

# **Agenda For RMC Financial Group**

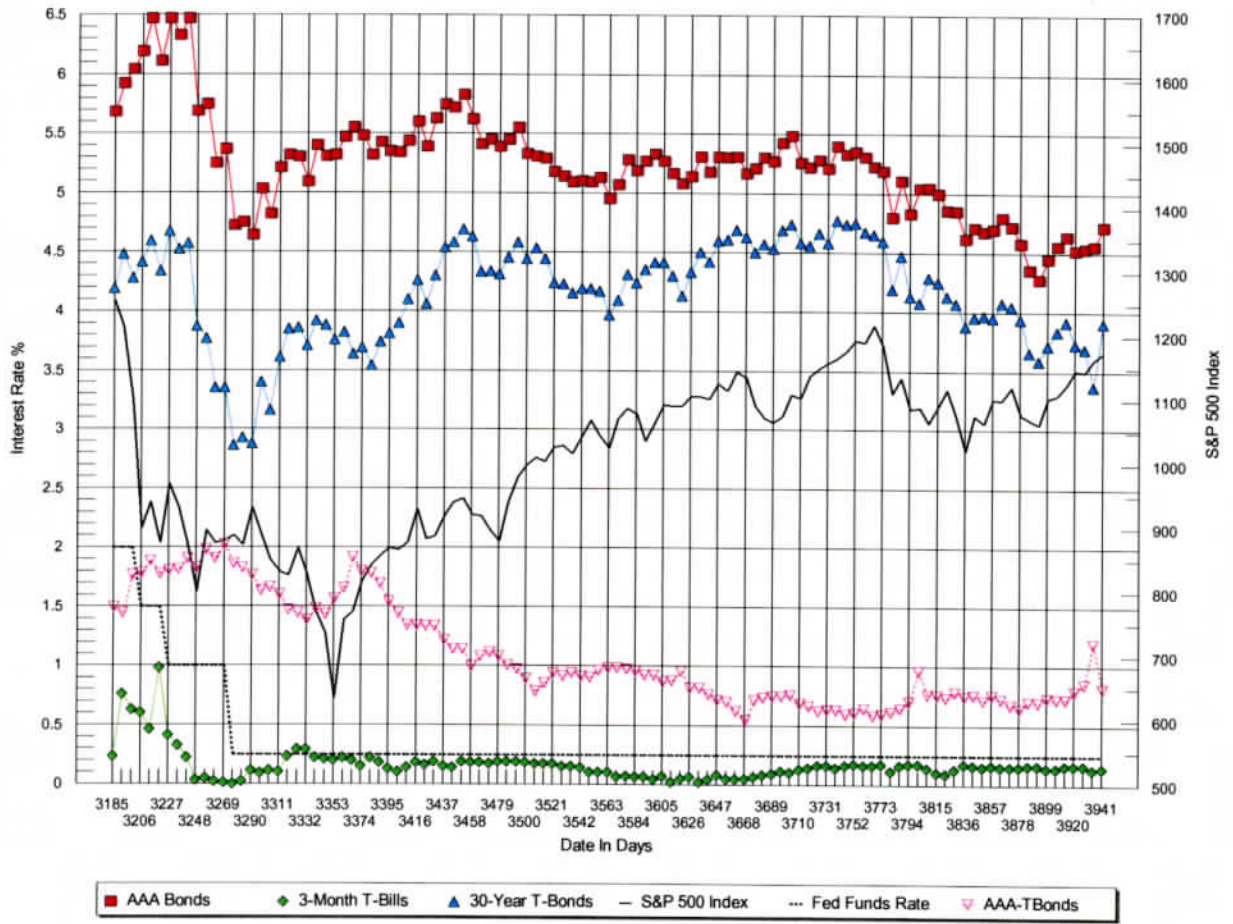
Session Of October 19, 2010

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- Current interest rates and yield curves for US Treasuries
- Listing of eight October 2010 discussion items
- What is the extent of the trade imbalance in the world?
- How bad is the trade deficit for the US-China's portion?
- How bad is the Federal deficit for the US-hidden costs?
- How does market value in US compare with rest of world?
- What are the implications of the expected currency war?
- Will there be sovereign defaults in Europe or elsewhere?
- Why the wholesale abandoning of equities for bonds?
- What can be done about Fannie Mae & Freddie Mac?
- Update on model actively managed mutual fund portfolio
- Past year & projected performance of the 30 DJIA stocks
- Do you really think your broker/adviser has time for you?
- Next meeting is scheduled for November 16, 2010

