICE INTL DISCOVERY	Foreign Small/Mid Growth	7.8	8.9	20.5	87.5	-2.1	6.9	55.7	-49.9	16.6
EPRA/NAREIT Dev TR USD	**Specialty-Real Estate**	**6.3**	**6.2**	**20.4**	**66.5**	**-4.5**	**2.9**	**38.3**	**-47.7**	**-7.0**
MORGAN STANLEY INS GLBL RE-I	Specialty-Real Estate	5.9	5.4	20.2	69.6	-2.3	n/a	41.0	-45.0	-7.9
DFA US L/C VALUE PORTFOLIO	Large Value	9.7	12.9	20.2	56.5	-2.5	1.6	30.2	-40.8	-2.8
MSCI Daily TR Net Emerging Mar	**Diversified Emerging Mkts**	**7.1**	**7.3**	**18.9**	**99.5**	**-0.3**	**12.8**	**78.5**	**-53.3**	**39.4**
TEMPLETON FRONTIER MARKETS-A	Diversified Emerging Mkts	4.4	8.1	18.6	n/a	n/a	n/a	n/a	n/a	n/a
DFA INTL SMALL CAP VALUE PT	Foreign Small/Mid Value	12.3	12.5	18.1	64.8	-1.3	4.9	39.5	-41.7	2.9
TEMPLETON DEVELOPING MKTS-AD	Diversified Emerging Mkts	7.4	7.6	17.7	105.4	-1.7	9.5	74.4	-53.8	29.1
IVY GLBL NATURAL RESOURCE-Y	Specialty-Natural Res	11.7	21.5	17.2	105.3	-7.4	7.5	75.1	-61.3	43.7
VANGUARD GROWTH INDEX FD-ADM	Large Growth	5.6	12.1	17.1	59.8	-0.4	4.0	36.4	-38.2	12.7
RUSSELL 1000 GROWTH INDX	**Large Growth**	**5.5**	**11.8**	**16.7**	**62.3**	**-0.5**	**3.8**	**37.2**	**-38.4**	**11.8**
VANGUARD PACIFIC STK IND-ADM	Japan Stock	7.4	10.3	15.9	40.5	-2.6	1.7	21.2	-34.3	4.8
VANGUARD LARGE CAP IDX-SIGNA	Large Blend	6.7	11.1	15.8	48.0	-2.3	n/a	27.8	-37.0	n/a
TIAA-CREF INST SOC CH EQ-RL	Large Blend	6.4	11.2	15.7	52.9	-0.8	n/a	32.2	-36.2	4.2
RUSSELL 1000 VALUE INDEX	**Large Value**	**7.9**	**10.5**	**15.5**	**40.3**	**-4.4**	**1.3**	**19.7**	**-36.9**	**-0.2**
S&P 500 INDEX	**Large Blend**	**6.7**	**10.8**	**15.1**	**47.6**	**-2.9**	**2.3**	**26.5**	**-37.0**	**5.5**
VANGUARD 500 INDEX FUND-ADM	Large Blend	6.7	10.8	15.1	45.7	-2.8	2.3	26.6	-37.0	5.5
DFA US LARGE COMPANY PORT	Large Blend	6.7	10.7	15.0	45.6	-2.7	2.4	26.6	-36.8	5.5
VANGUARD VALUE INDEX FD-INV	Large Value	7.9	10.2	14.3	36.7	-4.3	1.4	19.6	-36.0	0.1
DFA INTERNATIONAL CORE EQTY	Foreign Large Value	9.6	9.1	13.9	58.7	-3.9	4.1	39.3	-44.0	8.5
DOMINI SOCIAL EQUITY FD-INV	Large Blend	4.9	10.8	13.7	54.1	-1.4	1.8	35.6	-37.9	1.5
DODGE & COX STOCK FUND	Large Value	7.9	11.2	13.5	49.0	-5.5	0.0	31.3	-43.3	0.1
SCOUT INTERNATIONAL FUND	Foreign Large Blend	7.3	7.4	13.2	53.4	-1.7	6.3	35.5	-38.1	17.8
HARTFORD CAPITAL APPREC-A	Large Blend	6.6	12.1	12.9	61.2	-4.6	3.1	42.8	-46.1	16.2
HARBOR INTERNATIONAL FD-INS	Foreign Large Value	8.9	8.4	12.0	55.2	-3.8	7.5	38.6	-42.7	21.8
FMI LARGE CAP FUND	Large Blend	6.0	8.9	11.4	44.5	1.8	5.1	29.7	-26.9	4.1
VANGUARD TOTAL INT ST IDX	Foreign Large Blend	8.3	7.1	11.1	51.9	-5.3	4.4	36.7	-44.1	15.5
VANGUARD WINDSOR II FUND-INV	Large Value	7.3	9.9	10.6	40.5	-3.8	1.5	27.1	-36.7	2.2
DFA INTERNATIONAL VALUE	Foreign Large Value	9.4	7.5	10.6	54.2	-6.1	4.1	39.5	-46.3	10.2
DFA TAX-MANAGED INTL VALUE	Foreign Large Value	9.3	7.9	10.2	51.9	-5.5	4.5	37.8	-44.4	10.8
MORGAN STANLEY INS INTN RE-I	Specialty-Real Estate	6.9	4.0	9.5	60.5	-7.0	0.6	46.5	-50.0	-17.6
DFA L/C INTERNATIONAL PORTF	Foreign Large Blend	8.0	7.1	9.3	42.7	-5.8	3.2	30.6	-41.4	12.4
MSCI Daily TR Net EAFE USD	**Foreign Large Blend**	**8.1**	**6.6**	**7.8**	**43.5**	**-7.0**	**2.5**	**31.8**	**-43.4**	**11.2**
GMO QUALITY FUND-III	Large Blend	5.2	6.3	5.5	26.4	-1.4	2.8	19.8	-24.1	6.0
VANGUARD EUROPEAN STK IND-IS	Europe Stock	8.9	5.0	5.1	38.8	-8.4	3.2	32.1	-44.6	13.9

