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**August 26, 2010**

**TCI Summer  
Webinar**

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'TCI Events'.



**TCI WEALTH  
ADVISORS, INC.**

## **The Active Search for Passive**

Trisa M. Summers, CFP®

Those of us who make our livelihood in the financial industry often find ourselves at the mercy of things outside of our control, just like the clients we are hired to serve. As we have seen over the last few months and years, the market can help us reap great rewards or cause us great pain. When things in the market are going well, it seems that our peace of mind as advisors should follow suit. In reality, however, that is rarely the case. Certainly the fact that our clients are experiencing a lower stress level helps us to be thinking proactively instead of reactively, but such proactive thinking often leads to more questions than answers. What else is out there in the investment universe that might help our clients reach their goals better, faster, more efficiently?

Just because we believe in a passive investment approach does not mean that we have stopped looking at and exploring other investment options that can work within our investment strategy in order to more effectively help our clients to reach their goals. The unfortunate reality is that in our business, it seems there is always a new, exciting investment strategy that gets the attention of the media and thereby catapults it to center stage. All of that noise can sometimes make it hard to ascertain what is 'real investing' versus what makes a good story. This does not necessarily just apply to new investment vehicles, as instruments that have existed for some time

can just as easily become a favorite for a given time period because of certain short term market conditions. Gold, commodities, private equity, hedge funds, TIPS and ETFs have all received a lot of attention over the last few years and we have, or continue to, research each one at TCI through our investment committee process. We look at them not only in response to client questions but also because, if we identify something that potentially benefits the overall portfolio makeup, we want to be sure that we find the best way to integrate it at the lowest cost possible.

We often find ourselves facing a situation where an investment provides a potential benefit, as in the case of some hedging strategies we have explored which aim to try and limit the downside risk in client's portfolios. The concept of using an investment that allows us to potentially limit the downside for clients is certainly one that we would be interested in. The problem arises when we address our other criteria for including an investment in our client's portfolios. One of those criteria is the cost of the investment to our client's and although hedging the downside has benefit, the cost of the hedging vehicle we have analyzed thus far still create an overall adverse impact to our clients. It is a delicate balance to strike and one we are always working on internally on behalf of our client base.

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Gold is certainly an investment that goes in and out of favor based on market conditions and in the present term, gold futures have reached their all time high level since they began to be traded in the 1970's. Much of this is prompted by fear of future inflation as well as the uncertainty surrounding the weakening Euro. Our role at TCI, is not to add gold to our client's holdings as a bet against what will happen in the future but rather to look at what we know about gold as an investment and analyze if there is any long term potential benefit to owning it. Historically, there are definitely time frames where it has outperformed but if we use the same methods for gold as we do for all other asset classes, we assess and look at the total dataset available to us. We do this so as not to skew the results by choosing particular time periods, and what we find is that gold underperforms equities and is much more volatile as well.

Commodities went through much the same vetting process with our investment committee and despite the fact that they have gotten a lot of attention from the financial media in recent years, there is still no compelling data to show that they benefit a client's portfolio and in fact if you were to consider 2008, they actually increased the volatility that a portfolio would have experienced had they been incorporated. TIPS is another interesting option because it certainly 'guarantees' to protect against inflation but as we have looked at the way that TIPS function, they actually best protect against hyperinflation. That is because by investing in them, you are willing to give up yield in the present in exchange for protection against rampant inflation in the future.

Historically, just by keeping your fixed income allocation short term, and good quality, you will keep up with whatever inflation rate is being realized. The only difference becomes one of timing because inflation may peak before your short term fixed income realizes those rates but, in the past, the yields have caught up over time and the end result from a return standpoint has been almost exactly the same.

Those are just a few examples of the types of things we at TCI are constantly discussing, investigating and analyzing. Our most important role when working with our clients is to provide peace of mind and prevent clients from using emotion to make their financial decision. Our most important role when applying our investment strategy is to ensure that we have considered the universe of possibilities, analyzed them objectively and integrated them only when we can determine a benefit to our clients and their investment experience. We sometimes don't get the opportunity to communicate what we are doing behind the scenes in our role as a fiduciary on our client's behalf, but it is so important to know that we are always looking for new, proven ways to improve the level of service and investment strategy that we provide to you.



*Trisa Summers, CFP® has served in many different roles during her 11 years in the investment advisory business. Now as an advisor, she feels fortunate to work alongside her clients to help them achieve their financial goals*

## Employee Spotlight: Dawnette Sweet



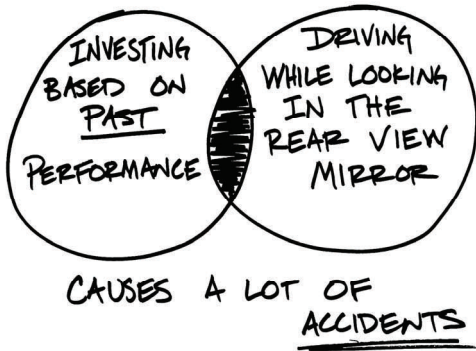
This quarter we will be spotlighting Dawnette Sweet who works in the Reno office of TCI. Dawnette joined TCI in July of 2001 and has worn many different hats during her time with the company. Currently she works as the lead associate for many of TCI's clients. She is responsible for being the frontline for questions, requests and concerns that come in from clients and assists them in getting what they need. This interaction directly with the clients is Dawnette's favorite part of her job at TCI, and she really invests her time and energy into delivering an excellent level of service to them.