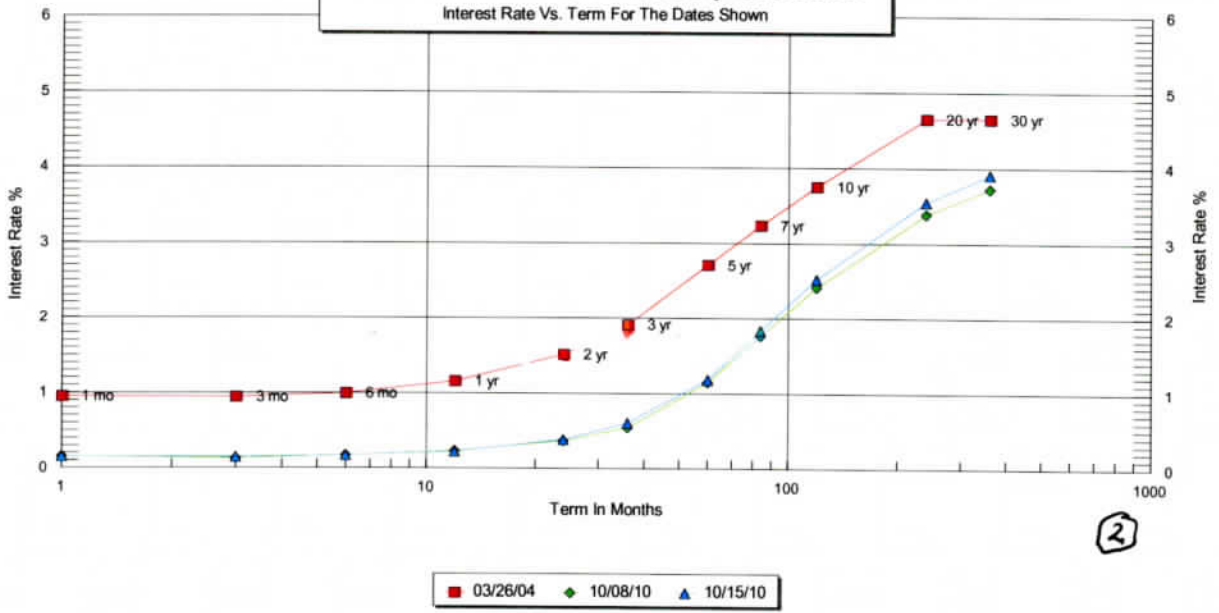
### Interest Rates & S&P 500 Index

Start September 19, 2008 To The Present Time



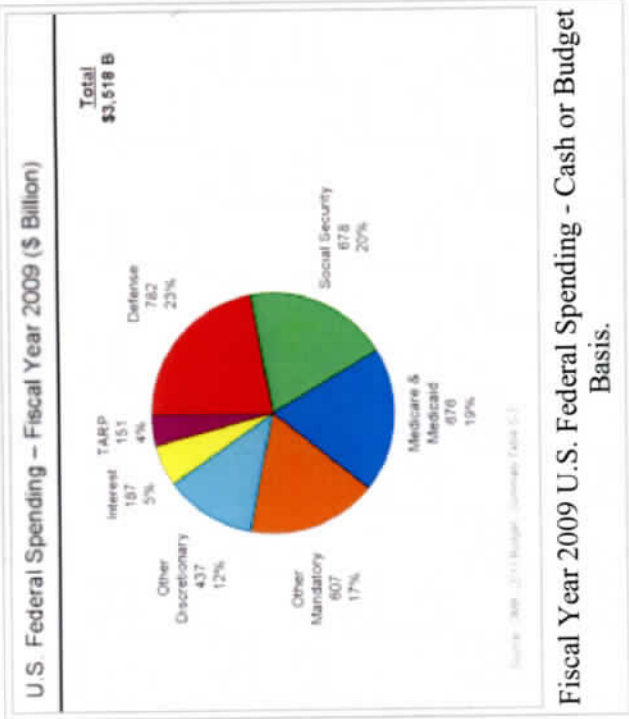
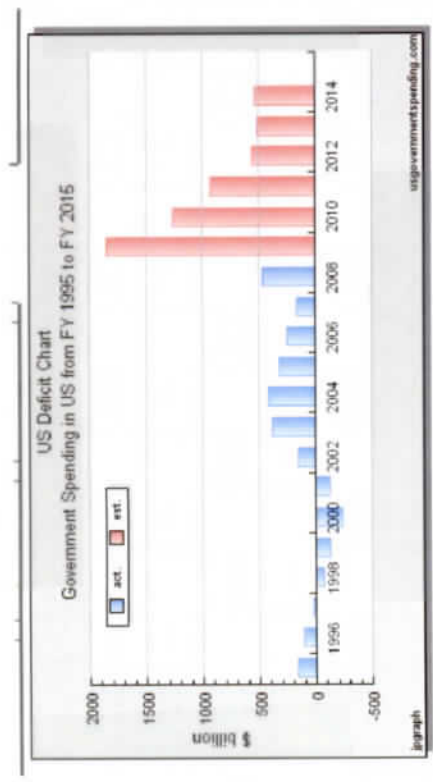
### Yield Curve For US Treasury Securities