Source: Bloomberg

TFC Financial Management

TFC Financial Management
Equity Asset Classes
Sorted by YTD Performance
As of 12/31/10

Name	Fund Category	1 Month	3 Month	2010	2 Yr	3 Yr	5 Yr	2009	2008	2007
VANGUARD LARGE CAP IDX-SIGNA	Large Blend	6.7	11.1	15.8	48.0	-2.3	n/a	27.8	-37.0	n/a
TIAA-CREF INST SOC CH EQ-RL	Large Blend	6.4	11.2	15.7	52.9	-0.8	n/a	32.2	-36.2	4.2
S&P 500 INDEX	**Large Blend**	**6.7**	**10.8**	**15.1**	**47.6**	**-2.9**	**2.3**	**26.5**	**-37.0**	**5.5**
VANGUARD 500 INDEX FUND-ADM	Large Blend	6.7	10.8	15.1	45.7	-2.8	2.3	26.6	-37.0	5.5
FIDELITY SPARTAN 500 INDX-FA	Large Blend	6.7	10.7	15.0	45.5	-2.9	2.3	26.6	-37.0	5.5
DFA US LARGE COMPANY PORT	Large Blend	6.7	10.7	15.0	45.6	-2.7	2.4	26.6	-36.8	5.5
DOMINI SOCIAL EQUITY FD-INV	Large Blend	4.9	10.8	13.7	54.1	-1.4	1.8	35.6	-37.9	1.5
HARTFORD CAPITAL APPREC-A	Large Blend	6.6	12.1	12.9	61.2	-4.6	3.1	42.8	-46.1	16.2
FMI LARGE CAP FUND	Large Blend	6.0	8.9	11.4	44.5	1.8	5.1	29.7	-26.9	4.1
GMO QUALITY FUND-III	Large Blend	5.2	6.3	5.5	26.4	-1.4	2.8	19.8	-24.1	6.0
VANGUARD GROWTH INDEX FD-ADM	Large Growth	5.6	12.1	17.1	59.8	-0.4	4.0	36.4	-38.2	12.7
HARTFORD GROWTH OPPORT-A	Large Growth	6.4	14.0	17.0	51.3	-6.1	3.4	29.4	-45.3	28.0
FIDELITY CONTRAFUND	Large Growth	4.0	9.5	16.9	51.1	-1.7	4.9	29.2	-37.2	19.8
RUSSELL 1000 GROWTH INDX	**Large Growth**	**5.5**	**11.8**	**16.7**	**62.3**	**-0.5**	**3.8**	**37.2**	**-38.4**	**11.8**
T ROWE PRICE BLUE CHIP-ADV	Large Growth	4.3	11.8	16.2	65.3	-1.8	3.2	42.3	-42.7	12.8
DFA TAX MNGD US MKTWIDE VAL	Large Value	9.5	13.9	21.6	59.3	-2.4	1.7	31.1	-41.6	-1.8
DFA US L/C VALUE PORTFOLIO	Large Value	9.7	12.9	20.2	56.5	-2.5	1.6	30.2	-40.8	-2.8
T ROWE PRICE VALUE FUND-ADV	Large Value	8.6	11.6	15.7	58.6	-1.6	2.8	37.0	-39.8	0.6
RUSSELL 1000 VALUE INDEX	**Large Value**	**7.9**	**10.5**	**15.5**	**40.3**	**-4.4**	**1.3**	**19.7**	**-36.9**	**-0.2**
VANGUARD VALUE INDEX FD-INV	Large Value	7.9	10.2	14.3	36.7	-4.3	1.4	19.6	-36.0	0.1
DODGE & COX STOCK FUND	Large Value	7.9	11.2	13.5	49.0	-5.5	0.0	31.3	-43.3	0.1
VANGUARD WINDSOR II FUND-INV	Large Value	7.3	9.9	10.6	40.5	-3.8	1.5	27.1	-36.7	2.2
