



MARKET UPDATE

S&P Downgrades US Credit Rating

Washington DC spent the month of July debating the debt ceiling and battling over the best methods to address a growing US deficit. Despite the credit agencies' warnings that the US was in danger of losing their AAA rating, politicians ran the debate right up until the August 2nd deadline. As expected, the debt ceiling was increased. However, on August 5th Standard & Poor's announced their downgrade of US debt and lowered the rating to AA+. This downgrade along with slowing economic data and the Euro zone crisis has led to increased levels of market volatility (dramatic swings up and down). This level of volatility has not reached the extreme levels experienced in late 2008 up through early 2009, and is a dramatic change from the sanguine investor sentiment that has been enjoyed over the past few years.

The main driver for the July market downturn was the second quarter GDP figure of 1.3%, which was lower than expected. Even more discouraging was the downward revision to the estimate for the first quarter, a minuscule .45%, or basically flat, and substantially lower than the earlier projected 1.9% figure. Poor GDP numbers along with unemployment holding above 9% gave investors the reasons to push the S&P500 down -2.03% for the month, yet still up for the year at 3.9%. [FYI The S&P500 through Aug 11th is down -9.15% for month so far, and is now down -5.64% year-to-date.] In contrast to stocks declining, alternative investments such as gold and oil did well for the month mainly due to weakening of the US dollar.



Investment Outlook Summary

Asset Class	Outlook	Commentary
Cash / Stable Value	<ul style="list-style-type: none"> – In general, higher than normal levels of cash 	Even though money market rates are basically zero, having investments with high safety and liquidity provides access when opportunities arise, and stability when markets turn volatile.
Bonds / Fixed Income	<ul style="list-style-type: none"> – In general, slight underweight level of bond exposure – Cautious of Treasuries for the long-run – Positive on Treasury Inflation-Protected Securities (TIPS) – <i>Floating rate bonds (removed)</i> – Positive on emerging market bonds 	<p>Many bond mutual funds have enjoyed great gains, along with record inflows from investors during this latest "flight to safety." It may be time to look for fixed income investments outside of the traditional mutual fund.</p> <p>Primarily used for safety, but with yields at historic lows and the risks of future inflation present, treasury owners may not be paid adequately for the potential risk.</p> <p>Essentially, these are treasury notes with an interest rate tied to inflation. Used for safety, but the future interest paid will increase with inflation. <i>TIPs continue to perform well.</i></p> <p><i>We are removing floating rate funds as a category for the time being as the Fed has announced that they will keep rates low well into 2013. Higher rates are no longer expected for quite some time.</i></p> <p>As this asset class develops and matures, there will be great potential for investors over the coming years.</p>
Stocks / Equities	<ul style="list-style-type: none"> – In general, underweight to normal levels of stock exposure – Positive on dividend paying stocks – Utilizing covered call strategies to hedge – Selective of international stocks – Positive on <i>Korea, Brazil, Canada and Australia. Cautious of China</i> – Avoid much of Europe, the U.K., and Japan 	<p>Pullbacks should be seen as an opportunity to increase stock exposure to neutral levels, that is neither underweight nor overweight.</p> <p>Many of the traditional dividend paying companies are more attractively valued than the general stock market.</p> <p>Covered call options strategies can provide extra income to your portfolio while you own stocks.</p> <p>International diversification is still very important to your portfolio, however individual country selection will likely play an increasing role in international stock performance.</p> <p>While the long term opportunities remain with emerging market economies, resource rich countries like Canada and Australia provide the building blocks the world needs in order to grow.</p> <p>Current solutions appear to be a band-aid to a much larger problem inherent in a shared currency. <i>Italy issues have escalated, Portugal is heating up. The European crisis Hangman looks like: PI_G</i></p>
Alternate Assets	<ul style="list-style-type: none"> – Positive on Gold and Silver – Negative on the Euro currency – Positive on energy trusts 	<p>Primarily used as an inflation and currency hedge. The risks of global currency dilution are present.</p> <p><i>Fiscal problems in Europe continue to be on center stage.</i></p> <p>Many energy trusts provide a good dividend source with the potential for capital gains.</p>

Italics denote a change from last month

PAGE 2

Protect Yourself Against Identity Theft

Whether they're snatching your purse, diving into your dumpster, stealing your mail, or hacking into your computer, they're out to get you. Who are they? Identity thieves. Identity thieves can empty your bank account, max out your credit cards, open new accounts in your name, and purchase furniture, cars, and even homes on the basis of your credit history. And what will you get for their efforts? You'll get the headache and expense of cleaning up the mess they leave behind. You may never be able to completely prevent your identity from being stolen, but here are some steps you can take to help protect yourself from becoming a victim.

Check yourself out

It's important to review your credit report periodically. Check to make sure that all the information contained in it is correct, and be on the lookout for any fraudulent activity. You may get your credit report for free once a year. To do so, contact the Annual Credit Report Request Service online at www.annualcreditreport.com or call (877) 322-8228.