Interest Rate Vs. Term For The Dates Shown

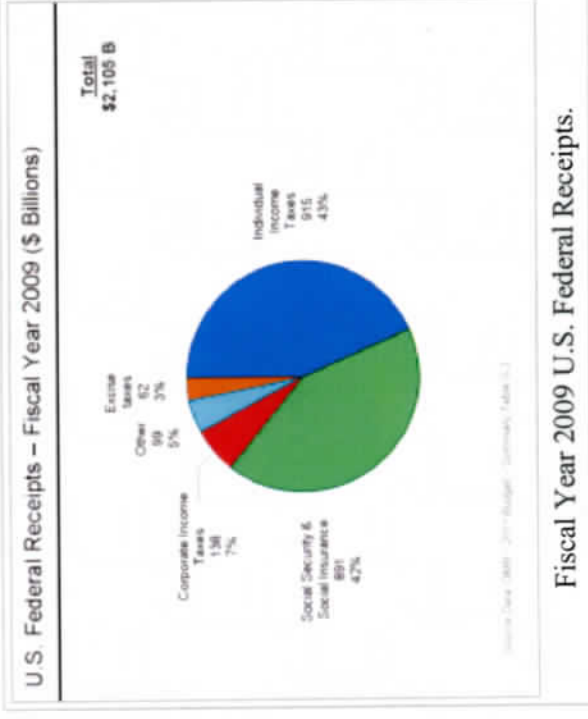


## October 2010 Discussion Items

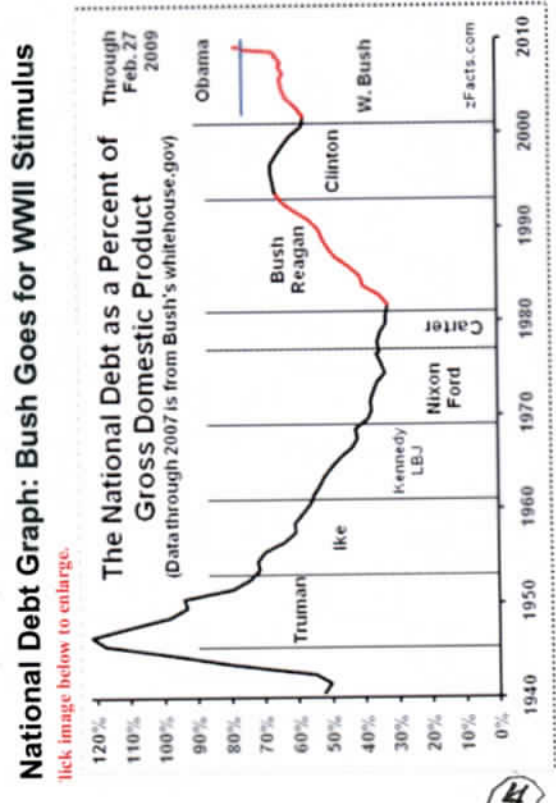
- Between January 1999 and July 2008 the world's official reserves rose from \$1,615bn to \$7,534bn. Reserves declined a mere 6% during the credit crisis. Between February 2009 and May 2010 reserves rose by another \$1,324bn for a total of \$8,385bn. China holds 40% of the accumulation since February 2009. By June 2010 its reserves reached \$2,450bn, 30% of the world's total and 50% of its own GDP. This accumulation must be viewed as a huge export subsidy.
- The August US trade balance: Exports at \$153.8bn, imports at \$200.2bn and deficit at \$46.3bn. Imports from China to US were \$35.3bn for a US deficit with China at \$28bn. The savings rate in China is 50% of GDP while consumer spending is 35%. In the US the savings rate is 5% -up from zero-and consumer spending is 70% of GDP.
- The US Federal deficit is officially 10% of GDP while the total debt is at 80% of GDP. These numbers do not include significant costs that are kept off the Fed's balance sheet. These are numbers similar to those of the biggest debtor countries in the Eurozone.
- Stock market value as a percentage of GDP for the world and selected regional markets: world market 62%; US market 104%; developed foreign markets 98% and emerging markets 54%.
- Countries are currently in the midst of an international currency war. This results in a general weakening of their currency. This threatens others because it takes away their competitiveness.
- For the first time ever there is real possibility of sovereign defaults among the countries making up the developed nations. The major problem is slow future GDP growth due to a high cost structure –noncompetitive with other countries in producing goods and services.
- Retail investors have been abandoning the stock market and investing instead in bonds-including high yield (junk) bonds. Yields have been driven down to very low levels at a time when interest rates are at very low levels. Under these conditions the yield spread should be the focus in selecting bonds to purchase.
- Over the last two years Fannie Mae & Freddie Mac have provided the financial support needed by the housing market. They have done so with the financial support of the US Treasury. Since being placed in conservatorship in September of 2008 they have received \$148bn of taxpayer support. FHA estimates that the total cost of taxpayer support will be less than \$400bn.
- After hearing the discussion relating to the above items what do you believe you need to do to effectively accommodate the concerns so generated into your investment plans? Are you equipped to deal with these concerns? If not, what is your plan get into a position to do so?
- Provide a listing of other items of concern that were not addressed above and you feel should be discussed by the group.



Fiscal Year 2009 U.S. Federal Spending – Cash or Budget Basis.



Fiscal Year 2009 U.S. Federal Receipts.



	Market Value	GDP	Ratio Of MV To GDP
World	\$35,335	\$57,530	61%
USA	\$14,841	\$14,270	104%
Developed	\$15,901	\$26,285	60%
Emerging	\$4,594	\$13,859	33%

10/19/2010

### Breakdown Of World Market Value And Gross Domestic Product

In billions of US dollars

#### Market Value

##### World Market Value

	Market Value	As A Per Cent Of GDP
World Market Value	\$35,335	100%
United States	\$14,841	42%
Developed Foreign Markets	\$15,901	45%
Emerging Countries	\$4,594	13%

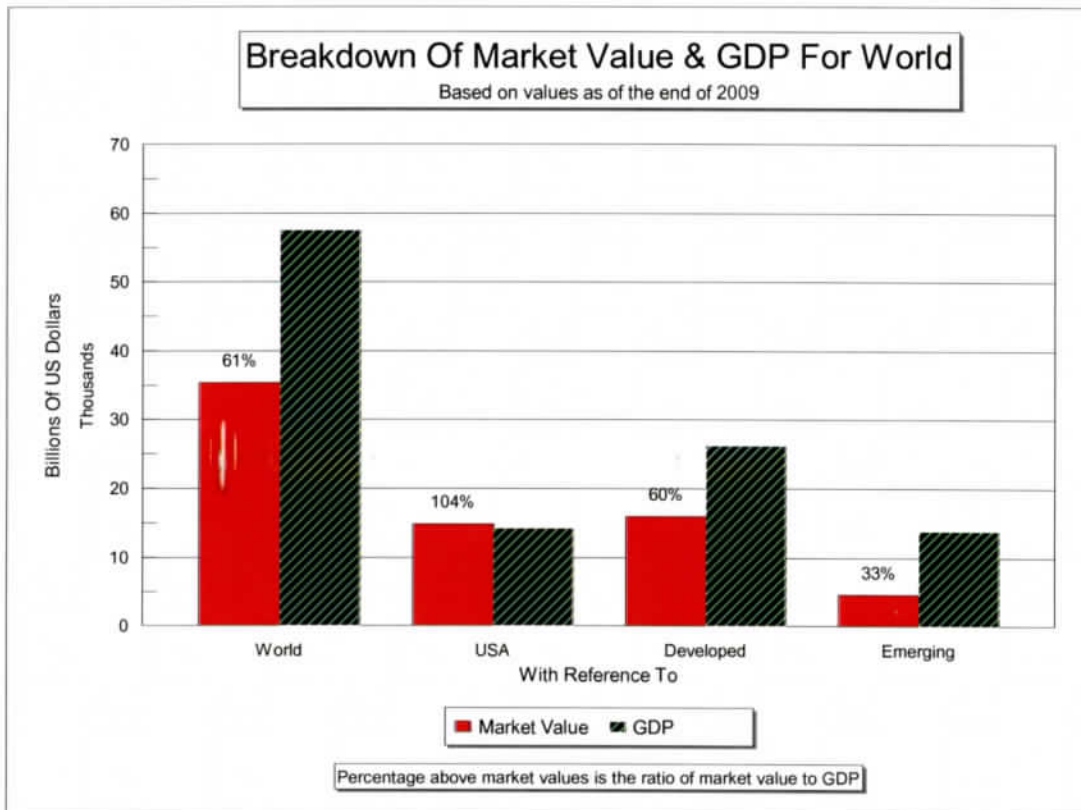
#### Gross Domestic Product

##### World Gross Domestic Product

	Market Value	As A Per Cent Of GDP
World Gross Domestic Product	\$57,530	100%
United States	\$14,270	25%
Developed Foreign Markets	\$26,285	46%
Emerging Counties	\$13,859	24%

