July 2011

About Beacon Financial Advisors Ltd.

Beacon is an independent fee-only advisor with a clear mission statement: To provide our clients long-term value-added financial counsel and investment performance with *exceptional service.* **Beacon** is an RIA with the US SEC.

Beacon's Advisors

MARCEL HEBERT has a B.S. in Finance, an M.B.A., and is a Certified Financial Planner (CFP) licensee and a Chartered Financial Analyst (CFA) charterholder.

JOSH HEBERT has a B.S. in Accounting, an M.B.A., and is a Certified Internal Auditor (CIA) and a Certified Financial Planner (CFP) licensee. Prior to joining Beacon in 2007 Josh spent 4 years with Ernst & Young, LLP.

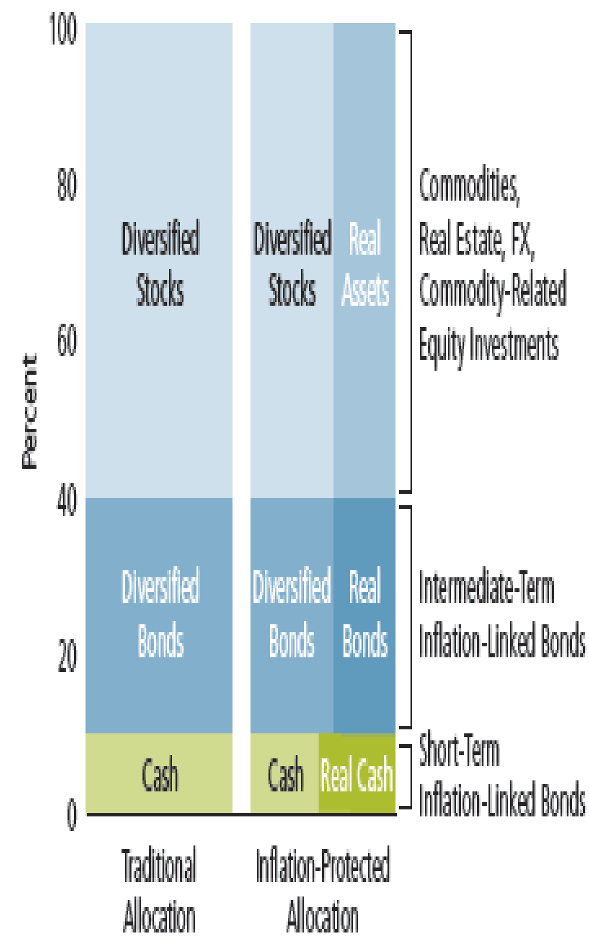
As we reach the mid-point of 2011, **Beacon** continues our evaluation of your balanced, global portfolios and individual mutual fund partners. Our selection of fund partners across strategic and tactical (alternative) asset classes seeks to assemble portfolios of weakly correlated holdings designed to navigate all types of investment weather—from the tranquil to the tumultuous (see chart right). As a helpful refresher, we believe that investing for the long term, based on thorough fundamental research and valuation discipline, is appropriate for any market environment. In contrast to "buy and hold" we prefer "buy and closely monitor." We believe in owning real businesses, not in "trading stocks." That is the guiding principal helping us select mutual fund partners for your portfolio.

Beacon practices *integrated asset allocation* and believes that asset allocation---the way your portfolio holdings are divided among stocks, bonds and other asset classes---is an important determinant of your investment results over time. We also believe foreign (non-U.S.) assets are important in modestly reducing long-term portfolio risk while preserving and enhancing long-term return potential. We use eight (8) distinct asset classes overall with this classification:

Strategic Asset Classes:	***Tactical Asset Classes:***
U.S. Stocks (small, mid & large capitalization)	**Real Estate Stocks (REITs)**
Foreign (non-US) Developed Market Stocks	**Emerging Market (non-U.S.) Stocks**
U.S. Bonds	**Foreign (non-U.S.) Bonds**
Cash Equivalents	**Resources & Real Assets**

We define ***strategic*** asset classes as those used all the time in your *balanced, global* portfolio, and generally make up 75% or more of your total portfolio. We define ***tactical*** asset classes as those used on occasions we believe economic conditions favor one or more, and these asset classes generally make up from 0% to 25% of your *balanced, global* portfolio. **Our current research leads us to some upcoming portfolio changes and this VIEW will serve as your Investment *ALERT.***

BEACON'S *INTEGRATED* ASSET ALLOCATION
(shown using 60/40 stock + bond to illustrate)



INVESTMENT *ALERT*: OLD PARTNERS RETIRED and/or RECLASSIFIED... ...NEW PARTNERS INTRODUCED

ASSET ALLOCATION BY ASSET CLASS & MUTUAL FUND

SMALL/MID CAP STOCKS - US

Third Avenue Small Cap Value Institutional (TASCX) - SmallCap

Gabelli Asset (GABAX) - MidCap

LARGE CAP STOCKS - US

Dodge & Cox Stock (DODGX)

Columbia Value & Restructuring (UMBIX)

Sequoia (SEQUX)

Manning & Napier Equity (EXEYX)

Jensen Portfolio (JENIX)

NON-US (FOREIGN) STOCKS

Dodge & Cox International Stock (DODFX)

Tweedy, Browne Global Value (TBGVX)

Third Avenue Value Institutional (TAVFX)

REAL ESTATE (REITS)

Cohen & Steers Institutional US Realty Shares (CSRIX-REITs)

RESOURCES & REAL ASSETS

AllianceBernstein Real Asset Strategy Institutional (AMTYX)

FIXED INCOME - GLOBAL

Fidelity Strategic Income (FSICX)

FIXED INCOME - US

Taxable (High Tax Bracket) Accounts:

AllianceBernstein Intermediate Diversified Municipal Institutional (AIDAX)