If you need to correct any information or dispute any entries, contact the three national credit reporting agencies:

Equifax (800) 685-1111

www.equifax.com

Experian (888) 397-3742

www.experian.com

TransUnion (800) 916-8800

www.transunion.com

Secure / Keep / Shred

Your most important personal identifier is your Social Security number (SSN). Guard it carefully. Never carry your Social Security card with you unless you'll need it. The same goes for other forms of identification (for example, health insurance cards) that display your SSN. Don't have your SSN preprinted on your checks, and don't let merchants write it on your checks. Don't give it out over the phone unless you initiate the call to an organization you trust. Ask the three major credit reporting agencies to truncate it on your credit reports. Try to avoid listing it on employment applications; offer instead to provide it during a job interview.

Carry only the cards and/or checks you'll need for any one trip. And keep a written record of all your account numbers, credit card expiration dates, and the telephone numbers of the customer service and fraud departments in a secure place—at home.

When you make a purchase with a credit or debit card, you're given a receipt. Don't throw it away or leave it behind; it may contain your credit or debit card number.

When you toss it, shred it. Before you throw out any financial records such as credit or debit card receipts and statements, cancelled checks, or even offers for credit you receive in the mail, shred the documents, preferably with a cross-cut shredder.

Keep a low profile

The more your personal information is available to others, the more likely you are to be victimized by identity theft. While you don't need to become a hermit in a cave, there are steps you can take to help minimize your exposure:

- To stop telephone calls from national telemarketers, list your telephone number with the Federal Trade Commission's National Do Not Call

Registry by calling (888) 382-1222 or registering online at www.donotcall.gov

- To remove your name from most national mailing and e-mailing lists, as well as most telemarketing lists, write the Direct Marketing Association at 1120 Avenue of the Americas, New York, NY 10036-6700, or register online at www.dmchoice.org

- To remove your name from marketing lists prepared by the three national consumer reporting agencies, call (888) 567-8688 or register online at www.optoutprescreen.com

- When given the opportunity to do so by your bank, investment firm, insurance company, and credit card companies, opt out of allowing them to share your financial information with other organizations

Take a byte out of crime

Whatever else you may want your computer to do, you don't want it to inadvertently reveal your personal information to others. Take steps to help assure that this won't happen.

Install a firewall to prevent hackers from obtaining information from your hard drive or hijacking your computer to use it for committing other crimes. This is especially important if you use a high-speed connection that leaves you continuously connected to the Internet. Moreover, install virus protection software and update it on a regular basis.

Try to avoid storing personal and financial information on a laptop; if it's stolen, the thief may obtain more than your computer. If you must store such information on your laptop, make things as difficult as possible for a thief by protecting these files with a strong password—one that's six to eight characters long, and that contains letters (upper and lower case), numbers, and symbols.

"If a stranger calls, don't answer." Opening e-mails from people you don't know, especially if you download attached files or click on hyperlinks within the message, can expose you to viruses, infect your computer with "spyware" that captures information by recording your keystrokes, or lead you to "spoofs" (websites that replicate legitimate business sites) designed to trick you into revealing personal information that can be used to steal your identity.

If you wish to visit a business's legitimate website, use your stored bookmark or type the URL address directly into the browser. If you provide personal or financial information about yourself over the Internet, do so only at secure websites; to determine if a site is secure, look for a URL that begins with "https" (instead of "http") or a lock icon on the browser's status bar.

And when it comes time to upgrade to a new computer, remove all your personal information from the old one before you dispose of it. Using the "delete" function isn't sufficient to do the job; overwrite the hard drive by using a "wipe" utility program. The minimal cost of investing in this software may save you from being wiped out later by an identity thief.

Be diligent

As the grizzled duty sergeant used to say on a televised police drama, "Be careful out there." The identity you save may be your own.

-Prepared by Forefield Inc. Copyright 2011

SDW's TAKE

We at SDW personally utilize the www.annualcreditreport.com website annually. Each of the 3 agencies charge around \$9.95 to receive an actual credit "score," but this is a small price to pay to track your credit.

-Forefield Inc. is not affiliated with SCHWARZ DYGOS WHEELER INVESTMENT ADVISORS LLC.

-Forefield Inc. does not provide legal, tax, or investment advice. All content provided by Forefield is protected by copyright. Forefield is not responsible for any modification made to its materials, or for the accuracy of information provided by other sources.

This newsletter is a publication of SCHWARZ DYGOS WHEELER INVESTMENT ADVISORS LLC. It should not be regarded as a complete analysis of the subjects discussed. All expressions of opinion reflect the judgment of the authors as of the date of publication and are subject to change. Information presented does not involve the rendering of personalized investment advice nor should be construed as a solicitation to buy or sell the securities mentioned herein. SCHWARZ DYGOS WHEELER INVESTMENT ADVISORS LLC is registered as an independent investment advisor with the SEC. The firm only transacts business in states where it is properly registered, or excluded or exempt from registration requirements.