



# The Quarterly Report

A strong fourth quarter rally, punctuated by a December sprint, turned an okay year for stocks into a very good one. The large-cap Vanguard 500 Index gained nearly 11% for the quarter, and ended 2010 up 15%. Foreign stocks also had a good year though restrained by concerns over Greece's fiscal problems earlier in the year and Ireland's later in the year. The Vanguard Total International Stock Index nevertheless gained a healthy 7% in the fourth quarter and 11% for the year.

Turning to fixed income, the Vanguard Total Bond Market Index Fund, a proxy for high-quality intermediate-term bonds, finished the year with a gain of just over 6%.

Our ability to do the best job we can for you is partly dependent on your confidence because it allows us to make long-term investment decisions with the expectation that you will have the patience for those decisions to play out. Your confidence should be based not just on the quality of our ongoing analysis, but equally on the strength and clarity of our entire investment approach, starting with our fundamental beliefs and including our investment process and ability to execute it in managing your portfolio.

So far our macro concerns over the last two-plus years are roughly playing out. However, stock returns have

## Celebrating Over 25 Years of providing financial advice to the Hampton Roads community.

been stronger than we thought was likely. Our ongoing expression of concern may lead one to feel we are too cautious and perhaps not capturing the returns we should. As it turns out, despite being underweighted to stocks we have done quite well over the past two years as our tactical moves into asset classes such as high-yield and emerging-markets local-currency bonds, our use of flexible fixed-income funds, and the performance of our active managers have, collectively, added significant value.

Overall, we're pleased with the past two years' performance, especially coming off of a terrible 2008. Looking ahead to next year, we continue to believe the range of possible outcomes is wide. Europe may muddle through, China could manage its inflation problem, the U.S. economy could accelerate while inflation stays low, and the Fed could stay accommodative. With close to \$3 trillion in money market funds earning close to nothing, investors may take on more risk and drive stocks higher around the world. So 2011 could be a good year. On the other hand, weak economic

recoveries and a dangerous debt overhang could mean that 2011 could be a tough year, vulnerable to shocks.

We are not confident that we can precisely predict what next year will bring, but our investment approach does not require us to have an answer for the next year. As always we fall back on our scenario analysis to understand the possible range of outcomes over longer periods so we can gauge risk and reward. Our analysis covers time frames that are likely to reward us for getting the fundamentals mostly right; understanding that our clients have investment needs that last far beyond one year. With that guidance we remain cautious as we do not view equities, broadly speaking, as offering potential returns commensurate with the risks as we assess them.

As we said last year, if risk-taking takes hold for a while, our balanced portfolios could well underperform. However, we continue to be confident in our positioning over our multiyear time frame, and ready to take advantage of tactical opportunities to add to our risk exposures should fear reassert itself in the markets. ~ RWT ~

Returns of Major Indexes (preliminary data)	4th Qtr. 2010	12 Months
Vanguard Total Bond Market Index	-1.35%	6.42%
Vanguard 500 Index	10.71%	14.91%
iShares Russell 2000 Index	16.22%	26.76%
Vanguard Total International Stock Index	7.11%	11.12%



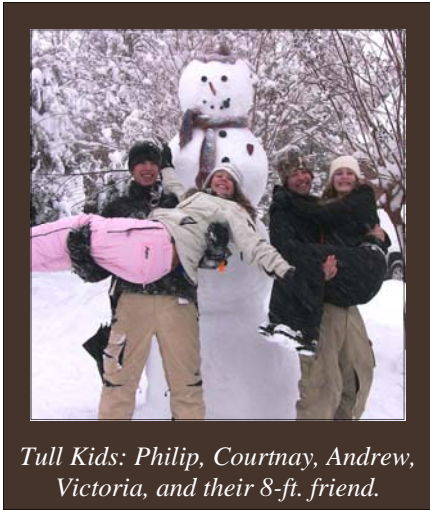
## Welcome to 2011!

We hope you have all had a wonderful Christmas and New Year. You may have noticed by the photo to the right that our TFG family has grown. That's right...we have added two new employees and they have been instrumental in getting our 2011 off to a great start! Many of you may have already met or spoken with **Amy Pucci**, our new Office Manager and Client Relations Associate. Amy joined TFG back in November and we are thrilled to have her. Already armed with a background in the financial planning industry, Amy adds her strong leadership and organizational skills to keep our office running smoothly. And with her bright smile and calming personality, she is a definite asset to our front desk as she meets and greets clients.



L to R: Mikki, Kirstin, Terry, Robin, Seth, and Amy

**Seth Stone** also joined us last November as our Intern. Currently an MBA student at Regent University, Seth arrived at TFG with six years of experience already under his belt in the investment management industry. Assisting us with several projects, Seth has been significant in helping us become even more efficient in serving our clients. On top of all this he is also a Graduate Assistant at the Regent School of Global Leadership. It's no wonder then that Seth headed for his home in Albany, NY, as soon as his schedule allowed for a well-deserved break: *"I cracked my windshield twice driving the nine hours up to New York, but it was well worth it to spend some much needed time with my family."* And although we missed him at our annual office Christmas celebration, the rest of the TFG staff soon followed his lead and enjoyed some extended holiday time with their families as well.



Tull Kids: Philip, Courtney, Andrew, Victoria, and their 8-ft. friend.

If any of you were in Hampton Roads for Christmas, then you'll know all about the massive snow storm that blanketed our world in white and, at the Tull house, gave birth to a massive eight-foot snowman. *"Watching my four 'grown' kids building a snowman together was probably the highlight of my Christmas,"* says Robin. And given that his hopes for the new year include *"taking the time to focus more on relationships and being thankful for each day's blessings,"* it sounds like Robin already had a head-start.

Over on I-95, Terry wasn't quite as moved by the heavy snowfall. In fact, she barely moved at all as she and her husband, Kevin, sat for hours in interstate traffic on their way home to Virginia from Ohio. But thankfully before that, she spent some very memorable days visiting with her extended family, especially when hit by an earth-shattering announcement from her three-year old granddaughter: *"We were grandly informed that we are to call her 'Bella-Rooskie' from now on,"* says Terry, *"because she doesn't like her given name anymore (Izabella Lee Crawford). I still can't stop laughing about it."*

Over in Williamsburg, Amy was equally delighted by her twenty month-old grandson. *"Seeing his little face Christmas morning when he saw the John Deere riding lawn tractor that Santa left him...he decided he did not need any other presents after that. It took hours to get him to open the rest of his gifts!"*

Kirstin once again moseyed over to Texas to spend Christmas, New Year's, and her birthday with her family. Understandably, she was loaded down with some great gifts: *"My family really blessed me...I got gift cards, house wares, great books. Dad once again gave me a couple of his hats, so you may see me around town sometime sporting a nice Bavarian feathered hat."* Oh, how we hope she will arrive at the office in a feathered fedora!

Meanwhile back in Virginia, Mikki played board games for the first time in years with her family. *"I was determined to overthrow my Mother as the reigning Scrabble queen, but instead I was soundly beaten...and quite humbled."* But that does not mean it was a bad experience. *"It turns out that it's extremely entertaining to try and play the word-guess game Taboo with people who speak English as a second language. We could barely get through the game due to the constant, tear-inducing laughter."*

We hope you also had a chance to create lasting memories of your own this holiday season. We'd love to hear about them, especially if they may affect your financial planning needs—a new house, a new job, a new baby—please feel free to share with us and keep us up to date. And as always, feel free to contact our office with any questions or concerns you may have. May you have a blessed and prosperous new year!

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