



OPTIVEST

Turning Success into Peace of Mind.



2010 Outlook

As we wind down 2009, we have made some strategic shifts in our discretionary accounts. Specifically, we believe the 10 month “long the market, short the dollar” strategy has run its course and we have profitably lightened our stock exposure and have sold our anti-dollar investments (commodity fund, Swiss Francs, gold, oil, foreign TIPs). Inflation will undoubtedly pick up next year at some point, but we feel it will be CPI based, not just the weak dollar.

For income accounts, we have sold our direct-long bond exposure and shifted to income funds that are “Inflation Plus” targeted, aiming for a total return that is 5-6.5% above the rate of inflation (including a 5+% dividend). In addition, we are similarly shifting to laddered municipal bonds strategy. These changes will help preserve capital yet maintain a healthy dividend as inflation and rates rise in the years ahead.

We have been studying prior dramatic stock market bottoms, like the 68% peak gain the S&P 500 had since this March. Since the early 1800’s there have only been a handful of these dramatic run ups and none of them looked pretty over the following next 12 months. However, there have only been two real “double-dip recessions” and we doubt this will be a third. While our economic forecast continues to be one of slow growth out of this tough recession, we believe that the stock market is ahead of itself and will trade between 9000 and 11000 on the Dow Jones during the first 9 months of 2010. Long/short hedge funds, hedged high-yield funds, option writing and sector rotation are styles we believe will work best in this environment.

The real bargains today are in commercial real estate, and while we do not know if the bottom has been reached, we are able to buy distressed property as low as 40% of replacement costs. The best deals are all cash purchases needing to be closed in 30-45 days, directly from bank’s and insurance company’s troubled-loan departments. Optivest Properties is actively bidding on self-storage properties and has two in escrow. Kindly call us if this is an area of interest to you.

We wish you a Merry Christmas and a profitable 2010!

Mark Van Mourick

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