NICHOLAS HOFFMAN AND CO.
INVESTMENT COUNSEL

Dear Clients and Friends, July 20, 2010

The markets are once more testing our resolution - and of course the media are throwing their weight behind dramatic headlines that might unsettle anyone but the most disciplined investor. After a strong start to 2010 the second quarter saw indices generally fall such that most are back in negative territory for the year. Year-to-date we have seen the Dow Jones rise from 10,428 to a high of 11,258 including a single day fall on May 6th that at one stage saw a drop of over 1,000 points! This seems to be more like a "thriller" from Hollywood than common sense investing!

In the context of the latest round of market volatility we felt it important to reiterate a core theme in our approach to investing, namely "*If you do not have a plan, you do not have anything*". Without a financial roadmap, extreme market fluctuations inevitably frighten the ordinary investor into selling low and only feeling comfortable buying when all the news is good and markets have long since rallied. These volatile conditions provide excellent opportunities for charlatans and salesmen who love to play the "*oracle*" when volatility is high and investor confidence is low. Their apparent strength of opinion makes for what may seem like a sound rock in a storm. Alas, they know little more than a stopped clock that is correct twice a day! As we have said before the successful investor is the individual with a plan - and the discipline to stick with it.

In spite of the conflicting reports in the financial media we are seeing compelling investment opportunities in several areas. Emerging economies are still growing at a faster rate than the developed world of Western Europe and the United States. We do not see any sign of that trend abating anytime soon. In addition, the disruption in the banking and real estate world has also provided us with outsized opportunities in both private debt financing and private real estate investments. For the appropriate client, both of these areas provide a form of diversification to the traditional equity and bond markets which we believe prudent.

There has been much talk of the equity markets providing the worst decade of returns since the Great Depression of the 1930s. We thought it appropriate to provide a little background. Below is a chart that shows (i) the annual rate of return of the broad US stock market by decade; (ii) the inflation rate (as measured by CPI) for that decade; and (iii) the corresponding real (inflation adjusted) rate of return.

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Decade	S&P Annual Return	Inflation	Real Return
1930's	1.0%	-1.9%	2.9%
1940's	8.7%	5.6%	3.1%
1950's	19.2%	2.1%	17.2%
1960's	7.8%	2.4%	5.4%
1970's	5.9%	7.1%	-1.2%
1980's	17.6%	5.6%	12.0%
1990's	18.2%	3.0%	15.2%
2000's	-1.0%	2.5%	-3.5%

Source: *Standard & Poors and U.S. Department of Labor.* Note: S&*P annual return includes price appreciation and dividends*

The chart shows that the last decade did not provide satisfactory returns for the stock investor. In fact, on an inflation-adjusted basis the last decade was the worst decade on record since the 1920s. Given these facts we would be surprised if this coming decade did not provide stronger positive real returns for US equities, and certainly for markets where economic growth is running at a higher pace. Furthermore, we also believe that the investor who took comfort in the secure returns of Government bonds over the last ten years will be sorely disappointed going forward. Understanding the relevance of financial history is always important when considering one's investment strategy.

From a personnel standpoint, we are proud to welcome Victoria McKenney-Johnson who is providing client service support. Victoria joins us after serving many years with Wilmington Trust and JP Morgan in various client service functions. Once again, this summer, our firm has an opportunity to teach American students a program on *"Money & Responsibility"* at Cambridge University. Because of the growing popularity of this program we are planning to offer a "*light*" version of this course this coming January to college age students who are home on their winter breaks. Let us know if a member of your family or someone you know would be interested.

We thank each of you for your support and friendship and wish you an enjoyable summer.

Carl

Nick

Gary

Carl Gambrell | Nicholas J. Hoffman | Gary B. Martin