### Market Value As A Percentage Of Gross Domestic Product

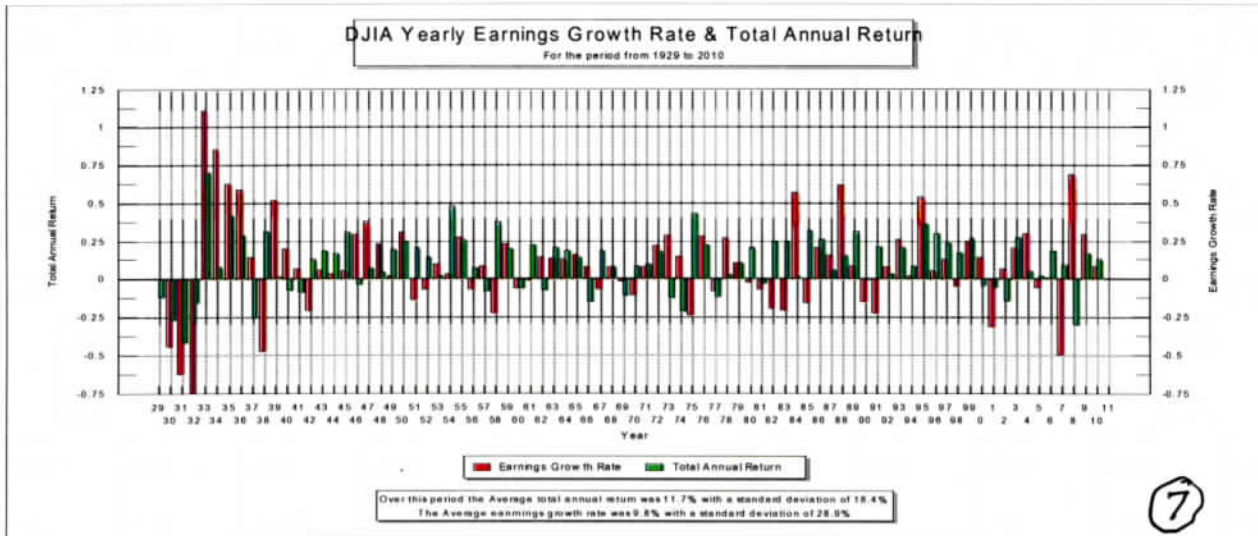
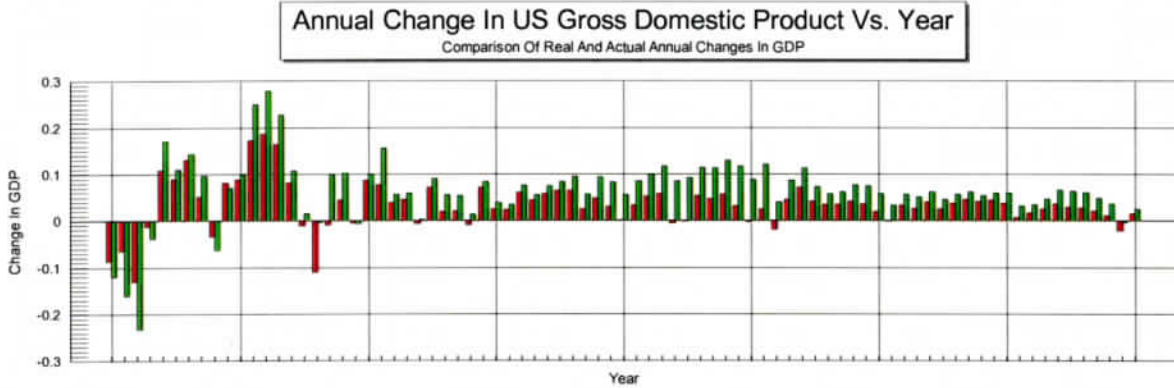
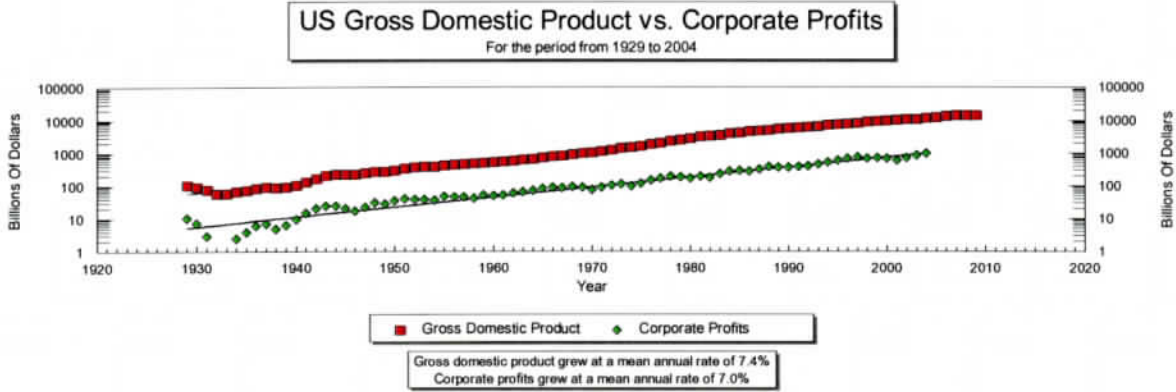
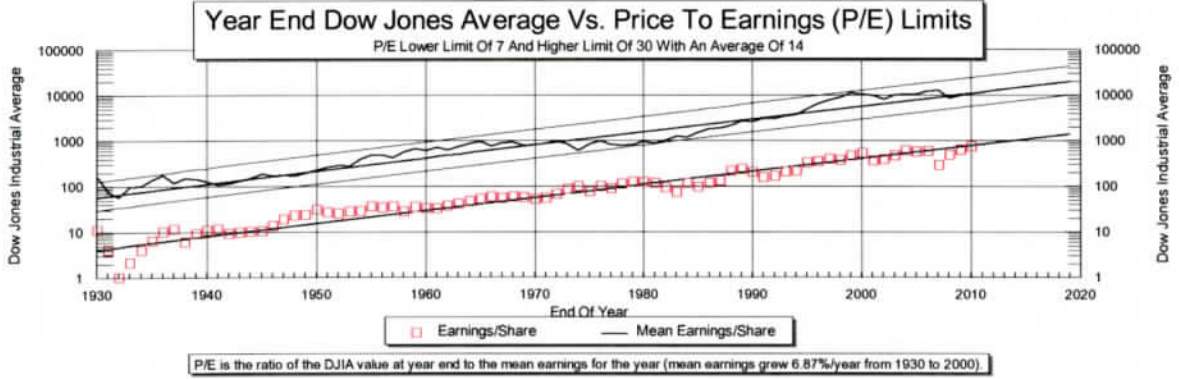
World	61%
United States	104%
Developed Foreign Markets	60%
Emerging Countries	33%