DFA US MICRO CAP PORTFOLIO	Small Blend	8.2	17.7	31.3	68.1	2.1	3.2	28.1	-36.7	-5.2
DFA US SMALL CAP PORTFOLIO	Small Blend	8.0	17.1	30.7	78.2	4.5	5.2	36.3	-36.0	-3.1
DFA TAX MNGD US SMALL CAP PO	Small Blend	7.8	17.2	28.6	62.4	0.0	2.6	26.3	-38.4	-1.6
RUSSELL 2000 INDEX	**Small Blend**	**7.9**	**16.3**	**26.9**	**64.8**	**2.2**	**4.5**	**27.2**	**-33.8**	**-1.6**
VANGUARD S/C GROWTH INDX-INS	Small Growth	7.9	17.2	31.0	86.1	3.8	6.6	42.1	-39.9	9.8
TURNER EMERGING GROWTH FD-IV	Small Growth	6.9	20.0	29.4	64.0	-2.2	4.7	26.8	-43.0	17.3
RUSSELL 2000 GROWTH IDX	**Small Growth**	**7.6**	**17.1**	**29.1**	**77.1**	**2.2**	**5.3**	**34.5**	**-38.5**	**7.1**
ALGER SMID CAP GROWTH FUND-A	Small Growth	6.8	12.0	23.3	77.6	-3.0	6.3	44.0	-48.6	26.3
WALTHAUSEN SMALL CAP VALUE	Small Value	6.4	19.0	41.9	102.0	n/a	n/a	42.4	n/a	n/a
DFA US S/C VALUE PORTFOLIO	Small Value	9.2	18.8	30.9	74.9	3.4	3.7	33.6	-36.8	-10.7
DFA TAX MGD US TARGET VAL PO	Small Value	8.7	17.9	30.4	66.5	1.2	2.4	27.6	-37.8	-8.5
DFA US TARGETED VALUE	Small Value	8.9	17.5	29.0	70.1	4.1	4.4	31.9	-33.8	-8.2
RUSSELL 2000 VALUE IDX	**Small Value**	**8.3**	**15.4**	**24.5**	**53.5**	**2.2**	**3.6**	**20.6**	**-28.9**	**-9.8**
VANGUARD PACIFIC STK IND-ADM	Japan Stock	7.4	10.3	15.9	40.5	-2.6	1.7	21.2	-34.3	4.8
DFA INTERNATIONAL CORE EQTY	Foreign Large Value	9.6	9.1	13.9	58.7	-3.9	4.1	39.3	-44.0	8.5
SCOUT INTERNATIONAL FUND	Foreign Large Blend	7.3	7.4	13.2	53.4	-1.7	6.3	35.5	-38.1	17.8
HARBOR INTERNATIONAL FD-INS	Foreign Large Value	8.9	8.4	12.0	55.2	-3.8	7.5	38.6	-42.7	21.8
VANGUARD TOTAL INT ST IDX	Foreign Large Blend	8.3	7.1	11.1	51.9	-5.3	4.4	36.7	-44.1	15.5
DFA INTERNATIONAL VALUE	Foreign Large Value	9.4	7.5	10.6	54.2	-6.1	4.1	39.5	-46.3	10.2
DFA TAX-MANAGED INTL VALUE	Foreign Large Value	9.3	7.9	10.2	51.9	-5.5	4.5	37.8	-44.4	10.8
FIDELITY DIVERSIFIED INTL FD	Foreign Large Blend	7.7	8.3	9.7	44.5	-7.5	2.4	31.8	-45.2	16.0
DFA L/C INTERNATIONAL PORTF	Foreign Large Blend	8.0	7.1	9.3	42.7	-5.8	3.2	30.6	-41.4	12.4
MSCI Daily TR Net EAFE USD	**Foreign Large Blend**	**8.1**	**6.6**	**7.8**	**43.5**	**-7.0**	**2.5**	**31.8**	**-43.4**	**11.2**
