

GLOBAL INSIGHTS

International Assets Advisory, LLC (IAA) Frothiness

For many of us at IAA a rich frothy latte or cappuccino has become a daily indulgence. But that is where our enjoyment of frothiness ends. We become concerned when we see frothiness, exuberance and even foolhardiness in other parts of life.

Two years ago, many pundits were concerned that the US Real Estate market was suffering from excess "frothiness." Everyday, we were confronted with headlines that warned of the imminent collapse of the housing market. While the housing market may not have collapsed to the extent predicted by the darkest prophets of doom, there is no denying that overall there has been a significant national "correction."

The markets that have experienced the greatest correction and consequently have seen the most damage inflicted on people's personal finances are those that were most frothy. Las Vegas in particular have been amongst the hardest hit. In Clark County, which encompasses Las Vegas, one of every 30 homes began the process towards foreclosure last year.

Today, it seems as though the Dow is reaching new highs almost everyday. International Equity markets have been doing even better. Many forecasters are predicting the same type of correction in the equity markets that we have seen in the housing market. While we believe that the overall market is fundamentally sound, we do not have a crystal ball. Unlike the housing market, there are many ways to help preserve your capital appreciation and reduce your downside risk.

One concept we always discuss (see Feb. 2007 GI) and use is "Asset Allocation." Proper asset allocation is not a set it and forget it strategy. It requires periodic rebalancing to take into account changes in your financial needs or situation. It also takes into account the performance variance between the different allocations. If two years ago your equity allocation was split 50/50 between large and small caps, it is likely that this ratio has changed due to the better performance of large caps stocks during this period. With the World's Markets recent rally, now is the time to pick up the phone and call your IAA Financial Consultant to discuss your asset allocation strategy.

There are other methods that can help preserve capital appreciation and reduce downside risk. When appropriate, the prudent use of these other methods can be an excellent strategy for portfolio protection and return enhancement. Please speak with your IAA Financial Consultant to help you determine if any of these strategies are right for you.

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Investors should consider their investment objectives before investing and the risks, charges, and expenses involved. Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance of any specific investment strategy or product made reference will be profitable or equal the corresponding indicated performance level(s). Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will be either suitable or profitable for a client or prospective client's portfolio. Individuals should contact their own professional tax advisors or other professionals to help answer questions about specific situations or needs prior to taking any action suggested by their Financial Consultant.

