

Oakwood Outlook

& Quarterly Review

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A WORD FROM THE ADVISOR

To Oz and Back

Here in Tinsel Town, we're known for manufacturing appealing fairy tales like MGM's enduring 1939 cinema classic, "The Wizard of Oz." In this iconic film, four travelers traverse a golden path, each in pursuit of a personal objective. Arms linked in camaraderie, the lion, scarecrow, tin man, and a girl in ruby-red slippers ramble through a vast Technicolor maze. All are seeking opportunities "somewhere over the rainbow."

And yet, the movie's murkier and more disturbing moments reveal a road that is anything but a straight shot. Strewn with obstacles and challenges, it twists and it turns. It requires grit and determination for the babes-in-the-woods to reach their goal on an increasingly harrowing journey.

Back to reality, the U.S. stock market's five-year bull run lulled, transfixed, and even mesmerized some investors into believing that what goes up ... will continue to go up. Who has not been tempted by such a fantasy? Recent market behavior (one-hundred-point upward lurch one day; two-hundred-point downward jolt the next) serves as a not-so-subtle reminder that twists and turns are not only a part of the Yellow Brick Road; they are inevitable in investment reality as well.

Skip the Popcorn ...

Because we all know that our heroine reaches her goal in the end. Indeed Dorothy comes full circle, realizing, while still in glittering Oz, that "there's no place like

home." The film suggests that we all have tremendous inner resources and capabilities to help us achieve our personal goals. That's why, in times of market turbulence, we poignantly draw upon Dorothy's insight to advise clients to stay the general course. Allow us to quote from last quarter's *Oakwood Outlook*:

Investor, Know Thyself!

Investors often exhibit behavior biases that can lead to poor investment decisions. You have learned that overconfidence, self-attribution, mental accounting, searching for patterns, hindsight, regret, and fear are cognitive biases and emotions that Oakwood Capital Management has helped you overcome in order to promote both your wealth and well being!

And remember that it's a long and winding road ... with the way ahead not always clear. The path is fraught with obstacles and challenges. Investors who remain rational and patient and who have at least a five-year time horizon will benefit most from Oakwood's conservative style of equity management.

Brainy Scarecrow

We see investors stumble all the time, in ways large and small, along their investment pathway. They hesitate, they second guess, and they fall prey to their emotions. One major benefit of working with a manager like Oakwood is that we insulate clients from emotional in-



vesting. This is smart thinking. And because we share a mutual interest in making your money grow, you have in us a solid, interested partner. We are not paid per transaction; therefore our decisions are truly objective, with no conflict of interest. This also makes good sense. In short we are able scarecrows—brainworkers armed with the experience and knowledge to speed and protect you on your journey.

Remember that Oakwood adheres to a wealth management approach that creates properly structured portfolios that are periodically fine-tuned or rebalanced, with diversification of risk along different asset classes.

Here's a perfect example of the need to diversify by asset class: The top-performing asset class for the 1st quarter of 2008 was the Dow Jones Wilshire REIT Index of US real estate investment trusts which was up +2.14%. In the current real estate downturn, few would have expected this to be the case. We believe that our clients should not be trying to second-guess which asset class will outperform in a given year. This belief grounds us in our dedication to creating well-structured, diversified portfolios with exposure to many asset classes.

Big-hearted Tin Man

Our value proposition as a firm: we free you and your family to enjoy the wealth you have created and to live life fully, secure in the knowledge that your investment manager is moving your assets in the right direction. The value we impart is the confidence that your best financial interest is being actively pursued and managed. Indeed our entire aim is to liberate you from the daily anxiety of monitoring financial markets.

Our foundation in taking you, as our client, safely on this adventure rests on our ability to listen carefully and understand real human beings and their families—their values, goals, relationships, assets, advisors, processes, and interests. The ensuing dialogue illuminates financial objectives and clarifies the risk you are willing to tolerate in order to achieve your goals. We then know how to properly structure your portfolio and diversify assets in order to withstand difficult periods like now.

On your side, you should stay focused on who you are, and where you want and need to be.

Courageous Lion

After decades of wealth management experience, we note that discipline and bravely staying the course while making modest adjustments along the way will get you there. You cannot overestimate the positive effect that time brings to bear on a well-diversified, periodically rebalanced portfolio.

Because, frankly, we've all been through this before, haven't we? We've all lived through many market adjustments in recent decades. You are reasonably asking us how severe the fallout will be. Our no-less-reasonable response is that no one knows, short term. Yes, markets are challenging—sub-prime mortgage debt, the weak dollar, and the impending election. It's our job to get you through all the noise. By making rational adjustments en route, we can endure modest losses, certainly with some pain, while effectively positioning ourselves to re-emerge into a more robust market. And, remember: risk will be rewarded.

Self-possessed Young Woman

When Dorothy rambunctiously heads “off to see the Wizard” she has no idea that her journey will point her right back to where she began—only as a richer, more experienced, and savvier young woman. She ventures on her time-and-space travel without the necessary knowledge or tools to reach the finish line. While advancing down the road, she encounters detours, false alarms, missteps, and bad advice till she gets back on track. As Dorothy ultimately learns that reaching the Wizard is all about getting back to yourself, her story is a triumph. We at Oakwood are ready to guide you on this journey ... despite the twists and turns. Your patience will be rewarded. ■