SAM NEWS

2009 4th Quarter Report
January 2010

Amazing Recovery!!!

After hitting a new bottom in early March, stocks soared over the remainder of the year. For the year, the Dow 30 Index was up 22.6% and the S&P 500 gained 26.4%. You will truly enjoy reading your December Charles Schwab statements and our enclosed year-end performance reports!

While we are delighted with this amazing recovery, this last decade produced the worst stock performance since the 1930's. So what happens next? Will this be another dismal decade for equities? Will we experience a market correction after these enormous 2009 gains? Don't miss "SAM OUTLOOK" and "SAM STRATEGY" .

2009 INVESTMENT REPORT

With the stock market leading the way (as it always does), the recession ended during the 4th quarter. The unemployment rate hit 10%, but new jobless claims started dropping by year end. (NOTE: The unemployment rate always lags the recovery from a recession by 6 to 9 months.)

With the DOW Jones Industrial Average (DOW 30) down over 12% and the broad-based S&P 500 down 11% at the end of March, the thought of huge double digit gains for the year seemed laughable. In fact, our 1st quarter prediction of stock gains of + 30% from the March bottoms seemed ludicrous to nearly everybody. Well, we got it right this time! The DOW 30 rose 62% from the March lows, ending the year up 22.6%, the best year since 2003. As you can see below, the rest of the stock indices produced remarkable gains as well.

Bonds produced gains of 5.93% as measured by the Barclays Capital Aggregate Bond Index, while the Feds dropped the short-term interest rates to near zero. The twelve month Consumer Price Index (CPI) was up 1.8%, and for now, inflation remains in check. Real estate prices started rising at the low end of the housing market, with the jury still out for commercial real estate. Here are the results for 2009. All numbers listed are percentage gains or losses. Results are annualized for the 7-Year period and include interest and dividends:

	4th Qtr 2009	2009	7-Year
Dow 30	**8.09%**	**22.59%**	**5.86%**
S&P 500	**6.02%**	**26.41%**	**5.50%**
Nasdaq	**6.91%**	**43.89%**	**7.87%**
Russell 2000	**3.87%**	**27.17%**	**8.65%**
EAFE (Int'l stocks)	**1.80%**	**27.75%**	**7.50%**
Barclays Aggregate (Bonds)	**0.20%**	**5.93%**	**4.75%**

IS IT TOO LATE ???

In April of last year we warned investors, stating: ***"Those who fled to cash over the last few months had better get it back in the market very soon or risk missing substantial bull market gains this year."*** **IT'S NOT TOO LATE… Over the next few years, stocks will rise substantially!**

TAX INFORMATION

Schwab will send Form 1099 information for the securities in your accounts in mid-February. If any security sends updated information, Schwab will send a corrected Form1099. While you may schedule your tax appointment earlier, please be sure to ask your CPA or tax preparer not to finalize your return preparation until March.

Those clients who have limited partnership interests will typically not receive the partnership tax information until mid-March. While we may hold limited partnerships transferred in by clients, SAM does not invest in them.

SAM Outlook on the flip side

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SAM STRATEGY

Given our Outlook and Forecast, we remain fully invested in stocks (at or near the limits for each strategy) as stocks continue the bull market run that began last March. Even with a possible correction in our outlook, we will not attempt to "time the market" as that strategy fails about 80% of the time. We will carefully watch the energy and finance sectors for a possible shift into more productive areas of the market later in the year. Our global positions and smaller company stocks should outperform again this year.

With the rise in interest rates and inevitable inflation, conventional bonds and bond mutual funds (corporate and government) and fixed annuities will prove to be disastrous in the new decade. Our rising interest rate investments should do extremely well again this year, while inflation protected bond funds will serve as our defense against rising interest rates. As always, if you have any questions about our strategy or your specific accounts, please call… 559-658-5193 or toll-free 877-658-5193.

PLEASE NOTE: As all U.S. Stock Markets are closed in observance of Good Friday, April 2nd, we will be closed as well. THANK YOU!

REQUIRED DISCLOSURES

Sierra Asset Management's ***Privacy Notice*** and ***Proxy Voting Policy Summary*** are enclosed with this bulletin. If you have any questions, please contact us. During the 1st quarter of 2010, we will update our ***U.S. Securities & Exchange Commission Form ADV***. While we anticipate only minor updates to this registration, you may request a copy by calling or sending an email.

SAM OUTLOOK

The Economy: Our last two *SAM NEWS* reports listed more than a dozen major reasons why the U.S. and global economies would recover in 2009 and 2010. The list has grown to several dozen factors, completely swamping the arguments from the "doom & gloom" and "double-dip recession" camps. Here is a brief sampling of our findings:

- **Upside corporate earnings surprises, with a weaker dollar, moderate inflation, and stable labor costs, will create a "sweet spot" for the recovering economy.**
- **Cash held by corporations (over $1 trillion) is at a 50 year high.**
- **The Consumer Price Index (CPI) is at its lowest level in almost 6 decades.**
- **Inflation will not be a hindrance to economic growth for at least the next year or two.**
- **As the job situation improves, consumer spending will increase (modestly), propelling further economic improvement.**
- **The U.S. now has the second largest supply of natural gas in the world (2000 trillion cubic feet - about a 100 year supply).**
- **Developing nations (especially China, Brazil & India) will continue to need our technology and exports.**

As we reported last quarter, the enormous national debt forecast (over $8 trillion this decade) will continue to be the dark cloud on the horizon. Wars, welfare, foreign aid, and social services spending will derail our economy later this decade if we don't cut government spending. But for now, we see great fundamentals for global equities which should remain in place at least through 2010. After the worst decade for stocks since the 1930's, global stocks may be the best investment for this decade.

However, we do expect that a 10% stock market correction may occur sometime this year, primarily because of the tremendous gains made by the market indices. We believe this will be a very brief correction, lasting anywhere from hours to a couple of months at the most. We have no idea when it may occur, as it will be emotionally based (not based on fundamentals).

This will be a "lost decade" for bonds. In response to our horrific national debt, inflation will wipeout bond gains for at least 2010 & 2011!

SAM FORECAST FOR 2010: (Not Guaranteed… No duh!)

We believe that globally, stocks will end this year with + 14% gains. The popular DOW 30 index should close near 12,000 by year end. Long-term interest rates should continue rising, with the Fed increasing the short-term Fed Funds Rate by the second half of the year. Thus, bonds will be the worst-performing asset class this year. Overall, residential real estate will begin a long, slow recovery, having bottomed out in late 2009 or early 2010. Energy and industrial/construction commodities should rise as new demands hit the market. Gold will under-perform stocks again this year as investor fears abate.

Thank you for the trust and confidence that you have placed in us this past year. We hope that you will consider referring us to others who might benefit from our service and performance.