



5T Wealth
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Elimination Newsletter

"Separating fact from fiction since 1998. The antidote to Wall Street."

News from the Front

November 9, 2009

We have several very important changes to announce relative to fees, trading costs, new models and research. We encourage ALL clients to read this letter as we are explaining some very important changes and additions to our service platform.

\$8 trades for everyone

As of last week trading costs were reduced for households who have less than \$1 million with 5T Wealth Management, on the Fidelity platform. The rate is now \$8 for all equity trades of less than 3000 shares per account. An additional 1 cent per share is charged for amounts over 3000 shares.

Heretofore only households that had more than \$1 million invested through 5T Wealth Management were receiving the \$8 rate from Fidelity.

Households with less than \$1 million had been charged \$12.95 for each basic trade, plus 1.5 cents for all shares over 1000 per account.

Now ALL clients will receive the \$8 basic trade rate on ALL equity trades.

\$8.00 + \$.01 for each additional share over 3,000 shares

This change has already taken place and those affected should be noticing it on their trade confirmations. We have been negotiating with Fidelity for some time to reduce the \$12.95 rate and we are pleased to be able to announce this to our clientele.

Flat fees for everyone

The next billing cycle for management fees will begin January 1, 2010 and we are flattening our fee schedule on all models as of that date. Heretofore several of the models had tiered schedules. **Halifax, Hatteras, Mendocino and Cape Lookout**, all had three tiers of fees. We have been charging 1.375% on the first \$500,000 of assets; 1.25% on the second \$500,000 of assets; and 1.00% for amounts over \$1,000,000.

As of January 1, 2010 the fee for **Hatteras, Halifax, Mendocino and Cape Lookout** will be a flat 1.25%.

We are currently charging 1.375% on all dollars in the **Key West** model. This fee will be reduced to 1.25% on January 1, 2010.

Heretofore we have aggregated accounts within qualifying households so that cumulatively several accounts may be added up to get to the lower fees offered on higher dollar amounts in **Hatteras**,

Mendocino, Halifax and Cape Lookout. Since fees will be flattened there will be no need for aggregation.

We have back tested the changes and find that the overwhelming majority of our clients will experience a reduction in fees effective January 1, 2010. There are literally less than a handful of accounts that will experience any fee increase.

The fee for **The New World** will remain at 1.5%. The fee for **Fresnel** will remain at 1% plus a 20% performance fee. Accounts in the **Fresnel** model must meet a \$750,000 minimum. The fee for **Pt. Reyes** will remain 1%.

We have announced several changes to our fee schedule over the years. Every one of them has been moving us toward the goal of flattening the fee schedule across the board. The tiered fees have been difficult to administer in some cases, and misunderstood by some clients. The new fee schedule is very simple, straightforward and extremely competitive within the industry.

New Models to be offered: Cape Lookout and Point Sur

Since January 1, 2009 we have been incubating a new model that we call **Cape Lookout**. This model was originally designed for our smallest accounts and currently has no minimum size per account. The idea behind the model was that we needed a way to invest relatively small amounts of money for households that may include small IRA accounts or accounts for college funding, for example.

Many of the clients who have **Cape Lookout** accounts also have money in one or more of our models for larger accounts that feature minimum account sizes.

Cape Lookout is the only model that uses mutual funds exclusively. Since most of the accounts are very small they can't afford the trading costs related to stocks or exchange traded funds. Therefore we defaulted to mutual funds as the investment vehicle of choice.

We do not use our traditional stop loss policies in **Cape Lookout** as all mutual funds now restrict trading and therefore we have no way of efficiently entering and exiting funds with multiple trades. Therefore it is our only "buy and hold" model, or should we say "buy and monitor". The model is dynamic in that we do change funds from time to time. It is not totally static. It is currently configured as follows:

FMOXX	FIDELITY TAX-FREE MONEY MARKET	19%
RPFCX	DAVIS APPRECIATION AND INCOME CLASS A	27%
HSGFX	HUSSMAN STRATEGIC GROWTH	19%
JABAX	JANUS BALANCED FUND CLASS J	20%
MCHFX	MATTHEWS CHINA FUND	5%
USERX	US GOLD AND PRECIOUS METALS	10%

Effective immediately the model is open to all clients with no minimum or maximum account size. The model is up 9.32% year to date (simple annual return through November 6, 2009). It is our second best performing model year to date, after Fresnel. Its maximum monthly drawdown this year was -2.18% in February. It has been very steady in 2009.

But it is important to remember that this model did not exist last year. It is very likely that it would have

performed very poorly had it been as fully invested during 2008 as it is now. We controlled volatility in 2009 by slowly scaling into the current investments.

Cape Lookout should be considered a balanced account that uses mutual funds to participate in the benefits offered by equity and bond funds from around the world. It also may include highly specialized country oriented or sector oriented funds like the Matthews China Fund or the US Gold and Precious Metals Fund. The primary goal of **Cape Lookout** is growth of principal. The secondary goal is preservation of capital through the use of a balanced approach in selecting funds for the model.

The second new model we are unveiling is **Point Sur**. Its primary goal is to produce steady income. Its secondary goal is to achieve rising income over the years. Its third goal is capital appreciation over time.

It will be primarily invested in equities of companies that pay high dividends, or that have long histories of continuously raising their dividend year in and year out. It may also invest in preferred stocks and corporate bonds.

One obvious question is why would 5T introduce a new "income oriented" model when it already offers the **Pt. Reyes** model?

Pt. Reyes relies heavily on bonds to achieve its primary goal of producing current income and its secondary goal of capital preservation. It must remain at least 80% invested in bonds. It can diversify up to 20% of proceeds into equities including preferred stocks. It is currently invested entirely in bonds.