Dawnette was born in Fortuna, California and still has many friends and family in the Northern California area that she enjoys visiting. She has been in Reno for 9 years and has really embraced Nevada Wolf Pack athletics as a favorite pastime. She has two daughters, Kylie (23) who is a student at UNR and also works at TCI as an associate, and Katie (21) who is a hairdresser/cosmetologist in Reno.

Dawnette enjoys spending time with her friends and family, traveling to Mexico and also is an avid runner. In January of this year, she completed her first full marathon at the Phoenix Rock n' Roll event, with many other TCI participants and supporters to cheer her on.

# Rearview Mirror Investing

By Carl Richards, NY Times Blog Contributor



Whenever a mutual fund advertises performance, the SEC (Securities and Exchange Commission) requires that they include the disclaimer that "past performance does not guarantee future results."

A new study by researchers at Arizona State University (ASU) and Wake Forest Law School suggests that this warning is not enough. They recommend something a bit stronger like:

"Do not expect the fund's quoted past performance to continue in the future. Studies show that mutual funds that have outperformed their peers in the past generally do not outperform them in the future. Strong past performance is often a matter of chance."

Despite the warning from the SEC and pretty conclusive evidence that past performance has very little predictive value, most of us still use performance as the predominate factor in choosing our investments.

This is one of those times where our experience in almost every other area of life works against us when investing. If you're going to hire a contractor to remodel your home, one of the first things you do is look at other houses they've done. It seems reasonable to expect that the work they do on your house will be at least as good, if not better. If you're going to hire a new

basketball coach, you'd want to hire someone with a "proven track record" of winning. Again, it would be reasonable to expect that to continue.

But, when it comes to mutual funds, we have to realize that the past has virtually no predictive value. People have spent years and tons of money looking for a way to identify mutual funds that will do well in the future. They have looked at almost every factor you can think of: education, experience, hair color, management style, and of course, past performance. The only factor anyone has found with any predictive value was the internal costs of the fund. This is the brutal reality of arithmetic: the higher the costs, the worse the performance. It's a rare case of getting what you don't pay for.

Despite all the evidence to the contrary, we are still tempted to scour the annual list of the "ten hot funds to own now" (all based on past performance), looking for a place to put our life savings, looking in the rearview mirror for signs of what's coming in the future.

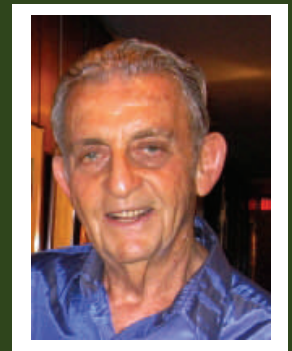
That just doesn't work, and like the researchers at ASU said:

"Strong past performance is often a matter of chance."

So consider this an opportunity to forget about the constant search for the best investment based on the past and accept the reality that finding the next Peter Lynch (beforehand) is almost impossible. Even if you did, it only takes one behavioral mistake to blow it all anyway. Instead, take all that time and energy and focus on what will make a difference: having a plan that reflects YOUR goals and uses efficient investment vehicles to get you there.

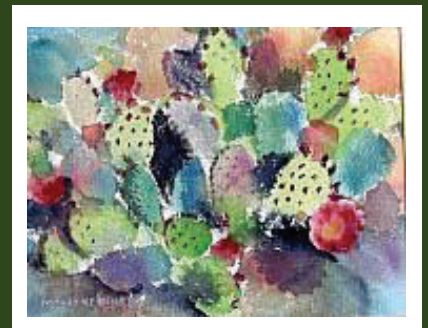
## TCI Hosts Local Artist Exhibit in Tucson

The latest installment in TCI's ongoing art exhibits is now on display. The most recent show features works from local artist Murray Keshner. The exhibit will be on display through the middle of September 2010. The public is welcome to visit the exhibit Monday through Friday from 3:00—4:00 pm. TCI will be hosting a reception for Murray's show on August 26, 2010 from 4:30—6:30 at the TCI office, located at 4011 E. Sunrise Drive.



Artist Murray Keshner

Murray believes that a work of art is a creative process that unfolds in a natural manner. As he paints, he trusts his instincts, so that the final results are as loose as possible. When teaching art to his students, he reminds them "When you paint, you are the creator. You can move mountains and reshape the world to your vision."



Joan-Ann's Prickly Pear



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