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A Newsletter for EQ Clients

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investments

Alternative Investments Are the **New Mainstream**

By Andrew Rogers - Excerpted article from financialadvisormagazine.com - June 18, 2009
To read the full article please go to www.financialadvisormagazine.com

We've all heard that it was impossible for anyone to make money in 2008. Apparently, no one told this to the investment managers of Harvard University's endowment. They notched strong returns last year to the tune of 8.6%.

We've all heard that it was impossible for anyone to make money in 2008. Every asset class suffered terrible losses and there was nothing financial advisors could have done to cushion clients' portfolios. Apparently, no one told this to the investment managers of Harvard University's endowment. They notched strong returns last year to the tune of 8.6%.

How is this possible? For a long time, Harvard's endowment managers have known what the rest of us are truly beginning to realize: Alternative investments make for good strategy.

In recent years, alternative invest-

ments such as commodities, hedging strategies and currencies have become increasingly popular. The innovation of alternative mutual funds and exchange traded funds has especially made these types of investments more accessible for financial advisors. Yet as their name suggests, until now alternative investments haven't been core holdings for most retail investors. It's only with the disastrous performance of just about every equity mutual fund in 2008 that we've seen how outdated the traditional asset allocation methods are. In other words, the new market reality is now. And it means that the old "style boxes" are dead.

About \$1.8 trillion was in the alternative investment market as of the end of 2008 and this number will likely go up, according to Cerulli Associates. "The current market correction has acted as a catalyst, placing portfolio construction at the forefront of advisor focus," according to a Cerulli report released in April.

"The style-box approach had already lost some of its luster among advisors following the last bear market. At the end of 2008, nearly one-third of mutual fund assets were in funds that do not fit into style boxes, compared with less than one-quarter of assets in 2000," according to Cindy Zarker, director and lead author of that report, entitled, *Alternative Investments in the Retail Marketplace: Evaluating Opportunities and Growth*.

The severity of today's ongoing bear market means more financial advisors are rethinking the conventional wisdom. As risky as new approaches often appear at their outset, it's clear that investors also take a risk by relying on the old buy-and-hold approaches and believing that "diversification" just

What Does Alternative Investment Mean?

An investment that is not one of the three traditional asset types (stocks, bonds and cash). Most alternative investment assets are held by institutional investors or accredited, high-net-worth individuals. Alternative investments include hedge funds, managed futures, real estate, commodities and derivatives contracts.

Learn about the Alternative Investment products available through EQlibrium Investments by calling 1.800.341.2805

Alternative Investments - Continued

means owning different sizes and types of stocks and bonds.

What does this mean for advisors going forward? It means that when we look back years from now, one of the big lessons of 2008 is that diversification has to mean more than large-cap and small-cap, value and growth, technology and consumer staples. Consider that investors who had a 401(k) with Fidelity Investments, the largest U.S. retirement plan administrator, saw their retirement savings plummet 27% last year. The average balance fell \$19,000.

Even investors in “conservative” allocation mutual funds lost money. Target-date mutual funds designed for people retired or planning to retire in 2000-2010 are down over 20% in one-year returns. College savings plans lost money. This is hard-earned and saved money that investors counted on to live and fund pertinent expenses.

Of course, as risk averse as everyone seems to be these days, how can we be so sure that alternative investments will go mainstream?

One sure sign of their growing acceptance—and significance—is that Morningstar has finally given them a mutual fund category. Before, Morningstar grouped mutual funds under the traditional asset classes: U.S. stocks,

international stocks, taxable bonds, municipal bonds and “balanced” funds. Today, Morningstar recognizes and rates mutual funds investing in assets with “little to no correlation” with traditional stocks and bonds. This includes currency, long-short, precious metals and bear-market mutual funds.

For advisors, this is good news. Hedge funds have typically represented the biggest portion of alternative investments. But last year, many high-net-worth investors were rightly nervous about sticking with hedge funds after two Bear Stearns hedge funds collapsed due to losses on mortgage-backed securities. By contrast, mutual funds are accessible, transparent and regulated in a way that most retail investors can be comfortable with.

For now, it is mostly the smaller players leading the way.