VANGUARD EUROPEAN STK IND-IS	Europe Stock	8.9	5.0	5.1	38.8	-8.4	3.2	32.1	-44.6	13.9
DFA INTERNATIONAL SMALL CO	Foreign Small/Mid Valu	10.9	12.1	23.9	75.9	-0.4	5.4	42.0	-43.9	5.7
MSCI EAFE SMALL CAP	**Foreign Small/Mid Valu**	**11.7**	**11.9**	**22.6**	**80.8**	**-1.2**	**3.5**	**47.4**	**-46.7**	**2.3**
T ROWE PRICE INTL DISCOVERY	Foreign Small/Mid Grow	7.8	8.9	20.5	87.5	-2.1	6.9	55.7	-49.9	16.6
DFA INTL SMALL CAP VALUE PT	Foreign Small/Mid Valu	12.3	12.5	18.1	64.8	-1.3	4.9	39.5	-41.7	2.9
LAZARD EMERG MKT EQY PORT-IN	Diversified Emerging M	6.7	5.3	22.8	108.6	2.8	13.5	69.8	-47.9	33.0
DFA EMERGING MRKTS VALUE	Diversified Emerging M	8.3	8.4	22.1	134.7	2.6	16.8	92.3	-53.9	45.6
DFA EMERGING MKTS PRTFOLIO	Diversified Emerging M	8.1	8.8	21.8	109.2	2.1	13.3	71.8	-49.2	36.0
MSCI Daily TR Net Emerging Mar	**Diversified Emerging M**	**7.1**	**7.3**	**18.9**	**99.5**	**-0.3**	**12.8**	**78.5**	**-53.3**	**39.4**
TEMPLETON FRONTIER MARKETS-A	Diversified Emerging M	4.4	8.1	18.6	n/a	n/a	n/a	n/a	n/a	n/a
TEMPLETON DEVELOPING MKTS-AD	Diversified Emerging M	7.4	7.6	17.7	105.4	-1.7	9.5	74.4	-53.8	29.1
VAN ECK GLOBAL HARD ASSETS-I	Specialty-Natural Res	9.5	23.5	28.9	97.6	3.1	n/a	53.2	-44.5	43.2
MS CMDTY RELATED EQUITY	**Specialty-Natural Res**	**10.5**	**20.0**	**25.7**	**97.2**	**4.6**	**15.4**	**54.8**	**-41.2**	**45.2**
IVY GLBL NATURAL RESOURCE-Y	Specialty-Natural Res	11.7	21.5	17.2	105.3	-7.4	7.5	75.1	-61.3	43.7
MORGAN STANLEY INS US REAL-I	Specialty-Real Estate	4.5	8.1	29.9	68.4	1.4	3.8	29.6	-38.1	-16.6
DFA REAL ESTATE SECS PORT	Specialty-Real Estate	4.7	7.4	28.7	64.9	1.1	2.6	28.2	-37.4	-18.7
ISHARES DJ US REAL ESTATE	**Specialty-Real Estate**	**4.6**	**7.0**	**26.6**	**67.6**	**-0.2**	**1.9**	**30.5**	**-39.9**	**-18.1**
EPRA/NAREIT Dev TR USD	**Specialty-Real Estate**	**6.3**	**6.2**	**20.4**	**66.5**	**-4.5**	**2.9**	**38.3**	**-47.7**	**-7.0**
MORGAN STANLEY INS GLBL RE-I	Specialty-Real Estate	5.9	5.4	20.2	69.6	-2.3	n/a	41.0	-45.0	-7.9
MORGAN STANLEY INS INTN RE-I	Specialty-Real Estate	6.9	4.0	9.5	60.5	-7.0	0.6	46.5	-50.0	-17.6

