



## 2010 Year End - Portfolio Summary

### **An Impressive year for Small Companies**

The year 2010 ended with many financial markets being up substantially. The investment asset classes that we prefer, small companies and a healthy mix of International equities, were among the biggest winners of the year. It wasn't easy, as evidenced by the equally strong performance of the "Fear" assets: Gold, and US Government bonds.

It was a particularly good year for US small cap stocks. As has happened in nearly all market recoveries, small company stock prices rebounded more than large companies. One favorite index of US small cap stocks is the Russell 2000, which jumped 26.8%. For US Large Cap stocks, the S&P 500 gained 12.8%, and the Dow Industrials rose 11.0%. Our advice to tilt portfolios to small caps provided a nice boost to client returns in 2010.

### **A great year for investors in DFA funds (Dimensional Fund Advisors)**

The hallmark of the DFA investment philosophy is to be broadly invested in small companies, tilting to value stock prices, and staying within the fund's asset class objective. They excel at this strategy, and outgained their index benchmarks. DFA US Small Cap fund gained 30.7% versus the Russell 2000 gain of 26.8%. For value oriented funds, the DFA US Targeted Value also performed well, gaining 29.0%.

Internationally, the DFA International Small Cap fund gained 23.9%, providing both excellent returns and portfolio diversification. (MSCI EAFE Intl Small Cap gained 22.0%)

DFA does not market or advertise its funds, yet it is now the 10<sup>th</sup> largest provider of Equity funds, ahead of many household names such as JP Morgan, and John Hancock Funds. Because of the strong results, we have seen a steady stream of investors inquiring about DFA. You have already benefited by owning their funds. We expect the DFA equity strategy to continue being exceptional for long-term investors.

(Disclosure note: Resolute Financial receives nothing for being authorized as a DFA funds advisor; we are strictly fee-only).

We are looking forward to meeting with you in 2011.  
Best wishes for a Happy New Year!

Bob, Tom, and Chuck