Lund Financial Group

Your dreams & ambitions; our coordinated strategies...executed

August 2, 2010

Dear Client,

We hope that you are enjoying the warm days of summer and spending some time with family and friends. Over the first half of this year the U.S. Economy has slowly improved and strengthened, but not without some continued fears. March marked the one anniversary of last year's U.S. stock market's bottom in 2009. As painful as that period was for most investors, it was also the beginning of the end of the worst we had seen. During 2010 the Dow and S&P 500 have climbed higher, then only to slide back and then higher once again as of the writing of this letter. In percent terms the S&P 500 has risen as much as 7.5% since January 1st, and has declined as much as 9.8% during this year, currently down 1.3% year to date. Headlining much of this year has been positive corporate profit news, offset by overall negative economic news including lackluster job creation, concern over the European National debt crises, and fallout from the Gulf Oil spill.

Where are we headed next?

The path ahead does not appear easy. As stated above the markets have been choppy this year and this trend may likely continue without some more positive economic developments. Economists and financial experts do not often agree, but there is a general consensus that there are some forks in the road as it relates to the economy, inflation and the financial markets. Economically do we see a continued slow recovery, or a double dip recession? Heavily burdened consumers, fading Federal stimulus and tight lending conditions to small businesses are factors leading to a double dip recession. On the other hand, increased worker production and a dramatic improvement in the balance sheets of Corporations over the past two years favor an improving economy. The outlook will likely be unclear for some time however. One additional factor in this equation is that consumer confidence remains low and investor's frame of mind and emotions are often key factors in a recovery.

Predicting inflation has been another challenge for prognosticators. Massive worldwide stimulus was initially thought by many to indicate a surge in inflation going back at least a year ago. However from a positive perspective, it has not materialized. In reality, much of the Federal stimulus has not reached down to the consumer or small business level as large banks have held onto the cash rather than lending it out into the economy. In the same way the stock markets face a similar fork in the road. The economic, valuation and sentiment indicators are not pointing towards a strong recovery. Short-term corporate earnings expectations are very positive however, while the longer-term earnings expectations are near 15 year lows. Add to this mix, that over the last 18 months interest rates and thus borrowing costs for those that can qualify remain at all time lows for both individuals and businesses.

Over the remainder of this year we will learn more about the directions of our economy and the markets. We will also become more educated about this year's passage of both Healthcare and Financial Reform Bills. Lastly we find out more about the expected increases in income tax rates and estate taxes for 2011. Each of these is expected to have an impact on the economy and us as individuals.

We are aware of the frustration and vulnerability felt by most investors during these uncertain times. We will continue to work with you to provide the best possible planning and financial solutions to your situation. We encourage you to communicate with us your financial as well as life planning needs as we strive to communicate with you regarding the issues that can and will affect you and your financial independence. We are always available to discuss any issue that is important to you, including how today's environment affects your plans for the future.

Sincerely,

Christopher A. Lund, MBA, CFP®
President

P.S. We consider the recommendation of others to our firm the highest compliment we could ever receive. If you know someone who would benefit in working with an experience financial advisor, please let us know.

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