



Markets

Global Gains Continue

Despite a rocky June, U.S. stocks

enjoyed a robust second quarter due to strong performance in April and May. For the month of June, the Dow closed down 1.5%, the S&P 500 lost 1.6%, and the Nasdaq fell fractionally. But for the three months ending June, quarterly returns were solid: the Dow advanced 9.1%, the S&P 6.3% and the Nasdaq gained 7.5%.

Once again the strongest areas were outside of the U.S., particularly in Asia and emerging economies. Emerging markets funds soared an average of 3.7% in June and over 14% for the quarter, drawing strength from fast growing economies. China funds were the best performers for the month and quarter despite measures by the Chinese government to curb investor speculation. Strong economic expansion combined with tremendous domestic demand for stocks kept that market climbing. Other Asian markets also posted double-digit gains while Japan was in the negative.

Latin American funds were positive in June and averaged over 20% for the quarter. Brazil was a top performer, helped by rising oil prices.

European region funds retreated slightly in June but gains for the quarter still managed to outpace those of most U.S. funds.

Domestically, the quarter's best performers were energy and natural-resources funds and the worst were real estate funds. Interest rate-sensitive sectors were weak. Besides real estate, financial-services and utility funds also lagged the broad market for the quarter.

Our portfolios remain heavily invested overseas as international funds continue to outperform most domestic funds. New clients frequently wonder if overweighting foreign funds adds too much risk. Last year we compared performance of Upgrading

portfolios with and without international funds. We tracked hypothetical portfolios over a 16+ year period and found a slightly higher gain for the international-inclusive set, which actually experienced a slightly lower maximum draw-down.

Is Upgrading diversified?

In a word, yes. Upgrading uses mutual funds and a primary benefit of mutual funds is their diversification. Our portfolios hold more stocks than would be practical for us to own directly, and our portfolios are also very well diversified across different sectors and regions.

In April 2007, we looked at the diversification of the Upgrader Portfolio and found we held 1,844 individual stocks and those stocks were well diversified across many sectors and regions.

Upgrading doesn't require fixed allocations. Instead, Upgrading responds to major market trends by changing our portfolio allocations in response to long-term trends that last four to six years on average. We hold those areas of the market that are doing relatively well and we get rid of the others. This method has performed remarkably well over the past 35 years.

Thank you for your business...

P. Michael Valley II

*Disclosure: Whenever you invest, you are at risk of loss of principal as the market does fluctuate. Past performance is not indicative of future results. Market Leadership numbers are provided by DAL Investments. You may obtain additional information from www.noloadfundx.com. Wall Street Financial Group, Inc. is not responsible for any information obtained from this website. Wall Street Financial Group, Inc. did not assist in the preparation of this material, although it is from sources deemed to be reliable, its accuracy and completeness cannot be guaranteed. Opinions expressed are those of the author and are necessarily those of Wall Street Financial Group, Inc.

Only Securities & Advisory Services offered through Wall Street Financial Group, Inc.

Member NASD & SIPC

Registered Investment Advisor

Estate Planning Professionals, Wall Street Financial Group & DAL Investments are separate entities; they are independently owned & operated