

INTRODUCTION

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Obvious Wisdom

- Everything is worth whatever someone is willing to pay for it.
- People can't act on the truth. They can only act on what they believe to be the truth.
- What people believe to be true varies a lot from person to person, especially in uncertain times.
- These are uncertain times.

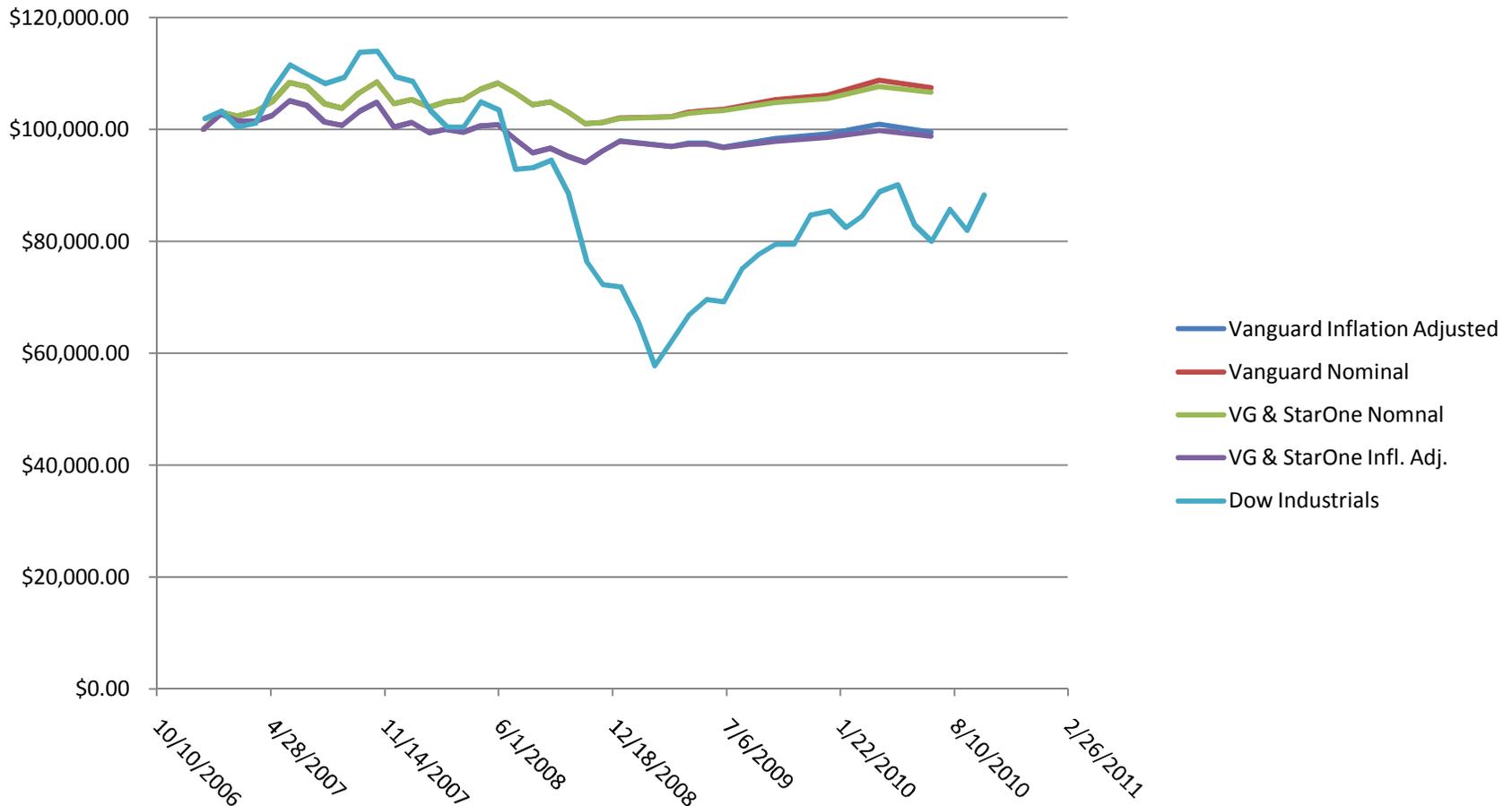
Two Ways to Estimate a Fair Price

- Fundamental Analysis
 - Figure out the likely return on your investment based on the future value of the goods and services it represents and the expenses incurred in providing them.
- Technical Analysis
 - Figure out what price people are likely to pay for your investment in the future based on what they've paid for it in the past.

A Third Way

- Macroeconomic Analysis
 - Estimate the amount by which the demand for goods and services as a whole will rise or fall.
 - This assumes that people don't buy cars because they have found a good buy. They buy them because they are feeling good and want one.

Our Track Record on Conservative Accounts vs Dow Industrials



A Closer Look



Methods Used

- Usually about evenly divided between stocks, bond funds and cash equivalents
- At the point where the crash had clearly started, moved to over 95% bond funds (GNMA and short term treasuries) and FDIC insured CDs and equivalent accounts.
- During the recent uptrend moved back into some stocks to enhance returns
- This is classical asset allocation, but with tactical changes in balance as market conditions change

Final Thoughts

- Be flexible – nothing works all the time
- Hedge your bets – you might be wrong
- If you don't know the odds don't bet
- If you don't understand why you're buying and what would make you sell, don't invest