



LOTUS GROUP

ADVISORS

Financial Exploration | Investment Advice | Portfolio Management

## Quarterly Report

### INSIDE THIS ISSUE:

Market Recap	1
Portfolio Review	1-2
Improvements	2

### WHAT DOES IT MEAN TO BE WELL DIVERSIFIED?

Many believe that owning different stocks/funds creates diversification. However, most equities have declined in the past 6 months:

**LARGE CAP: Down 13.4%**

**MID CAP: Down 15.6%**

**SMALL CAP: Down 18.4%**

**TECH: Down 18.7%**

**FOREIGN: Down 11.6%**

### LGA DIVERSIFICATION

means investing in 36 different non-correlated assets:

**LARGE CAP: Down 13.4%**

**FOREIGN: Down 11.6%**

**30 YEAR BONDS: Up 9.8%**

**GOLD: Up 23.7%**

**ENERGY: Up 27.3%**

*And 31 additional asset classes*

An LGA portfolio delivers less fluctuation during down markets while participating in up markets.

[www.LGAdvisors.com](http://www.LGAdvisors.com)

## Market Recap

In our previously published 2008 Investment Outlook, we wrote about how the negative forces of the housing correction and credit crisis were battling the positive forces of globalization and trade. During early Q1/08, economic readings (e.g. GDP and unemployment) began to come in at far weaker levels than previously reported. Additionally, extreme tightness in the credit markets rattled all kinds of investments, culminating in the insolvency of Bear Stearns (a leading investment bank that had been in business for over 80 years) over a single weekend. Consequently, equity markets posted large declines as investors searched for safe havens in cash and government bonds.

Despite the rapid downturn, equity markets began to rise off of January lows due primarily to the US Federal Reserve providing massive stimulus to the economy. In February, the Fed lowered interest rates dramatically and increased the money supply at a rapid clip. Furthermore, they made some unprecedented steps to guarantee poorly performing loan markets, taking some \$30B of loans off of Bear Stearns' balance sheet during a forced overnight merger with JP Morgan. Finally, Congress stepped in and passed a major stimulus bill to send upwards of \$150 Billion in rebate checks to millions of Americans. All of these actions targeted the improvement of credit markets and the stimulation of consumer spending. While it typically takes six months for their impact to take affect, we have already begun to see positive responses in both the debt and equity markets.

We will continue to evaluate the tug-of-war between the struggling credit markets, increasing global trade and the economic stimulus introduced by the US government, keeping an eye on whether other global central banks and governments join in a coordinated relief effort. We will also be tracking the side-effects of these conditions, such as the higher demand for commodities. As an example, gold, basic materials, and agriculture are benefiting from surging global demand and a hedge against the deflating US dollar.

## Client Portfolio Review

LGA client portfolios fluctuated to the downside by a much lower amount than market benchmarks due to our positioning of assets in defensive and uncorrelated investments such as commodities, bonds and money markets. Despite a negative absolute return for the quarter, our diversified portfolio approach helped protect assets from a significant downturn during this volatile time period. Please refer to your personalized Investment Summary Report included in this distribution to see your specific performance results.

Going into Q2/08, we remain defensively positioned with sizable allocations to commodities, bonds, and cash / money markets. Additionally, we are rebalancing and trading more frequently in order to take advantage of the higher volatility in current markets ("buying the dips and selling the rips"). Looking further forward, we are beginning to see the light at the end of the tunnel for equity markets. Typically, when bear markets bottom and rebound, a very rapid 15-30% increase to the upside can occur in 12-18 months.



In this circumstance, you do not want to be left on the sidelines or get in too late. Until this rebound scenario appears, we will remain defensive and encourage our clients to continue their automatic savings plans so that we may continue purchasing investments at their temporarily depressed price levels. Together, we will drive towards your long-term goals while applying appropriate investment strategies in an ever-changing market environment.

## Continuous Improvement

We admire the sophistication and the achievements of our clients as they each move through different phases of life. We feel blessed to be participating in the journey and in helping to facilitate the increasing strength of their personal finances. In addition to continually improving our investment methodology, we have developed new services in order to support client needs. Goal-trackers have been introduced to help make savings and investment programs more meaningful and effective. More recently, we added a contingency review service to help clients and their family's prepare for unforeseen circumstances such as death or disablement of the primary breadwinner.

In addition to new service offerings, we are also building out backups to our people, processes, and systems in order to provide our clients with continuity should some sort of business disruption occur.

We will be sending out an online survey later this year to evaluate our current services and to identify areas that should be prioritized as we continue to expand our financial services model. Areas that will be discussed include the following: tax reduction strategies, private equity, estate planning, wealth transfer, professional networking opportunities, etc. Please look out for this survey, and feel free to provide impromptu feedback via email or phone in the interim.

As always, we encourage you to pursue life's dreams as we manage, protect, and grow your wealth.

Warm Regards,

LotusGroup Advisors Management Team

## QUESTIONS?

As always, we are available to discuss any questions you may have regarding our progress towards your financial and investment objectives.

## REFERRALS?

We appreciate your referrals as they are the lifeline to our business. Please let your family, friends and colleagues know about our wealth management services.

**Contact Your Advisor or  
Our Main Office**

Phone 310-808-8080

Email [info@lgadvisors.com](mailto:info@lgadvisors.com)