The bond market has, for the most part, gotten very expensive and yields have dropped precipitously in 2009. We currently expect them to stay very low in 2010 too. We are afraid that we will not be able to meet the income goals of some clients who are currently in the **Pt. Reyes** model unless we diversify into equities. Therefore we will be offering current clients in **Pt. Reyes** the opportunity to stay in that model or switch to **Point Sur**. We will be discussing this individually with each **Pt. Reyes** participant.

We will probably be shifting some of the assets in **Pt. Reyes** from bonds to stocks in the coming weeks in order to achieve a higher yield in **Pt. Reyes** too.

Point Sur is initially 100% invested in equities. We are targeting approximately 40 equities with a current average dividend yield of approximately 5.8% (4.55% net of fees). We hope to be able to see that yield rise over time as companies increase their dividends from year to year. Over the past two years we have actually seen many companies slashing their dividends to save money. We believe it is very likely that we are offering this model at the bottom of that cycle and that in future years we will be seeing more companies increasing yields again.

Since the primary goal of the model is current income we will not be using our traditional stop loss policy in **Point Sur**. We will tend to give these stocks more room to roam since stopping them out would cause the loss of the income. We will certainly be monitoring all holdings in **Point Sur** for performance and reserve the option to replace stocks that do not perform to expectation. We will make every effort to keep at least 40 different positions at all times to mitigate risk through diversification.

New Relationship with Goldman Sachs

Effective immediately we are adding Goldman Sachs (GS) institutional research to the excellent array of outside research services we already use.

We now have access to GS Monthly Market Pulse, Weekly Market Monitor and Quarterly Economic Update. We also have access to three of their conference call series including Market Forces, which address political and economic events; Building Better Portfolios, which provide ideas on portfolio construction; and Investment Strategies, which offer investment solutions from Goldman Sachs Asset Management for specific investor needs and goals.

Finally, we now have access to their entire universe of fundamental research reports on equities from around the world.

We look forward to working with Goldman Sachs for the benefit of all our clients.

All the best,



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Disclosure and Disclaimer - Updated last on August 13, 2007 by Paul Krsek:
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The investment portfolio models or management services mentioned in ELLUMINATION may or may not be available in some states, and they may not be suitable for all types of investors.

5T WEALTH MANAGEMENT manages accounts with various histories and investment objectives. Various accounts may be managed differently from time to time.

Krsek makes frequent reference to the model portfolios called Hatteras, Mendocino, Halifax, Bonavista, Fresnel and The New World. During 2005 Paul Krsek was appointed Chief Investment Officer of 5T WEALTH MANAGEMENT, and as such is responsible to make all trading and

management decisions for all client accounts which are being managed according to a specific portfolio model. A description of each of our models can be found on our website at <http://www.kaassets.com/choices.htm>.

Not all accounts managed by 5T WEALTH MANAGEMENT are "modeled" accounts. We strongly urge our clients to understand which model, if any, are being used to manage their accounts.

As of July 3, 2007 Lee O'Dwyer joined 5T WEALTH MANAGEMENT as a portfolio manager. Paul Krsek and Lee O'Dwyer frequently discuss investment ideas, model portfolio strategies and the investment policies of 5T WEALTH MANAGEMENT. But when it comes to the implementation of those policies Krsek is primarily responsible to manage the accounts that fit into each model portfolio description. He generally makes all final investment and trading decisions relative to those accounts that are considered to be "modeled." However, in Krsek's absence O'Dwyer does have the authority to trade all client accounts. He has been actively trading accounts in the various models since joining 5T WEALTH MANAGEMENT.

From time to time 5T WEALTH MANAGEMENT receives requests from clients to purchase securities that are not included in the model portfolio to which they are assigned. Effective May 24, 2006, 5T WEALTH MANAGEMENT has encouraged clients to hold such securities in a separate account for the client. Because 5T WEALTH MANAGEMENT is a "fee only" registered investment advisor" it charges its normal management fee for monitoring such securities in the separate accounts in which they are held.

5T WEALTH MANAGEMENT makes every effort to exclude securities that are 'requested by the client' from the modeled portfolio accounts.

The investment objectives of various accounts and models may be substantially different from one another. Therefore topics or investments mentioned in E-ILLUMINATION may or may not apply to specific managed accounts and/or models.

Trades or adjustments to accounts mentioned in ELLUMINATION may or may not happen in every account managed by portfolio managers at 5T WEALTH MANAGEMENT.

If you are not satisfied with the investment results in your account it is your responsibility to inform Krsek or O'Dwyer and to discuss possible changes that can be made to the account to accommodate and satisfy your needs.

The assets held in managed accounts at 5T WEALTH MANAGEMENT may include stocks, bonds, cash, commodities, foreign exchange or mutual funds or exchange traded funds (ETF's), money market accounts or limited partnerships that represent the same. They are subject to market fluctuation and the potential for losses. The assets are not insured. The value and income produced by these investment products may fluctuate, so that an investor may get back less than they initially invested.

The portfolio managers at 5T WEALTH MANAGEMENT do not guarantee results.

Past performance should not be considered an indicator of potential future performance. If you do not consider yourself suitable, either emotionally or financially, to experience volatility and/or losses in financial markets, you should not invest.

From time to time Krsek lists the simple annual returns of the six model accounts in this newsletter. These accounts are "models" and do not represent the actual results accruing to individual accounts. Simple annual return does not represent "time weighted return" as reported individually to clients in their quarterly reports prepared using Centerpiece.

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