In the future, I suspect it won't be long before the bigger guys catch on.



Commercial RE in the Pacific NW

Throughout history, there have always been markets that outperform national averages by substantial margins. Population growth, new development and investment opportunity can in fact be predicted, and that is what we do.

The economy has presented consumers and investors alike with many challenges, but as we all know the financial climate as it is today also presents very profitable opportunities. There are pockets of cities and towns throughout the nation that have been somewhat insulated from the economic downturn. Some of these pockets are in areas of the Pacific Northwest.

We have been diligently doing our research and keeping an eye on the opportunities that present generous returns as well as monthly returns to our investors, the Equity Capital offering is available for your perusal upon request.

Please contact Nancy Cammarata at: 602.889.7318 or email us at info@equilibrium.com

The Right IRA

Are you thinking that it's time to start investing money for the future? Probably, yes. Everyday is a good time to protect yourself, family and future. The first step toward any goal is knowledge. Take a moment today and request our free investments information packet. This will give you the option to move forward if you wish. Investing money in your financial future is important and now is the time to focus on your life.

Real Estate IRA

Real Estate IRA investments are a good investment for your future. Real Estate IRA Plan's are an option more and more investors are participating in. We are seeing a big swing in the marketplace as the average investor learns that they are no longer bound to the old common IRA investments vehicles that have not been performing well. Today's investor is now being made aware that you are allowed to invest in real estate with a Real Estate IRA and earn the larger yields found in that type of investment. Real Estate has given many Americans a solid investment that provides both income and appreciation. One of the most profitable and reliable retirement plans available are Real Estate IRA Plans. Contact us today and we can bring this great type of investment to you.

Trust Deeds

Trust Deeds are a smart financial move. Trust deeds offer a great way to earn a higher rate of return. They are able to enhance their lifestyle significantly without threat to their principal, or build a large nest egg, safely, in a relatively short period of time. Most investors

do not realize that they can also use their 401K and IRA's to invest, earning them much higher returns. Investing in a trust deed is simple. All you need is knowledge of your personal financial situation and investment account records and we can begin the process immediately. You can request a free Trust Deeds Information Packet today.

Self-Directed IRA

Self-Directed IRA. More and more people are putting retirement dollars into real property because you always have the asset itself as a security. Many investors are tired of the low returns or even losses that they have experienced in their retirement accounts that were limited to stocks, bonds or mutual funds. Most of our clients look to EQlibrium as a way of not only earning significantly higher rates of return but actually recouping losses they have experienced over the last several years. Some of the investment options include, but are not limited to, real estate, stocks, mortgages, franchises, partnerships, private equity and tax liens. Self-directed IRA's, by allowing a wide range of investment choices, improve

the account owner's opportunities to diversify their IRA portfolio. If you have no retirement plan at work and you're under 70-1/2 years of age, you can invest in a deductible IRA and deduct the entire amount from your taxes.

Self-Directed 401k

Self-Directed 401(k)'s are a smart financial move. Self-Directed 401(k)'s give the power back to the investor. A 401(k) plan allows a worker to save for retirement while deferring income taxes on the saved money and earnings until withdrawal. The employee elects to have a portion of his or her wage paid directly, or "deferred," into his or her 401(k) account. If you have a 401(k) or other retirement plan at work, you may fully or partially deduct your contribution from your taxable income if your adjusted gross income qualifies. In participant-directed plans (the most common option), the employee can select from a number of investment options, usually an assortment of mutual funds that emphasize stocks, bonds, money market investments, or some mix of the above.

The Right IRA - Continued

Alternative Investments

Alternative Investments is the latest investor rage in today's investing marketplace. They are quality investments with high yield dividends. Alternative investments are investment products that are different from traditional investments. In most cases these types of investments are more secure than the common investment vehicles of the past. EQlibrium Alternative Investments include Equity Capital Investments. Alternative investments include commodities like managed futures, financial derivatives, hedge strategies or absolute return strategies, real estate, and private equity, as well as venture capital. You can request a free Alternative Investments information packet from us and we will send you details of what is available today, this month and year in the realm of Alternative Investments via EQlibrium.

