Girard Partners
Nurturing your wealth for life

insights

January 2010

Message from the President

by Kevin Norris

2009 Results

At the start of 2009, who could have imagined that we'd actually have reasons to look back at the year with fondness?

The year began with much to be concerned about: the potential failures of Citigroup, Bank of America, and AIG (American International Group) along with other big financials; looming bankruptcies at General Motors and Chrysler, the stock market at its lowest point since 1997, and a labor market hemorrhaging jobs.

However, as the year drew to a close, optimism reigned supreme. The Standard & Poor's index of 500 companies (S&P 500 index) was up +26.47%, during one of the most turbulent political and economic periods in history, representing the best year since 2003. The worst appears to be over for big banks and the automakers and the economy has shown signs of stability with economists actually calling for economic and job market growth in 2010.

2010 Outlook

The worst of the financial crisis and economic downturn may be behind us. What is in front of us is where we now need to focus our attention. Against a backdrop of stubbornly high unemployment, a crippled housing market and weak consumer spending, it is difficult to envision robust stock market returns in the coming year.

That's not to suggest that there can not be above average returns. However they would certainly have to be accompanied by the economy expanding faster than forecast and an unexpected increase in the profitability of companies combined with a willingness of investors to pay more for a dollar of corporate earnings. We feel this may be asking too much.

Although forecasts are issued and confident declarations are made by the media, when it comes down to it, the best anyone can do is provide an educated guess as to how the market will perform. With that having been said, the following is Girard Partners' "educated guess" of key financial and economic measurements:

- Economically, we are currently in what is defined as an "economic recovery", or the period following a recession, but before returning to the pre-recession highs. Once the high is achieved, the economy officially enters an "economic expansion." Most economists do not expect an economic expansion until the later part of 2010. GDP (Gross Domestic Product) growth is expected to approximate 3% - 3.5%. We believe imbalances in world and U.S. economies will hold economic expansion to a slow pace.

continued on back

Did you know…

Girard Partners Awarded 5-Star: Best in Client Satisfaction Wealth Manager by *Philadelphia Magazine*

WEALTH MANAGER 2009 FIVE STAR ★★★★★ SM OVERALL SATISFACTION

Over 100,000 high net worth consumers and 7,400 financial services professionals were asked to evaluate wealth managers in the Delaware Valley region. The final list was reviewed by a blue ribbon panel of financial services industry experts. Less than 7% of wealth managers in the Philadelphia area were selected.

Due to the success of our Wellness Referral Program, we are extending it to April 30.

Keep yourself and your friends financially healthy by taking advantage of this program now.

You get $500 for each person you refer to us who becomes a client.

They get a FREE financial plan.

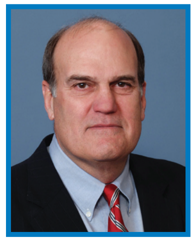
Call us at 610-337-7640 to learn more.

www.girardpartners.com
610-337-7640

insights

Should an Allocation to Emerging Markets be in your Portfolio?

by Skip Dittman, Vice President



The revelation late last year that Dubai World's $59 billion in debt repayment was in jeopardy worried investors about a new round of asset write-downs for the global banking system. Fortunately, most financial institutions outside the United Arab Emirates (UAE) had limited exposure, and repayment terms have been negotiated to prevent defaults.

With more than 60% of the world market capitalization and 80% of publicly traded companies located outside the U.S., investors should consider a long term allocation to international stocks and exposure to emerging markets. Emerging markets have been charging ahead over the past 12 months rising over 78%. Given this performance, the risk and historic volatility of the asset class should be taken into consideration. Across the risk spectrum, our strategic allocation recommendations include emerging markets but represent a relatively minor percentage of a portfolio ranging from 1.5% to 5% in our most aggressive allocation.

We continue to believe that the BRIC countries (Brazil, Russia, India and China) will continue to grow faster than the U.S. and Europe and provide positive returns. Countries like South Korea and Taiwan now have companies that are world leaders in technology and computer equipment. Emerging markets have not been exposed to the financial leveraging that has impacted many companies in the U.S. and have an appetite to increase their industrial and economic might. While the valuation of the market has risen significantly, we still see exceptional growth prospects. More than half of the world's population resides in these markets, and as technology spreads, these countries are developing quickly.

Investing in these markets requires significant due diligence and an experienced manager to gauge the stability of the investment environment. Girard Partners selected RS Emerging Markets, an open-ended mutual fund that is managed by Ballie Gifford Overseas, Ltd. in Edinburgh, Scotland. The firm has over 100 years of international investing experience with a goal of long term capital appreciation. With the continued global recovery, higher expected productivity, population growth, and an expected jump in discretionary income, an allocation to emerging markets is a prudent strategy that can help your portfolio increase equity returns.

Girard Partners thanks you

for your business during the past year. We are humbled by the loyalty of our long term clients and grateful to our new clients for the trust and confidence you have placed in us. We are keenly aware that you have many choices in placing your business and we thank you for choosing us.

continued from front

Message from the President

- Inflationary pressures will begin to increase during 2010 with the Consumer Price Index (CPI) expected to rise 2.5%, up from 2009's -0.3% estimate.
- S&P 500 stock index to rise moderately for the year (+5% to +9%). If correct, stocks seem likely to provide better returns than bonds.
- Interest rates, as measured by the 10-Year U.S. Treasury Note, will be slightly higher (4%) then the year end level of 3.83%. This is important to anyone seeking a mortgage, as we expect rates to remain attractive.
- Significant housing market improvement does not seem likely in 2010. A stabilization in housing prices may be the best we can hope for.
- Unemployment will decline but not appreciably. If unemployment does not improve, it will continue to depress spending and slow the housing recovery. All economic recoveries start with an increase in consumer spending.

Any number of events could significantly alter the course of the next year and materially impact the results of our expectations in either direction. We do however feel these are both realistic and attainable.

Girard Partners

Nurturing your wealth for life

Main Office: 555 Croton Road, Suite 210
King of Prussia, PA 19406 • Tel: 610-337-7640

Florida office: 5237 Summerlin Commons Boulevard, Suite 302, Fort Myers, FL 33907 • Tel: 239-275-2122

Toll Free: 888-578-0770
Fax: 610-337-7644
E-mail: tcrosset@girardpartners.com

Member FINRA/SIPC

www.girardpartners.com