CENTURION Asset Management

610 W. Germantown Pike, Suite 150
Plymouth Meeting, PA 19462

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In this month's market letter we will review April 2010 and touch on the subject of personal financial planning.

A transitive month

The S&P 500 Index recorded its third consecutive month of gains, rising 1.58%. For the year the index has risen 7.05% and 85.55% since its bear-market low last March. The more narrowly focused Dow Jones Industrial Average and the tech-heavy Nasdaq posted returns of 1.4% and 2.6%, respectively. Among sectors of the market there was a wide margin between the best and worst performers by nearly 1,000 basis points. The top-performing sector was consumer discretionary at 6.1%, while the greatest laggard was health care, -3.83%. Even though consumer staples and telecom services delivered a negative return, energy and materials experienced strong positive returns. Of the 10 market sectors, 7 were positive for the month, and 6 are positive for the year.

Across market capitalization groups, small caps outperformed mid cap and large cap stocks. Mid cap stocks as measured by the S&P Mid Cap 400, were up in April 4.26%, and for the year 13.74%. Small stocks, represented by the Russell 2000 index, rose 5.66% in April, and 15.01% year-to-date. For investors in growth and value portfolios, better returns were achieved by value focused investors. The Russell 3000 Value Index gained 2.96%, compared with 1.36% for its growth counterpart. Value has provided greater returns (up 10.21%) by 3.92% over growth on a year-to-date basis.

International markets have disappointed so far this year, hurt by concerns over the Greek debt situation and recent strength in the U.S. dollar. The MSCI EAFE Index lost 1.81 percent in April, pushing into negative territory for the year, down 0.89%. For International growth and value portfolios, both were down in April, -1.63% and -1.99% respectively. Interestingly, international growth is positive for the year at 0.28%, while value is down 2.23%.

The economic data was still mostly positive during the month with first quarter GDP coming through at 3.2%. This figure was slightly below the consensus estimate of 3.4%, and far off the fourth quarter 5.6% pace, but consumption and business spending grew robustly. Economic expansion and momentum needs to be supported by business investment, a recovery in housing, and modest growth in consumption. Each of these key areas reported good signs in April, with factory orders up 3.1%, home sales up more than in March, and personal spending rose on the back of an expansion in personal income.

Poor news flow came from the continued vigilance against Wall Street firms as Goldman Sachs was called on the carpet to combat civil fraud charges filed by the Securities and Exchange Commission in connection with a certain collateralized debt obligation deal. Morgan Stanley is having federal prosecutors looking into whether the firm misled investors about derivatives, and Wells Fargo acknowledged a government investigation into their disclosure practices related to mortgage products. These issues have continued investors lack of confidence in the practices of large financial firms, and caused Capitol Hill to get involved, which may lead to more regulatory reform legislation.

The Fixed Income market performed well in April, as U.S. Treasury yields for durations longer than two years fell. The Barclay's U.S. Aggregate Index was up approximately 1% during the month, with investment grade corporate bonds as the leading sector for the index.

The importance of a Financial Plan

In the Market Letter, we typically address financial market and economic specific subjects; however this month we thought it was prudent to address personal financial planning.

Personal financial planning can be defined as the process of managing money to reach economic satisfaction and achieve specific personal goals. When viewed as defined, it makes sense that an individual who plans their path to financial success has better odds of succeeding than a person who does not formulate a plan. In many cases the greatest deterrent to an individual formalizing a plan is the time it takes to create one. A financial plan is not something that is created in one step, rather, it evolves over time.

The financial planning process may seem like a chore, but with some insight as to the process, and a good advisor, it becomes a relieving activity as it allows a person to have better control over their future. When executed correctly, a solid system of saving, budgeting, and staying on top of money matters will greatly enhance anyone's quality of life. Some people believe that money is not truly important, and they comment that "money cannot buy happiness." This may be true. However, not having money can bring extreme pressure and major stress, which can affect relationships and personal health. The smartest way to eliminate the stress from a lack of money is to make a commitment to understanding your financial situation today and to create a plan to succeed in the future.

Individuals vary in their financial requirements. You may plan to retire in 40 years, or in just a few. You may need to pay for a child's college education, or pay for the care of a loved one. Perhaps you are retired and need to generate an income from your financial assets. Whatever the goal, a financial plan offers a roadmap for you to achieve those goals, and because the plan functions as a formalized action plan, it will make your experience less stressful.

Here are the steps you should consider when formulating your financial plan.

Establish your Goals – This is typically the most enjoyable part of the planning process. This is where you get to dream a little, and consider the ideal, optimal, and acceptable targets for your goals. Is it a goal of retirement, college education, or income generation, which you are looking to achieve, and what is the level of success for each?

Record your current financial situation – Create a financial profile for yourself. Review a budget or cash flow assessment, compute your net worth, income needs, tax situation, debts, risk tolerance, and investment objectives. This is typically the "barrier step" that individuals need to overcome in order to proceed confidently with creating a sound plan.

The Financial Plan – The plan will represent the calculated and deliberate steps that should be taken in order to achieve your goal. As such, various computations, assumptions, assessments, and analysis go into projecting which outcomes may occur. All factors impacting you should be considered from company benefits, health coverage, life insurance, investments, income projections, and taxes, among other aspects of your life such as marital status, dependents, and estate beneficiaries.

Implementation – With the solid foundation of the financial plan, an individual can more effectively invest their assets with the confidence that they have a road map of success. Additionally, your financial plan will evolve, as a living document that will adjust as your life changes. Because of the comprehensive nature of the plan, you will be properly equipped to integrate all of the good fortune and challenges that life presents.

We encourage everyone to consider a coordinated and comprehensive approach to creating a plan. As with any goal worth achieving, if you "plan to succeed" your chances of reaching your goal will be greatly enhanced.

Considering the content of this month's Market Letter, you may have questions. If you are uncomfortable with your current investment plan, we encourage you to call us to discuss your situation. Please call 610-629-0660, or email us at PaulL@centurionassetmgt.com , to discuss your feedback or questions.

Sincerely,

Paul G. Liebezeit, CFP®
Principal
Centurion Asset Management, LLC
www.centurionassetmgt.com

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