AllianceBerstein High Income Municipal Institutional (ABTYX)

AllianceBernstein National Municipal Institutional (ALTVX)

Fidelity Advisor Intermediate Municipal Institutional (FZIIX)

Tax-Deferred & Taxable (Low-Mid Tax Bracket) Accounts:

Dodge & Cox Income (DODIX)

MetWest Total Return Institutional (MWTIX)

Long-term clients of **Beacon** have observed our decision making process related to our sell actions. Sell reasons can include asset allocation shifts/overlap, changes to management style, sustained under performance relative to benchmark, management changes, or policy changes, etc. **Old Partner Retired**—Columbia Value & Restructuring (UMBIX) will be removed from our portfolios because key manager David Williams is retiring and his "bench" is not as deep. **Beacon** first bought UMBIX in 2000 at the height of the "tech-bubble" and returns have been very good. **Old Partner Reclassified**—Third Avenue Value Institutional (TAVFX) has been in **Beacon's** client portfolios since the early 1990's as US Small Cap. In recently quarters, managers Marty Whitman and Ian Lapey have gravitated more to equities in Asia. Hence, due to asset allocation shifts/policy changes we now classify TAVFX as Non-US Foreign Stock.

New Partners Introduced—Beacon is staying in the Third Avenue family for our US Small Cap with Third Avenue Small Cap Value (TASCX). Manager Curtis Jensen is Marty Whitman's protégée and follows the "safe and cheap" strategy. In US Large Cap, the replacements for Columbia (UMBIX) are Sequoia (SEQUX) and Manning & Napier Equity (EXEYX). Both are employee-owned managers with 1970 inception dates and are excellent compliments to **Beacon's** other US Large Cap partners Dodge & Cox and Jensen. SEQUX will be the main replacement for UMBIX, while EXEYX will be used mainly in client accounts with smaller balances. In the asset class Resources & Real Assets, Beacon has researched/selected AllianceBernstein Real Asset Strategy (AMTYX). We believe the time is approaching for more inflation-protection in our clients' portfolios. As the chart on page 1 depicts, the term "real" for bonds, cash, and other assets (e.g. oil, realty, metals etc.) refers to incremental portfolio inflation-protection. Bernstein's extensive research found that a suite of real investments is the most effective way to hedge against inflation risk without harming normal portfolio goals. ■

STOCKS in 2011 repeated their 2010 Spring habit of stopping for the PIIGS (see Beacon's Investment MEMO 5/20/10 "Recent Stock Market Volatility—PIIGS in US and Abroad"). As a reminder, what are the PIIGS?*—that group of European Union sovereigns whose outsized debt crises are causing all kinds of gastric upset for their Euro-member brethren like Germany and France (***PIIGS** = **P**ortugal, **I**reland, **I**taly, **G**reece and **S**pain). The global stock market (e.g. MSCI World Index) was up about 9% in late April, and by mid-June gave back most gains due to some economic data suggesting an economic slowdown (think Japan's supply chain disruption) and geopolitical unrest (think PIIGS, Libya, Egypt, Syria). Still most of your stock funds are solidly in the black.

Most economists and strategists on Wall Street evaluating economic growth in the US and other developed and developing markets continue to believe the recent global slowdown is temporary and that growth will resume later in 2011 and 2012 as government monetary policy generally remains stimulative and corporate earnings strong. In the US, corporate fundamentals (e.g. operating earnings, cash flow, productivity, cash-on-hand, low debt levels, etc.) are robust and stock prices remain attractive relative to forecast earnings, long-term averages, and to "risk free" alternatives like government bonds. **Beacon** remains constructive on stocks as do each of our fund partners*. So, we believe each of our clients should maintain their target allocation to stocks (or a slight overweight) consistent with their long-term investment policy and risk tolerance profiles.

BONDS were an "anchor to windward" for client portfolios in Q2 led by the municipal (tax-exempt) bonds. Beacon's higher (tax) bracket clients own municipal bond funds in their taxable accounts. In our 2010 Q4 issue of VIEW, we focused on the then recent slump in the municipal bond market. We closed that section with:

"Going forward, in the near term states/localities cyclical budget strains brought about by the recession are being lessened as the U.S. economy improves and tax revenues (sales, realty, etc.) rise. Longer term, some states have substantial unfunded liabilities (mostly pensions). For now, we think there are investment opportunities in many types of municipal bonds and that the risks can be avoided/ managed. With yields on tax-exempt municipal bonds now higher than taxable U.S. term equivalents, opportunity knocks!"

As we'd hoped, the payoff took shape this past quarter with Q2 returns in your municipal bond funds from 2.5% to near 6.5%. We think there is still good opportunity in this slice of the bond market. Our fund partners' diversification spans duration (short to intermediate), and credit quality (holdings include investment grade, low-investment grade, and high yield credits).

In clients tax-free (e.g. ROTH IRA) and tax-deferred (e.g. IRA, 401k etc.) accounts we use taxable bonds (DODIX and MWTIX) and each has returned a solid near 3% for six-months. Our partners Dodge & Cox and MetWest remain defensive per interest rate risk (shorter durations), but still managed to outperform their benchmark YTD. ■

*As investment managers we're often asked by clients and others about our reading list recommendations. As with any professional, our reading requirements are extensive. For our inquiring clients, we always start by directing them to the shareholder letters written by their mutual fund stock and bond managers for three (3) primary reasons. First, managers like Mario Gabelli and Marty Whitman are truly world class investors that offer extensive insights about their investment convictions. Second, our managers actions directly impact our clients so familiarity with their holdings is highly relevant. And third, so much of popular finance journalism is focused extensively on "short-termism" that former *Newsweek* columnist Jane Bryant Quinn once called it "investment pornography".