Checkbook Control Investments

Checkbook Control means that you can write checks to withdraw the funds in your IRA, and draw against IRA real estate assets. This involves some study regarding what is and is not allowed. Preferably when setting up an IRA LLC, you should be with a company that provides guidance to help you

stay within the rules to help you avoid possible penalties. The rules are listed in IRS publication 590, and the laws and amendments added by the Retirement Income Security Act of 1974 and the Taxpayer Relief Act of 1997. They can provide excellent information to keep you in compliance with IRA rules and regulations, while still allowing you to have checkbook control. IRA's enjoy a tax-advantaged status and follow rules that are different from other forms of investment. Some investors worry that it's too easy to make a mistake. The management of a Self-Directed IRA is a skill you can easily learn and checkbook control is a level of control that the investor should want.

International Investments

International investments are available through our company. We welcome international investors to consider our international investment services and for investors in other countries to speak with our representatives and review our current options and what you feel is best for you. International investments are based on an investor living in a country outside the United States and seeking to invest in projects being generated within the United States borders.



More Information?

At EQlibrium Investments, our many dedicated Investment Specialists can assist you with all of your questions and provide you with the information you may need to make smart investing decision for your specific needs. We have offices in Phoenix Arizona and Seattle Washington.

Would you like us to send you some informational brochures? Just visit our website at www.Eqlibrium.com and fill out the short form on our homepage.

Take advantage of this opportunity and take your next step in protecting your future by learning about the financial options available to you!

May Existing - Home Sales Continue **Rising Trend**

By Walt Molony - Realtor.org - Washington June 23, 2009

Sales of existing homes showed another gain in May, benefiting from favorable affordability conditions and a first-time buyer tax credit, according to the National Association of Realtors®. May's increase was the first back-to-back monthly gain since September 2005.

Existing-home sales – including single-family, townhomes, condominiums and co-ops – rose 2.4 percent to a seasonally adjusted annual rate of 4.77 million units in May from a downwardly revised level of 4.66 million units in April, but remained 3.6 percent below the 4.95 million-unit pace in May 2008.

Lawrence Yun, NAR chief economist, expected an improvement. "Historically low mortgage interest rates clearly drew buyers into the market, and housing remains very affordable even with a recent uptick in rates," he said. "First-time buyers also are being drawn off the sidelines by the \$8,000 tax credit, which is helping to absorb inventory. However, the increase in sales is less than expected because poor appraisals are stalling transactions. Pending home sales indicated much stronger activity, but some

contracts are falling through from faulty valuations that keep buyers from getting a loan."

According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage edged up to 4.86 percent in May from a record low 4.81 percent in April; the rate was 6.04 percent in May 2008. Last week, Freddie Mac reported the 30-year fixed at 5.38 percent; data collection began in 1971.

Total housing inventory at the end of May fell 3.5 percent to 3.80 million existing homes available for sale, which represents a 9.6-month supply at the current sales pace, down from a 10.1-month supply in April.

Yun said the appraisal problem is serious. "Lenders are using appraisers who may not be familiar with a neighborhood, or who compare traditional homes with distressed and discounted sales," he said. "In the past month, stories of appraisal problems have been snowballing from across the country with many contracts falling through at the last moment. There is danger of a delayed housing market recovery and a further rise in foreclosures if the

appraisal problems are not quickly corrected."

An NAR practitioner survey in May showed first-time buyers accounted for 29 percent of transactions, and that the number of buyers looking at homes is nearly 10 percentage points higher than a year ago. "This is the time of year when we see large increases in the number of repeat buyers, who are benefitting from sales to entry-level buyers," Yun said. "Investors appear less active, but are more prevalent in areas with large price corrections."

NAR President Charles McMillan, a broker with Coldwell Banker Residential Brokerage in Dallas-Fort Worth, said appraisals and the tax credit are key issues. "To maximize the potential for a housing recovery and subsequent economic recovery, we need realistic appraisals that are based on proper comparisons and done by a local specialist," he said. "In addition, the first-time buyer tax credit should be expanded to all buyers of primary homes regardless of income. Extending the credit into 2010 would allow more time for the market to catch up with underlying demand, in part because many families with children, who

Home Sales Climb - Continued

normally time their purchase based on school year considerations, do not have enough time to move before the start of school in late August.

