



5T Wealth
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Elimination Newsletter

"Separating fact from fiction since 1998. The antidote to Wall Street."

Perspective

August 8, 2011

Pt. Reyes, our only fixed income model, is acting as a safe haven through this debacle in the stock market. If you are invested in that model, you can sleep easy. All the rest of our models have been crushed in this sell off. Even Pt. Sur, which is our high-yield equity model, has sold off hard.

There has been little protection in holding cash in Halifax, Hatteras, Mendocino, and Fresnel. They have all been knocked down badly. But despite the damage I am not discouraged. Let me offer some unique perspective.

Many of you know that I have one retirement account that is traded with the Fresnel model group. That account served as the prototype for Fresnel in 2006. Many of the stocks in the account have now broken below our normal stop loss limits. I cringe when I look at them on my computer screen. Because we need to show clients, and the world, our performance numbers once per quarter, I wish we didn't own any stocks at all. Fresnel, and most of the other models, is now down for the year to date.

Meghan and I have 401k accounts that are not traded with any model group. The reason for that is that we are constantly contributing and it is frankly a pain in the ass to try to keep them balanced with a model group. We tend to rebalance them each time a contribution is made. We have also used them to experiment with from time to time as we test varying trading techniques. One thing you should feel good about as a client of 5T is that we NEVER experiment with your money. We do it with our own.

The 401k accounts currently hold an allocation to stocks of about 60%, very similar to many of the models. Even though many of the stocks are down, I am not tempted to sell any of them. We work very hard at selecting great companies for all the models, and we tend to buy the same stocks for the 401k accounts. There might be different percentage allocations in these accounts but the stocks picked for them come from the research we do for the models. We have a very long term perspective for these accounts and don't have to show quarterly performance. That takes a lot of pressure off.

The simple point I am trying to make is that I like everything we own for the longer haul and will be buying more the next time we add cash to these accounts.

Think about that for your account when you see your statement.

As for the models, we will be doing some rebalancing. We may sell out of some of the weaker stocks and reallocate capital to stronger ones. We have a shopping list of names we want to buy because we feel they are heavily discounted now. It would be like buying them on sale.

The stock market is now deeply oversold and clearly ready for a bounce. Check out this chart. The green circle on the left encloses the sell-off we experienced last summer. The green circle on the right frames the sell off this summer. The market has now retraced exactly 61.8% of the recovery after last summer's plunge. That is an important "Fibonacci" number. I know that probably doesn't mean much to you, but it means a lot to stock market technicians. It is just the right spot to expect the market to bottom for now. SentimenTrader.com just reported that the only two other times we were as oversold as today (on a 10-day basis) was the crash of October 1987 and when Germany invaded France in 1940. This is an historical moment.

There are no guarantees, mind you, but the odds are **very high** the next significant move for the market is up.



We will get through this.

All the best,

Paul Krsek
MANAGING MEMBER & CHIEF INVESTMENT OFFICER
5T Wealth Management
(707) 603-2672 Office
(707) 486-7333 Cell
Paul@5TWealth.com

5T Wealth Management, LLC

Registered Investment Advisors
702 Trancas St, Ste 200, Napa, CA 94558
(707) 224-1340 www.5TWealth.com

Disclosure and Disclaimer - Updated last on August 13, 2007 by Paul Krsek:
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The investment portfolio models or management services mentioned in ELLUMINATION may or may not be available in some states, and they may not be suitable for all types of investors.

5T WEALTH MANAGEMENT manages accounts with various histories and investment objectives. Various accounts may be managed differently from time to time.

Krsek makes frequent reference to the model portfolios called Hatteras, Mendocino, Halifax, Fresnel, Point Reyes, Cape Lookout and Point Sur. During 2005 Paul Krsek was appointed Chief Investment Officer of 5T WEALTH MANAGEMENT, and as such is responsible to make all trading and management decisions for all client accounts which are being managed according to a specific portfolio model. A description of each of our models can be found on our website at <http://www.kaassets.com/choices.htm>.

Not all accounts managed by 5T WEALTH MANAGEMENT are "modeled" accounts. We strongly urge our clients to understand which model, if any, are being used to manage their accounts.

As of July 3, 2007 Lee O'Dwyer joined 5T WEALTH MANAGEMENT as a portfolio manager. Paul Krsek and Lee O'Dwyer frequently discuss investment ideas, model portfolio strategies and the investment policies of 5T WEALTH MANAGEMENT. But when it comes to the implementation of those policies Krsek is primarily responsible to manage the accounts that fit into each model portfolio description. He generally makes all final investment and trading decisions relative to those accounts that are considered to be "modeled." However, in Krsek's absence O'Dwyer does have the authority to trade all client accounts. He has been actively trading accounts in the various models since joining 5T WEALTH MANAGEMENT.

From time to time 5T WEALTH MANAGEMENT receives requests from clients to purchase securities that are not included in the model portfolio to which they are assigned. Effective May 24, 2006, 5T WEALTH MANAGEMENT has encouraged clients to hold such securities in a separate account for the client. Because 5T WEALTH MANAGEMENT is a "fee only" registered investment advisor" it charges its normal management fee for monitoring such securities in the separate accounts in which they are held.

5T WEALTH MANAGEMENT makes every effort to exclude securities that are 'requested by the client' from the modeled portfolio accounts.

The investment objectives of various accounts and models may be substantially different from one another. Therefore topics or investments mentioned in E-ELLUMINATION may or may not apply to specific managed accounts and/or models.

Trades or adjustments to accounts mentioned in ELLUMINATION may or may not happen in every account managed by portfolio managers at 5T WEALTH MANAGEMENT.

If you are not satisfied with the investment results in your account it is your responsibility to inform Krsek or O'Dwyer and to discuss possible changes that can be made to the account to accommodate and satisfy your needs.

The assets held in managed accounts at 5T WEALTH MANAGEMENT may include stocks, bonds, cash, commodities, foreign exchange or mutual funds or exchange traded funds (ETF's), money market accounts or limited partnerships that represent the same. They are subject to market fluctuation and the potential for losses. The assets are not insured. The value and income produced by these investment products may fluctuate, so that an investor may get back less than they initially invested.

The portfolio managers at 5T WEALTH MANAGEMENT do not guarantee results.

Past performance should not be considered an indicator of potential future performance. If you do not consider yourself suitable, either emotionally or financially, to experience volatility and/or losses in financial markets, you should not invest.

From time to time Krsek lists the simple annual returns of the six model accounts in this newsletter. These accounts are "models" and do not represent the actual results accruing to individual accounts. Simple annual return does not represent "time weighted return" as reported individually to clients in their quarterly reports prepared using Centerpiece.

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