5

	GDP	As A % Of World GDP		GDP	As A % Of World GDP
<b>World</b>	<b>\$57,530</b>	<b>100.0%</b>	<b>World</b>	<b>\$57,530</b>	<b>100.0%</b>
<b>United States</b>	<b>\$14,270</b>	<b>24.8%</b>	<b>United States</b>	<b>\$14,270</b>	<b>24.8%</b>
<b>European Union</b>	<b>\$15,990</b>	<b>27.8%</b>	<b>Developed Countries, ex USA</b>	<b>\$26,285</b>	<b>45.7%</b>
Germany	\$3,235	5.6%	European Union	\$15,990	27.8%
France	\$2,635	4.6%	Japan	\$5,049	8.8%
Italy	\$2,090	3.6%	United Kingdom	\$2,198	3.8%
Spain	\$1,438	2.5%	Canada	\$1,319	2.3%
Netherlands	\$790	1.4%	Australia	\$920	1.6%
Switzerland	\$484	0.8%	Turkey	\$593	1.0%
Belgium	\$462	0.8%	Isreal	\$216	0.4%
Poland	\$423	0.7%			
Sweden	\$398	0.7%	<b>Emerging Markets</b>	<b>\$13,859</b>	<b>24.1%</b>
Austria	\$374	0.7%	China	\$4,758	8.3%
Norway	\$369	0.6%	Bazil	\$1,482	2.6%
Greece	\$338	0.6%	Russia	\$1,255	2.2%
Denmark	\$308	0.5%	India	\$1,243	2.2%
Finland	\$242	0.4%	Mexico	\$866	1.5%
Ireland	\$227	0.4%	South Korea	\$800	1.4%
Portugal	\$220	0.4%	Indonesia	\$515	0.9%
Czeck Republic	\$190	0.3%	Saudi Arabia	\$380	0.7%
			Taiwan	\$357	0.6%
<b>Other</b>	<b>\$23,938</b>	<b>41.6%</b>	Venezuala	\$353	0.6%
Japan	\$5,049	8.8%	Iran	\$332	0.6%
China	\$4,758	8.3%	Argentina	\$301	0.5%
United Kingdom	\$2,198	3.8%	South Africa	\$277	0.5%
Bazil	\$1,482	2.6%	Thailand	\$266	0.5%
Canada	\$1,319	2.3%	Columbia	\$229	0.4%
Russia	\$1,255	2.2%	United Arab Republic	\$229	0.4%
India	\$1,243	2.2%	Isreal	\$216	0.4%
Australia	\$920	1.6%			
Mexico	\$866	1.5%	<b>BRIC</b>	<b>\$8,738</b>	<b>15.2%</b>
South Korea	\$800	1.4%	Bazil	\$1,482	2.6%
Turkey	\$593	1.0%	Russia	\$1,255	2.2%
Indonesia	\$515	0.9%	India	\$1,243	2.2%
Saudi Arabia	\$380	0.7%	China	\$4,758	8.3%
Taiwan	\$357	0.6%			
Venezuala	\$353	0.6%	<b>Non-BRIC &amp;Frontier</b>	<b>\$4,255</b>	<b>7.4%</b>
Iran	\$332	0.6%			
Argentina	\$301	0.5%			
South Africa	\$277	0.5%			
Thailand	\$266	0.5%			
Columbia	\$229	0.4%			
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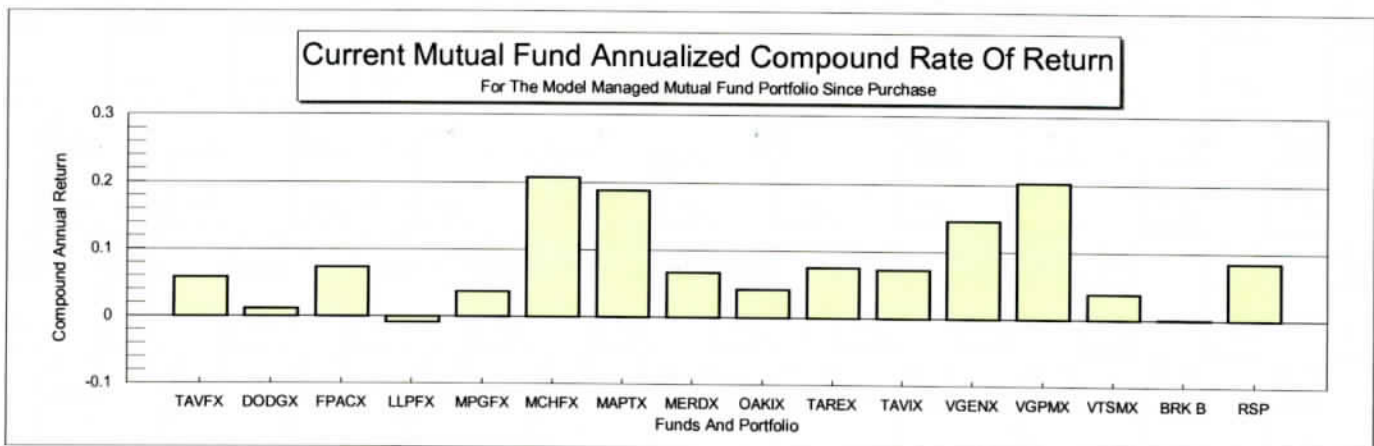
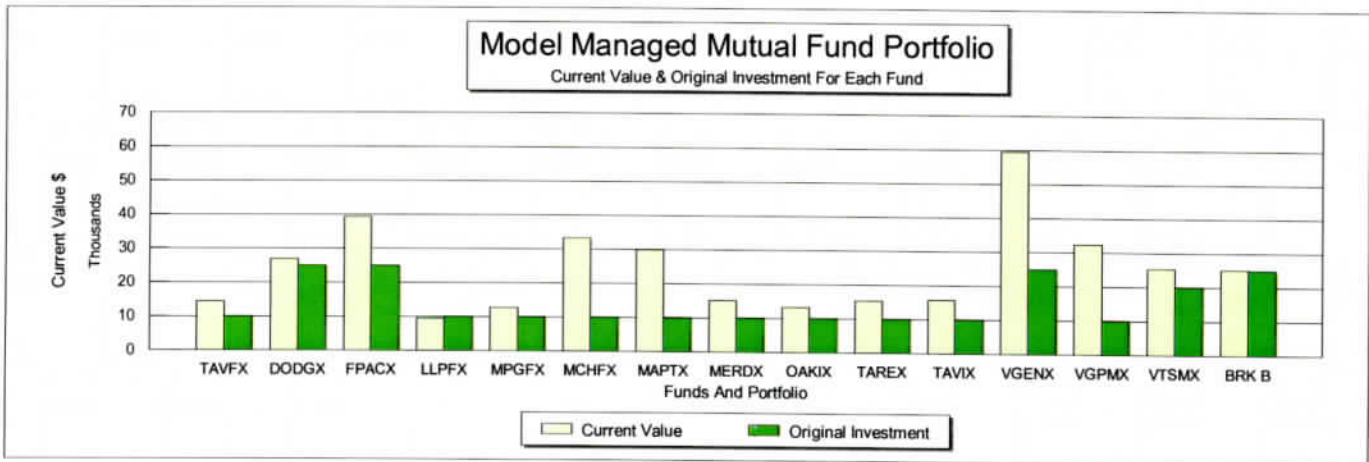


