

## IN THE COMMUNITY...Next Step Fitness

Throughout the year we have been working closely with NextStep. NextStep is an organization that brings the latest in fitness, health, and wellness to individuals living with paralysis and other physical disabilities in Southern California.

In August of 2006, a tragic accident in Manhattan Beach left Janne Kouri paralyzed. Doctors told him that he would never walk again. Three years later, he took his first steps which were documented on ABC's "Good Morning America."

With over 6 million people in the US living with paralysis, we all know someone, a brother, sister,

friend, neighbor, or colleague, struggling with a disability who deserves better, and that story reminds us that everyone should have the same chance Janne did.

While many might call this a miracle, his recovery has not been the result of chance. He was lucky enough to have access to the best doctors and therapeutic techniques. Yet for most victims of paralysis even the most basic care is too costly. In June of 2008, Janne opened NextStep Fitness and dedicated his life to helping others have access to the latest, most progressive, non-invasive rehabilitation regardless of cost.

**On July 26th, we are helping to host an event with NextStep to raise money and awareness for this great foundation.**

**If you would like to join us for this special evening or would like to donate to this great cause, please visit**

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### THIS ISSUE

- Note from Kathleen ..... P. 1-2
- Japan's Disaster Generates.....
- Energy Innovations ..... P.2
- Market Performance in the First Half..... P.3
- What's New With Us ..... P.3
- In the Community..... P.4

### ISSUE 2

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## NOTE FROM KATHLEEN...



As we hit the midway point of 2011 the market is finding it difficult to stop and take a deep breath. The last few months have been incredibly volatile and continue to react to market headlines with little to no idea of what the future political and economic landscape will be. Currently, Greece and Europe appear to be the source for the majority of market fluctuations. Last quarter it was Japan.

### TWO CRITICAL INVESTING LESSONS

*"The only certainty is that nothing is certain."*

-Pliny the Elder

*"It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so."*

-Mark Twain

These are two quotes written 1,900 years apart that highlight two important lessons for investors from the recent events in Greece. One is that portfolios need to be constructed to expect the unexpected and anticipate the unanticipated. The other relates to trying to avoid a very costly trap that ensnares investors.

...cont. on page 2

## NOTE FROM KATHLEEN CONT.

### LESSON 1

The only way to try to deal with the uncertainty and manage the impact of unforeseen events is to keep risk management as much of a priority as performance. In our practice, we focus on diversification, long term perspective, an intense manager selection process, and maintaining long term plans though short term adversity<sup>1</sup>.

### LESSON 2

Avoid overconfidence. There will always be someone who has made a big bet that has paid off and is doing better than you as a result. A risk-controlled investing approach seldom gives you bragging rights on the golf course. "Big bet" investors typically have a high degree of confidence as their investment soars, right up until the next disaster catches them by surprise. Research done by University of Chicago's Richard Thaler has demonstrated that overconfidence is among the mostly costly traits an investor can have. The key to risk control is to not let a single unexpected event cause permanent damage to your portfolio due to lack of diversity<sup>1</sup>.

*Enjoy the rest of your summer!*

*Warm regards,*

*Kathleen Adams*

<sup>1</sup>Investing involves risk and the potential to lose principal. Diversification and other investment strategies do not ensure a profit or protect against loss in declining markets

### JAPAN'S DISASTER GENERATES ENERGY INNOVATIONS

Japan's devastating earthquake and tsunami, which destroyed a quarter of the power-generation capacity near Tokyo and adjacent regions, might ultimately boost energy innovation. The government is asking households and businesses to conserve energy during the summer months and may offer incentives for energy-saving technologies.

One idea is to promote solar power by paying businesses and homeowners to feed energy into the grid. This would encourage increased use of solar panels, which are standard on most newly built houses, and would result in an estimated 80 percent energy savings.

A government proposal to subsidize the cost of LED lighting in place of traditional incandescent bulbs could mean energy savings of 50 percent. Even though the cost of a LED bulb is pricey – about \$60 compared to a \$1 incandescent bulb – the LED is said to last 40 times longer.

Another proposal would subsidize large, rechargeable batteries for use in home power generation. The batteries would draw from the grid overnight and, when used during the day, would reduce peak daytime demand for power.

At the moment, these are nothing but proposals and insufficient to compensate for the energy production lost due to damaged nuclear plants. But Japan's first disaster-relief bill included about 7.7 billion yen (about \$95 million) for energy conservation/innovation, and more is possibly on the way.

(Source: The Economist)

### MARKET PERFORMANCE IN THE FIRST HALF

Developed markets registered solid gains in the first quarter, despite the setback from March's earthquake and tsunami in Japan.

The second quarter was a different story, with concerns arising from growing inflation threats in emerging markets, sovereign debt worries in Europe and a downgrading of growth forecasts for the global economy.

**"Money will always flow toward opportunity and there is an abundance of that in America .... Human potential is far from exhausted and the American system for unleashing that potential ... remains alive and effective."**

--Warren Buffett  
Berkshire Hathaway Letter to Shareholders, February 2011

**"In terms of the stock market, there are amazing opportunities ... (compared to US government bonds) there's a huge gap and a huge differential."**

--Bill Gross,  
Morningstar Fixed Income Manager of the Decade  
CNBC - June 7, 2011

**"We've almost never seen valuations (on the US stock market) this low when interest rates are as low as they are today .... relative to bonds today, I've almost never seen such compelling values."**

--Professor Jeremy Siegel,  
Wharton School  
Author: Stocks for the long run  
Business News Network  
- June 28, 2011

### WHAT'S NEW WITH US: BEVERLY HILLS

We continue to look for ways in which we can provide the highest level of service to our clients and associates. Towards the end of this year we will be opening an office in Beverly Hills to help accommodate current & future Westside clients.

Our Manhattan Beach office will continue to be our main office and your source of contact.