

First Quarter 2011

The Data-Driven Investor

If the old adage that a bull market climbs a wall of worry continues to hold true, then we ought to strap in as the stock market surely must have quite a future. It's hard to remember when there were so many social, economic and financial landmines out there, threatening it seems, everything.

The Middle East, erupting with revolutionary fervor against embattled dictators and ruling royal families, is sending the price of oil and gasoline once again skyward as traders and hedgers attempt to lock in current prices for future supplies. Japan continues to deal with the terrible effects of the recent earthquake, tsunami, and nuclear power plant meltdown; that momentarily sent the price of oil plunging as fears of the economic consequences of this disaster took hold.

Additionally, the global credit and debt bubbles continue to deflate. While it may seem that the fiscal shenanigans which led to the financial crisis of 2008 are no longer a concern, the fact is, the mountain of debt built up during the 30-year debt binge which sparked that collapse has now moved from consumers and banks to sovereign governments. And it gets even better, if you can believe that! Here in the U.S., politicians in Washington have piled on some \$6 trillion dollars of *additional debt* in the last three years, bringing our reported total national debt to \$14 trillion, *before* the embedded costs of the Social Security, Medicare and Obamacare entitlements are factored in. And to add further and final insult to injury, our current deficit of \$1.6 trillion dollars per year simply adds to that debt total each and every year. And on, and on...

But, as exhausting as daily news events have been, we do *not* make our investment allocation decisions based on the morning news headlines or predictions of the future. We are *data-driven investors*. We make our investment allocation decisions based on an objective, non-emotional reading of our *BCM Stock Market Risk Model*.

While this model does not attempt to forecast the future (what a real bonanza that would be if you could do that correctly and consistently), it does attempt to keep us on the right side of the major trend, short-term bumps notwithstanding. Our model, coupled with diversified, globally-oriented portfolios gives us what we believe is a material edge navigating the turbulent financial markets.

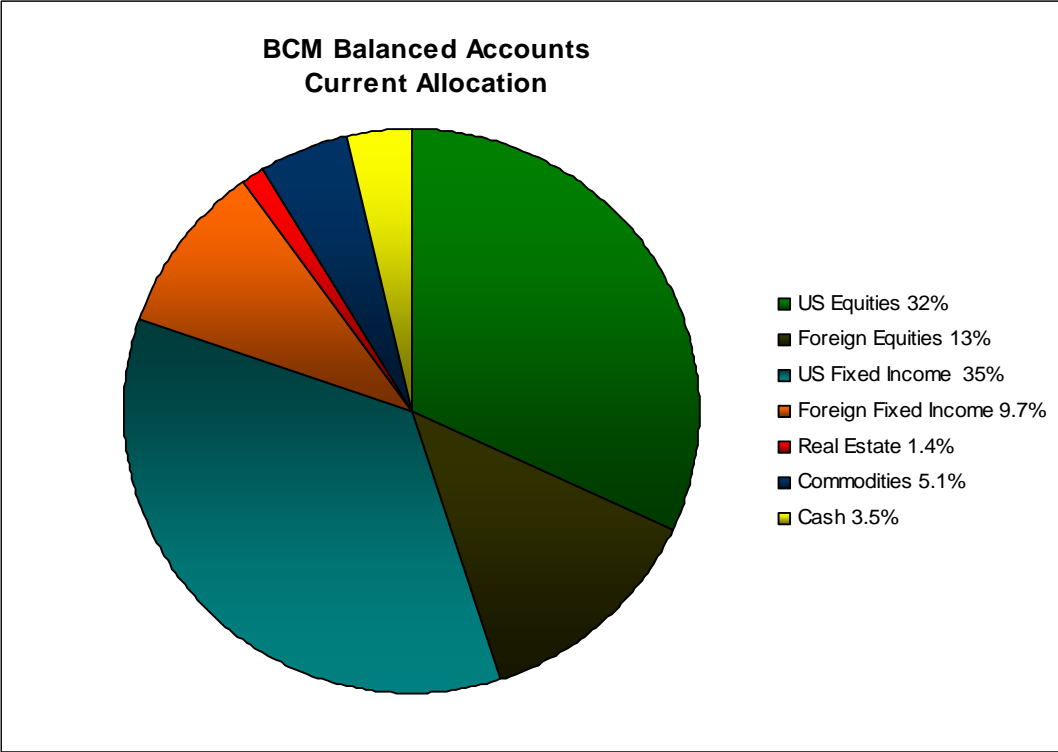
Quoting from our investment goals (as found on the home page of the BCM website billeaudcapital.com) -