**Model Portfolio Of Actively Managed Equity Mutual Funds**

Mutual Fund	Ticker	Purchase Date	Current Number of Shares	Price/Share 10/15/10	Market Value 10/15/10	Original Purchase Cost	Cumulative Gain Or (Loss)	Annualized Internal Rate Of Return	Year To Date Return	2009 Int'l Rate Of Return
3 3rd Ave Value	TAVFX	06/15/04	281.600	\$50.91	\$14,336	\$10,000	\$4,336	5.9%	9.9%	45.4%
3 D&C Stock**	DODGX	06/16/04	269.998	\$99.68	\$26,913	\$25,000	\$1,913	1.2%	4.4%	31.3%
5 FPA Crescent	FPACX	06/03/04	1489.448	\$26.38	\$39,292	\$25,000	\$14,292	7.4%	7.9%	28.4%
2 LL Partners	LLPFX	02/05/04	352.959	\$26.73	\$9,435	\$10,000	(\$565)	-0.9%	2.0%	67.0%
4 M&P Growth	MPGFX	06/01/04	185.268	\$68.15	\$12,626	\$10,000	\$2,626	3.7%	9.8%	25.2%
5 Matthews China	MCHFX	06/01/04	1096.002	\$30.35	\$33,264	\$10,000	\$23,264	20.8%	19.0%	78.3%
4 Pacific Tiger	MAPT	06/09/04	1271.238	\$23.51	\$29,887	\$10,000	\$19,887	18.8%	22.3%	75.4%
4 Meridian Growth	MERDX	06/15/04	377.773	\$39.89	\$15,069	\$10,000	\$5,069	6.7%	17.8%	35.6%
Oakmark Intern'l***	OAKIX	02/05/04	700.562	\$18.77	\$13,150	\$10,000	\$3,150	4.2%	5.6%	23.2%
4 3rd Ave RE	TAREX	11/19/04	665.743	\$23.09	\$15,372	\$10,000	\$5,372	7.6%	39.8%	42.7%
3 3rd Ave Intn'l	TAVIX	06/08/04	957.213	\$16.29	\$15,593	\$10,000	\$5,593	7.2%	5.1%	37.5%
4 Vang'd Energy	VGEX	06/03/04	980.795	\$60.56	\$59,397	\$25,000	\$34,397	14.6%	3.0%	36.3%
2 Vang'd PM&M	VGPMX	06/03/04	1286.480	\$25.15	\$32,355	\$10,000	\$22,355	20.3%	23.1%	76.5%
3 Total Stck Mkt	VTSMX	06/30/04	864.625	\$29.32	\$25,351	\$20,000	\$5,351	3.8%	11.3%	29.6%
4 WVALX/BRK B*	BRK B	10/11/04	300.000	\$83.37	\$25,173	\$25,000	\$173	0.1%	26.6%	2.2%
<b>3.6 Portfolio</b>	<b>RSP</b>			<b>167%</b>	<b>\$367,212</b>	<b>\$220,000</b>	<b>\$147,212</b>	<b>8.4%</b>	<b>12.6%</b>	<b>34.8%</b>
Delta Benchmark (Portfolio Return Minus Total Stock Market Return)								4.6%	1.3%	5.2%

\*WVALX redeemed on 03/03/08 & replaced by Berkshire Hathaway on 04/17/08  
 \*\*\*Replaced LLINX with OAKIX on 07/13/10

\*\*Exchanged for D&C Balanced fund on 02/25/08.