"Freeing a pent-up demand in housing will absorb inventory at a faster pace, strengthen communities and stabilize home prices earlier," McMillan said.

The national median existing-home price³ for all housing types was \$173,000 in May, down 16.8 percent from a year earlier. Distressed properties, which declined to 33 percent of all sales in May from 45 percent in April, continue to downwardly distort the median price because they generally sell at a discount relative to traditional homes.

"The decline in the distressed sales share likely results from an increase of repeat buyers in May," Yun said. "First-time buyers are concentrated in the lower price ranges, which include most of the distressed sales."

Single-family home sales rose 1.9 percent to a seasonally adjusted annual rate of 4.25 million in May from a pace of 4.17 million in April, but are 3.0 percent below the 4.38 million-unit level in May 2008. The median existing single-

family home price was \$172,900 in May, down 16.1 percent from a year ago.

Existing condominium and co-op sales increased 6.1 percent to a seasonally adjusted annual rate of 520,000 units in May from 490,000 in April, but are 8.9 percent below the 571,000-unit level in May 2008. The median existing condo price⁴ was \$173,800 in May, down 21.9 percent from a year earlier.

Regionally, existing-home sales in the Northeast rose 3.9 percent to an annual level of 800,000 in May, but are 10.1 percent below a year ago. The median price in the Northeast was \$243,600, which is 12.5 percent below May 2008.

Existing-home sales in the Midwest jumped 9.0 percent in May to a pace of 1.09 million but are 4.4 percent below May 2008. The median price in the Midwest was \$145,800, which is 10.4 percent lower than a year ago.

In the South, existing-home sales were unchanged at an annual pace of 1.74 million in May but are 8.9 percent below a year ago. The median price in the South was \$157,400, down 9.9 percent from May 2008.

Existing-home sales in the West slipped

0.9 percent to an annual rate of 1.14 million in May, but are 11.8 percent higher than May 2008. The median price in the West was \$197,700, down 30.6 percent from a year ago.

The National Association of Realtors®, "The Voice for Real Estate," is America's largest trade association, representing 1.2 million members involved in all aspects of the residential and commercial real estate industries.

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NOTE: Any references to performance in states or metro areas are from unpublished raw data used to analyze regional trends; please contact your local association of Realtors® for more information.

For data details, please log onto: www.realtor.org



Knowledge is Key

As high school students begin to position themselves for their future, there are many unanswered questions about what lies ahead. Junior Achievement's high school programs help students make informed, intelligent decisions about their future, and fosters skills that will be highly useful in the business world.

Knowledge is key. With a range of different programs, Junior Achievement teaches about concepts relating to entrepreneurship, financial literacy, and work readiness. The volunteers bring real-life business experience and guidance into the classroom at a time that represents an essential crossroads for young people.

Junior Achievement is a nation-wide non-profit organization and EQlibrium is a big supporter of the programs that Junior Achievement provides to the youth of America. This past spring, EQlibrium's CEO - Paul Martinez, had the pleasure of teaching the five session NEFE Program at Seattle's Roosevelt High School. He was very impressed with the level of participation with the students and the hands on interaction that the JA in-class program curriculum provided that he has committed to teach several courses next year.

There is a great need for young students to be properly prepared for the workforce - this includes their business attire. We all know, a good first impressions is essential during an interview. We at EQlibrium have started a clothing drive to help fulfill the need in the Puget Sound area. We invite all of you who may have gently used business suits and attire for

both men in women to donate them to this cause.

Please send items to:

3131 Western AVE, Suite 428, Seattle WA 98121.

Donation receipts will be available from the Seattle Chapter of JA.



From left to right: EQlibrium's Robyn Woodman, Project Manger, Paul Martinez, CEO and Joanne Kahl, VP Marketing & Development - Junior Achievement Seattle.

To start a clothing drive outside of the Puget Sound area or to find out about other opportunities for involvement in your area, please contact the local JA office nearest you.

For questions regarding the clothing drive contact Carol Myers at the Seattle EQlibrium Investments office, 206.905.7799.

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