“We design and implement globally-diversified investment portfolios across markets, countries and investment categories – coupled with BCM’s active risk management. Our objective is to construct investment portfolios that achieve above average, positive returns over a complete market cycle. [We attempt to accomplish this objective by realizing competitive results in extended strong markets and relative out performance in difficult markets”.](#)

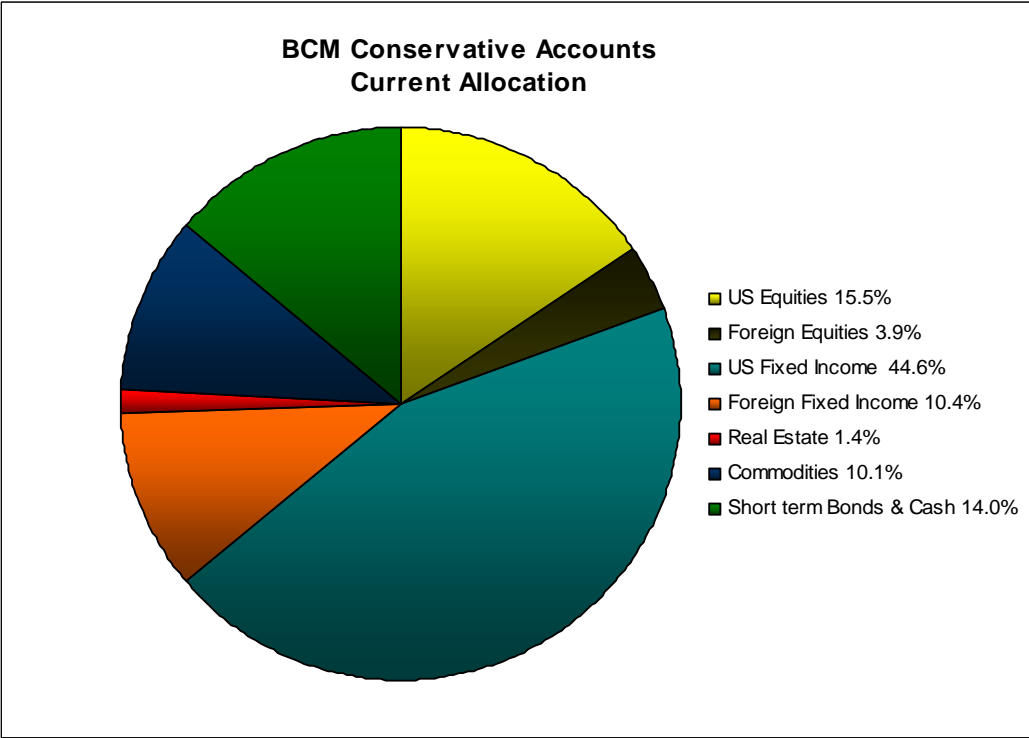
Current Allocations and Market Outlook

At this time, our BCM Stock Market Risk Model continues to register a favorable outlook for risk assets such as stocks. As such, all BCM accounts are allocated so as to benefit from a broad array of asset-class market gains, should that in fact continue to occur (as a matter of clarification, we will from time to time be referring to our three standard investment portfolios as Conservative, Balanced and Growth).

Commensurate with the favorable outlook still registered by our Model, BCM Balanced accounts hold roughly a 47% allocation towards stocks, a 44% allocation towards bonds with the remaining 9% of the portfolio being held in real estate, gold, natural resources and cash.



BCM Conservative accounts hold roughly a 20% allocation towards stocks, a 55% allocation towards bonds with the remaining 25% of the portfolio being held in real estate, gold, natural resources, short-term government bonds, and cash.



Exhaustively examined and tested...

These allocations have been exhaustively examined, tested and engineered in conjunction with the readings of our Model. Adhering to them, we believe, affords us our best chance of meeting our long-term investment objectives. We will hold fast to these allocations until our Model directs us to change.

As always, please let us know if any personal circumstances have changed that might necessitate a change in your investment strategy, or if you have any specific questions about how your account is managed. Thank you so much for your continued trust and confidence.

Housekeeping note: Recently, the SEC directed all Registered Investment Advisors to rewrite in plain English (instead of "SEC-ese") the SEC's ADV Form Part II (registration and disclosure document). Enclosed for your records is that rewrite. Enjoy.

The facts and statements here have been obtained or derived from original or recognized statistical sources which we believe to be reliable. Past performance does not guarantee future results. This letter is intended as an informational update for BCM clients. It is not intended to offer specific investment advice to anyone. Current BCM opinions as stated in the above text are subject to change at any time. Information included herein should not be construed as the receipt of, or a substitute for, personalized investment advice. A copy of our current written disclosure statement discussing our business operations, services, and fees is available upon written request.