PAST AND PROJECTED PERFORMANCE OF COMPANIES MAKING UP THE DOW JONES INDUSTRIAL AVERAGE

Information As Of: 10/16/2010

Company Name	Ticker	Current Price	Past 52 Week Earnings	Past 52 Week Dividends	Book Value	Earnings Yield	Dividend Yield	Payout Ratio	Price To Earnings	Price To Book	Operating Earnings Rate '11/10	Ratio Of Trailing P/E To EGR	ROE	Sustainable Growth Rate	Projected Long Term Return	Ratio Of Actual P/E To Justifiable	Return Based On Past 52 Week Earnings	Annualized Returns Based On Estimated 2010 Earnings Per Share	Estimated 2011 Earnings Per Share
Current DJIA: 11063      Est. AAA Yield In One Year: 5.72%      Ten Year Treasury Yield: 4.72%      2.52% Justifiable DJIA*: 18642      DJIA Divisor: 0.13213																			
ALUM CO OF AMER	AA	13.13	-0.27	0.12	14.53	-2.1%	0.9%	NMF	0.9	0.9	112.5%	0.0	-1.9%	-1.9%	-1.0%	0%	-1.8%	3.4%	7.1%
AMER EXPRESS	AXP	39.09	2.70	0.72	10.09	6.9%	1.8%	27%	14.5	3.9	8.1%	1.8	26.8%	19.6%	21.8%	76%	21.5%	27.6%	30.3%
AT&T	T	28.33	2.15	1.67	16.35	7.6%	5.9%	78%	13.2	1.7	7.3%	1.8	13.1%	2.9%	9.0%	74%	8.8%	9.9%	11.0%
BANK OF AMERICA	BAC	11.98	-0.31	0.04	27.46	-2.6%	0.3%	NMF	0.4	0.4	60.4%	0.0	-1.1%	-1.1%	-0.8%	0%	-0.9%	3.7%	5.8%
BOEING	BA	70.11	1.28	1.68	-1.78	1.8%	2.4%	131%	54.8	NMF	24.5%	2.2	-71.9%	22.5%	25.4%	124%	24.9%	-120.6%	-174.0%
CATERPILLAR	CAT	79.75	2.45	1.70	9.70	3.1%	2.1%	69%	32.6	8.2	40.3%	0.8	25.3%	7.7%	10.0%	47%	9.9%	21.9%	37.0%
CHEVRON	CVX	83.61	8.42	2.80	42.77	10.1%	3.3%	33%	9.9	2.0	-5.9%	-1.7	19.7%	13.1%	16.9%	NA	16.5%	18.8%	17.5%
CISCO SYSTEMS	CSCO	23.36	1.33	0.00	5.96	5.7%	0.0%	0%	17.6	3.9	12.0%	1.5	22.3%	22.3%	22.3%	70%	22.3%	27.9%	31.2%
COCA-COLA	KO	59.94	3.18	1.73	8.73	5.3%	2.9%	54%	18.8	6.9	7.8%	2.4	36.4%	16.6%	20.0%	102%	19.5%	22.8%	25.9%
DISNEY WALT	DIS	34.88	2.06	0.35	17.97	5.9%	1.0%	17%	16.9	1.9	17.2%	1.0	11.5%	9.5%	10.6%	51%	10.5%	11.0%	13.1%
DU PONT (E.I.)	DD	46.67	3.43	1.64	7.87	7.3%	3.5%	48%	13.6	5.9	7.3%	1.9	43.6%	22.7%	27.1%	77%	26.3%	21.2%	24.0%
EXXON MOBIL	XOM	65.19	5.18	1.72	22.48	7.9%	2.6%	33%	12.6	2.9	16.6%	0.8	23.0%	15.4%	18.4%	39%	18.0%	20.7%	24.9%
GENL ELECTRIC	GE	16.30	0.96	0.42	9.93	5.9%	2.6%	44%	17.0	1.6	16.2%	1.0	9.0%	5.4%	8.2%	54%	8.0%	9.5%	11.3%
HEWLETT PACKARD	HPQ	42.82	3.61	0.32	15.50	8.4%	0.7%	9%	11.9	2.8	11.0%	1.1	23.3%	21.2%	22.1%	51%	22.0%	28.6%	31.9%
HOME DEPOT	HD	30.70	1.76	0.94	10.48	5.7%	3.1%	53%	17.4	2.9	15.7%	1.1	16.8%	7.8%	11.1%	57%	10.9%	12.3%	15.2%
INTEL	INTC	19.32	1.67	0.61	7.02	8.6%	3.2%	37%	11.6	2.8	7.7%	1.5	23.8%	15.1%	18.7%	63%	18.2%	22.2%	24.4%
INTL BUS MACH	IBM	141.06	10.57	2.40	9.90	7.5%	1.7%	23%	13.3	14.2	9.5%	1.4	106.8%	82.5%	85.6%	63%	84.2%	91.5%	102.3%
JOHNSON & JOHNSON	JNJ	63.57	4.84	2.06	15.17	7.6%	3.2%	43%	13.1	4.2	6.8%	1.9	31.9%	18.3%	22.2%	77%	21.6%	20.7%	22.8%
KRAFT FOODS	KFT	31.65	2.72	1.16	15.02	8.6%	3.7%	43%	11.6	2.1	13.7%	0.8	18.1%	10.4%	14.4%	42%	14.1%	9.5%	11.4%
MCDONALD'S CORP	MCD	77.48	4.39	2.20	11.75	5.7%	2.8%	50%	17.6	6.6	8.2%	2.2	37.4%	18.6%	22.0%	92%	21.5%	22.6%	25.7%
MERCK & CO.	MRK	36.95	4.29	1.52	8.89	11.6%	4.1%	35%	8.6	4.2	13.1%	0.7	48.3%	31.2%	36.6%	32%	35.3%	24.8%	29.8%
MICROSOFT	MSFT	25.54	2.10	0.52	3.88	8.2%	2.0%	25%	12.2	6.6	14.1%	0.9	54.1%	40.7%	43.6%	43%	42.8%	45.3%	53.3%
MINNESOTA MING	MMM	89.14	5.45	2.09	14.10	6.1%	2.3%	38%	16.4	6.3	9.1%	1.8	38.7%	23.9%	26.8%	79%	26.2%	28.7%	32.4%
MORGAN JP	JPM	37.15	3.37	0.20	36.03	9.1%	0.5%	6%	11.0	1.0	27.7%	0.4	9.4%	8.8%	9.4%	22%	9.3%	10.0%	12.8%
PFIZER	PFE	17.75	1.09	0.70	8.52	6.1%	3.9%	64%	16.3	2.1	2.7%	6.0	12.8%	4.6%	8.7%	152%	8.5%	21.7%	22.4%
PROCTER&GAMBLE	PG	62.76	4.11	1.84	20.84	6.5%	2.9%	45%	15.3	3.0	15.1%	1.0	19.7%	10.9%	14.1%	51%	13.8%	11.6%	14.2%
TRAVELERS	TRV	53.63	6.61	1.38	43.37	12.3%	2.6%	21%	8.1	1.2	4.3%	1.9	15.2%	12.1%	14.9%	62%	14.6%	12.3%	12.9%
UNITED TECHNOL	UTX	74.10	4.42	1.66	16.86	6.0%	2.2%	38%	16.8	4.4	13.8%	1.2	26.2%	16.4%	19.0%	60%	18.6%	20.3%	24.2%
VERIZON	VZ	32.43	0.44	1.90	14.75	1.4%	5.9%	432%	73.7	2.2	2.7%	27.4	3.0%	-9.9%	-4.6%	690%	-4.0%	8.1%	8.5%
WAL-MART	WMT	53.35	3.90	1.18	16.57	7.3%	2.2%	30%	13.7	3.2	9.7%	1.4	23.5%	16.4%	19.0%	64%	18.6%	19.3%	21.6%
Overall Dow Industrial Averages		11062.78	741.17	282.03	2256.26	6.7%	2.5%	38%	14.9	4.90	12.1%	1.2	32.8%	20.3%	23.4%	59%	22.9%	26.8%	31.3%

