Volume 4, Issue4
October 2012

Sandpiper Capital

Gleanings

"The Future, Predicted"

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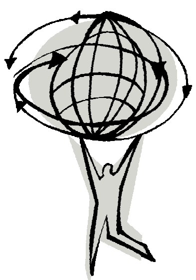

"We then, in managing portfolios, only attempt to identify the worst likely path. Not the one that will happen, oftentimes it doesn't. But the one that could happen if things don't go well"

Market Returns Annually and Through Five Years Ending 09/30/2012

Index	2009	2010	2011	5 Yrs
S&P 500	26.5	15.1	2.1	**1.1%**
ML 1-10 yr Gov't/Corp	5.7	6.0	5.9	**5.7%**
EAFE (Dev Fgn Mkts)	31.8	7.8	-12.2	**-5.2%**
Emerging Markets	78.4	19.0	-18.4	**-1.3%**

As we enter the latter stages of our economic recovery, the markets' attention has shifted from the pace of the economy's growth to its sustainability. That is; given that low interest rates, a recapitalized banking sector and stabilized asset values have reduced the risk of a catastrophic collapse of the financial sector, from whence will come the growth needed to rebuild our personal balance sheets? Will technology make our efforts more productive? Can we win back market share from our global competitors? Will our incomes begin to grow again? What, everything considered, will the future bring? And so, we in this industry gaze deeply into our crystal balls, swish our tea leaves around in our saucers, employ technical and fundamental analysis and make our predictions. The difficulty we face is that the infinite complexity of the factors that determine how the financial future plays out makes that task impossible. A quick review of the predictions of "Blue Chip" economic forecasts tells the story. Whether predicting next year's interest rates or GDP growth or stock market returns, most times, everyone's wrong and wrong in the same direction, as the tendency to want to stay in line with your peers outweighs the convictions one might have. And those economists that *are* right, typically are wrong with everybody else the next year. So, more than one grain of salt is required to swallow these projections.

Fortunately, we have a way around these challenges that has worked well for our clients' accounts in the past and we believe will continue to do so. The future may take many paths. Which evolves is unknowable. We then, in managing portfolios, only attempt to identify the worst likely path. Not the one that will happen, oftentimes it doesn't. But the one that could happen if things don't go well. The benefit of this practice is that when we manage portfolios to the worst case scenario, we usually avoid losses that otherwise would occur. The trade-off is that in our cautiousness, we often miss a lot of the upside. As our experience is that low risk portfolios work best for our particular client base, we will stick to this practice. Sandpiper's corporate mantra is that if you can avoid losing money, making money will take care of itself. (Actual net of fee results below*)

All Balanced Accounts

Time Period	of	S&P Loss	Loss % Balanced Composite	Loss % S&P500	% of S&P
10/7/2008	to	10/31/2008	-1.07	-2.62	
10/31/2008	to	1/31/2009	-0.68	-14.09	
4/30/2010	to	7/31/2010	-2.07	-6.69	
4/30/2011	to	7/31/2011	-1.48	-4.76	
7/31/2011	to	10/31/2011	0.37	-2.47	
4/30/2012	to	7/31/2012	-0.83	-0.78	
Cumulative Period Losses			-5.76	-31.41	**18%**
Cum. % Return through 7/12			6.74	11.73	**57%**

*all balanced accounts, including closed accounts, net of fees.

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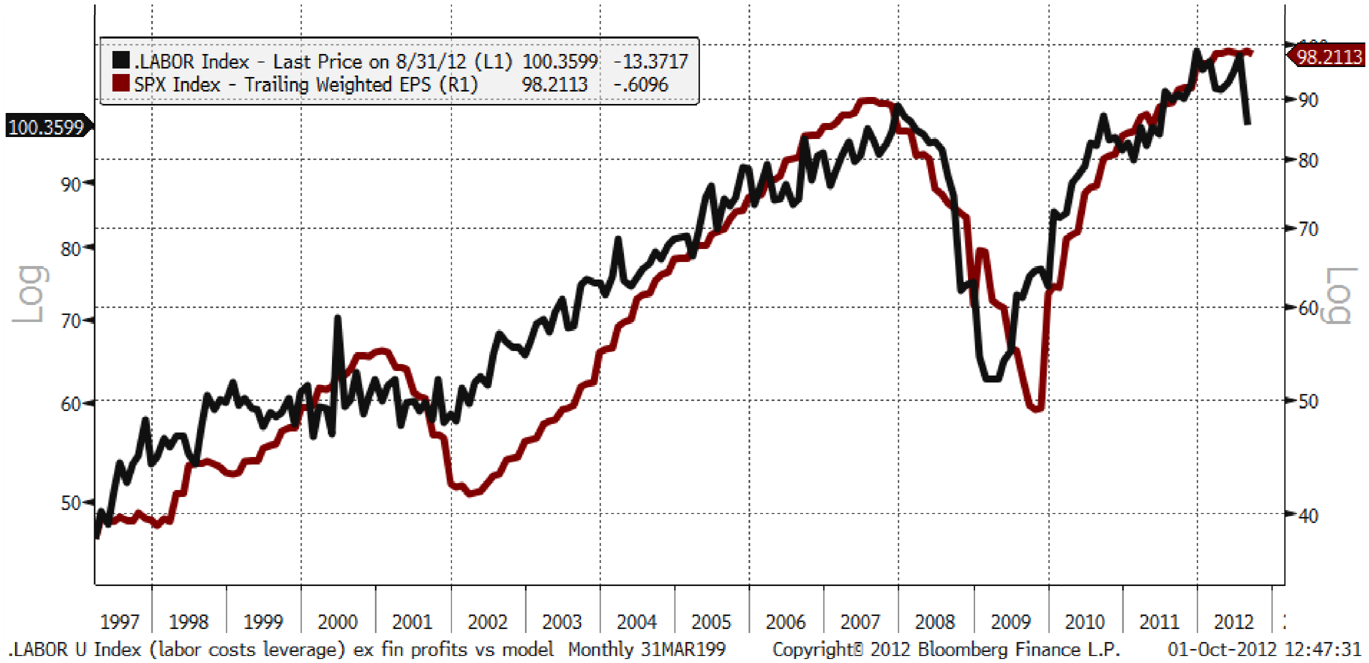

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