Vorpahl Wing Securities, Inc.

Fiscal Fitness

Vorpahl Wing Securities
505 W. Riverside Ave., Ste 205
Spokane, WA 99201
509-747-1749

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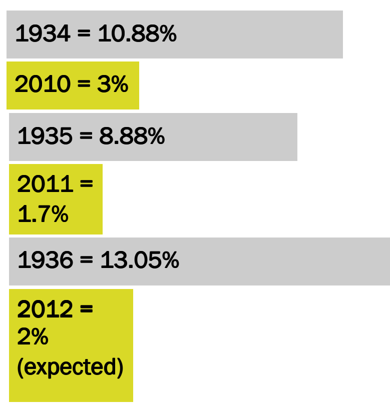
Dennis Roginski
denniscr@vorpahlwing.com

Never, Never, Never, Forget About Risk (NNNFAR)!

For those who are clients of Vorpahl Wing Securities (VWS), you have heard this risk statement before. I guess you can say I sound like a broken record; however, I won't banish this statement to the cliché' graveyard. The NNNFAR will never die.

Why NNNFAR is very much alive

The Dow Jones Industrial Average (DOW) enjoyed a very nice first quarter. It posted an 8.10% rise from the first of the year. The members of the Investment Policy Committee (IPC) at VWS are a little surprised at the speed of this run-up, along with its lack of volatility. What doesn't surprise us is the anemic GDP growth over the last few years (2010 = 3%; 2011= 1.7%). This same anemic growth is predicted for 2012. The recession of 2008 has been compared to the depression of the 1930s. If I examine growth following the depression years, GDP growth for 1934, 1935, 1936, and 1937 in adjusted 2005 real dollars was 10.88%, 8.88%, 13.05 % and 5.12% respectively. According to Edward Lazear—chairman of the President's Council of Economic Advisers (2006-2009)—the average annual growth rate for the U.S. during the postwar period (1947-2007) was 3.4%. When I do a few GDP comparisons, I see that the GDP for the years following 2008 fell below the postwar average. I also see that the GDP for the years 2010, 2011, and the expected GDP for 2012 are well below the actual GDP that occurred in 1934, 1935, and 1936.



GDP Comparisons

To state it bluntly, current GDP growth is awful. This is why I think NNNFAR is very much alive.

Portfolio positioning for NNNFAR

In the investment world as with most specialized professions, we have our share of industry jargon such as upside capture ratio (UCR) and downside capture ratio (DCR). The UCR indicates (when the markets are up) how an investment or portfolio performs compared to a benchmark. For example, using a base number of 100 for the benchmark, and if your portfolio has an UCR of 110, then your portfolio should have performed 10% better than the benchmark. When the markets are down and your portfolio's DCR is 90, then your portfolio should drop 10% **LESS** than the benchmark. So based on your risk tolerance, a correctly positioned portfolio is important when the markets are up but even more important when the markets are down, i.e. an NNNFAR portfolio.

Forget the hype

Do you get caught up in the hype from investment shows that are designed to entertain but also increase your stress? Wouldn't you rather position your investment assets in such a way that reduces this stress and frees you to focus on other things that are important to you such as vacations with family and more time with friends? Let's work together and come up with a financial solution for you that provides long-term stability using easy-to-understand methods!