Source: Bloomberg

TFC Financial Management

TFC Financial Management
Fixed Income Funds
Sorted by YTD Performance
As of 12/31/10

Name	Fund Category	1 Month	3 Month	2010	2 Yr	3 Yr	5 Yr	2009	2008	2007
VANGUARD INTM TERM INV G-INV	Corporate Bond	-1.4	-1.6	10.6	30.2	6.9	6.2	17.7	-6.2	6.1
VANGUARD LONG TERM BOND INDX	Long-Term Bond	-2.0	-5.5	10.3	12.1	6.8	5.9	1.7	8.7	6.6
VANGUARD INTRM TRM BD IDX-IN	Intermediate-Term Bond	-2.4	-2.9	9.5	17.1	7.2	n/a	6.9	5.1	7.7
ISHARES BARCLAYS AGGREGATE	**Intermediate-Term Bond**	**-0.7**	**-1.4**	**6.4**	**9.4**	**5.7**	**5.5**	**3.0**	**7.9**	**6.6**
VANGUARD INFLAT PROTECTED-AD	Inflation-Protected Bond	-1.5	-0.7	6.3	18.0	4.7	5.2	11.0	-2.8	11.7
ISHARES INTERMEDIATE GOV/CR	**Intermediate-Term Bond**	**-1.1**	**-1.6**	**5.5**	**7.5**	**5.2**	**n/a**	**2.0**	**8.2**	**n/a**
BLACKROCK INTL BOND-INST	World Bond	3.1	-1.8	5.4	11.9	4.8	6.0	6.1	2.7	9.4
VANGUARD S/T INVEST GR-ADM	Corporate Bond	-0.2	-0.1	5.3	20.2	4.7	5.0	14.2	-4.6	6.0
DFA FIVE-YEAR GLBL FXD INC	World Bond	-1.4	-1.7	5.3	9.7	4.5	4.5	4.2	4.0	5.2
DFA SELECT HEDGE GLOBAL F/I	World Bond	2.5	1.6	4.8	15.5	n/a	n/a	10.2	n/a	n/a
VANGUARD S/T BOND INDEX-ADM	Short-Term Bond	-0.7	-0.6	4.0	8.6	4.6	5.1	4.4	5.5	7.3
VANGUARD SHORT TERM FED-ADM	Short Government	-0.7	-0.6	3.4	6.3	4.4	5.0	2.9	7.1	7.5
VANGUARD SHORT TERM TREAS-IV	Short Government	-0.5	-0.5	2.6	4.1	3.6	4.4	1.4	6.7	7.9
VANGUARD LTD TERM T/E FD-INV	Muni National Short	-0.4	-0.9	2.0	7.6	3.5	3.6	5.6	2.9	4.3
DFA 2-YR GLBL FIXED INC PORT	World Bond	0.1	0.1	1.7	3.9	2.6	3.5	2.1	4.1	5.3
VANGUARD MA TAX EXEMPT FD-IV	Muni Massachusetts	-1.8	-4.4	1.1	12.2	3.5	3.6	10.9	-1.3	2.8
VANGUARD SHORT TERM T/E-ADM	Muni National Short	-0.1	-0.3	1.0	4.2	2.7	3.1	3.2	3.8	4.3
FEDERATED GOVT ULTRA DUR-IS	Ultra Short Bond	0.0	0.0	0.7	2.5	1.7	3.0	1.7	2.5	5.3

Source: Bloomberg