\*Based upon the modified Graham relationship that the justifiable P/E is equal to [ 8.5 + 2 x earning growth rate (%) ] times [ 4.4 / AAA bond yield (%) ]. Use current year's earnings to get justifiable price of the index.

**Brokerage Performance In The First Half Of 2010**

	<del>Citigroup</del> <i>BoFA</i> Merrill Lynch	Morgan Stanley Smith Barney
Client Assets	\$1,400,000,000,000	\$1,500,000,000,000
Number Of Brokers	15,142	18,087
Annual Earnings /Broker	\$836,000	\$682,000
Avg. Client Assets/Broker	\$92,458,064	\$82,932,493
First 2010 Half Revenues /Broker	\$422,665	\$342,788
One % Of Client Assets	\$14,000,000,000	\$15,000,000,000
First Half 2010 Revenues	\$6,400,000,000	\$6,200,000,000
First Half 2010 Earnings	\$675,000,000	\$360,000,000
First Half 2010 Profit Margin	10.5%	5.8%

**Choices To Mange Your Money**

Broker

Financial Adviser

Active Fund Manager

Fund Of Funds Manager

Self Manage

Combination Of Above

Other

Critical Personal Factors In Selection

Sources Of Help

■ Wilshire Total Market

■ GDP



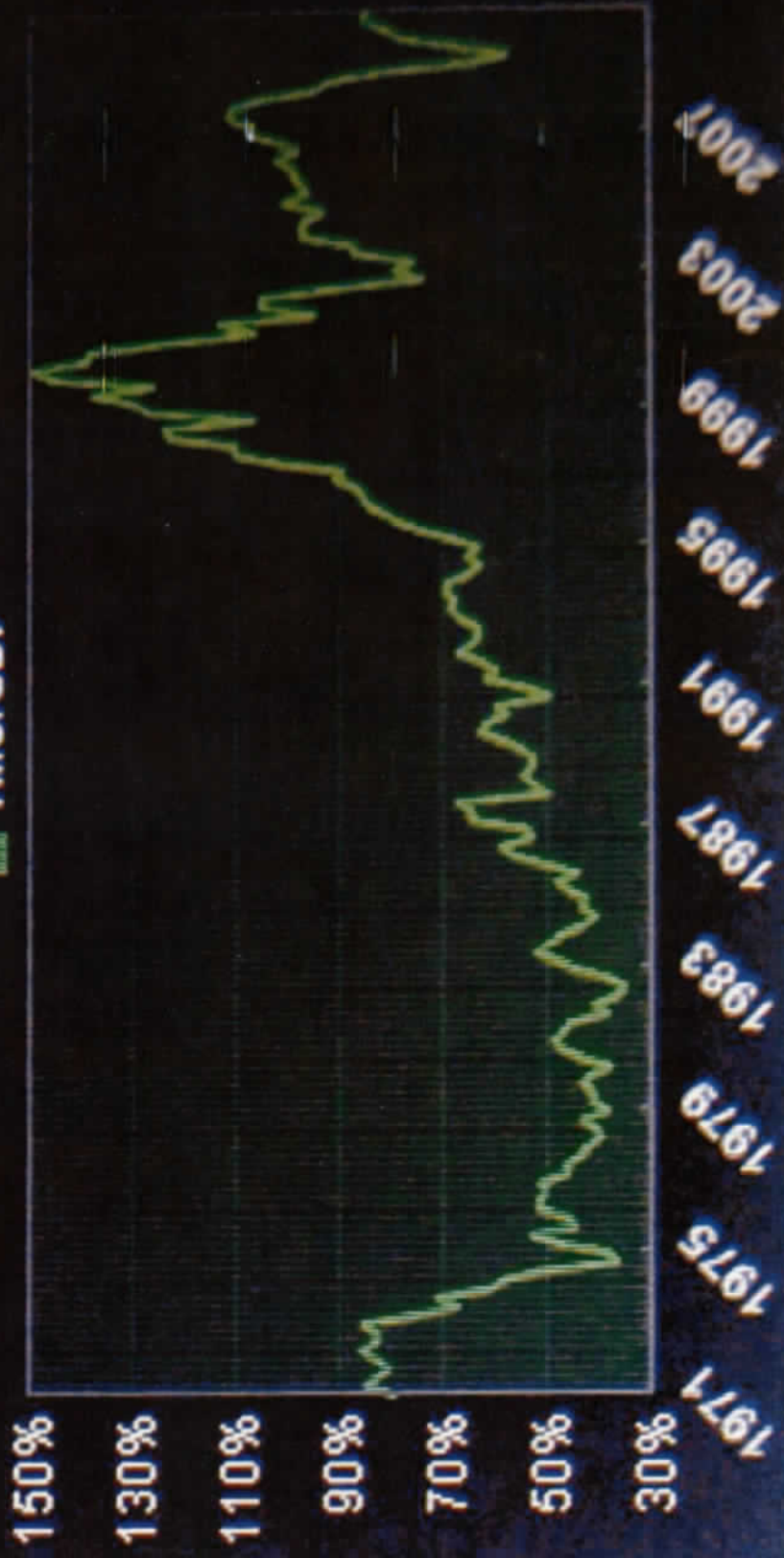
\$18 T  
\$15 T  
\$12 T  
\$9 T  
\$6 T  
\$3 T  
\$0 T

1971 1975 1979 1983 1987 1991 1995 1999 2003 2007

# The Ratio of Total Market Cap to US GDP

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TMC/GDP



# The Predicted and the Actual Stock Market Returns

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