

Sather Financial Group Inc.

Comprehensive Wealth Managers

2011 Third Quarter Commentary **Taking Chips Off The Table**

The third quarter picked up where much of the second quarter left off—with the world being a rather unsettled place. A double digit decline in the quarter was not what we hoped for, but not a surprise either.

In our second quarter commentary we discussed a variety of broad macro-economic issues (world debt, low GDP, high unemployment, commodity costs, etc). **This view is still as cloudy and muddled as ever.** Nothing material has changed to improve these things.

At the same time, **we are seeing some of the best opportunities to buy/hold individual companies in 30 years.** The large multi-national blue chip company continues to operate with very high profit margins, broad geographic revenue streams (offering both political and currency diversification), exposure to faster growing markets and handsome dividends.

Because of these macro-economic concerns, **we have liquidated our exposure to what we view as the “riskiest” assets.** This has meant selling off our international stock and bond exposure as well as those in the emerging markets. We have also sold off low quality domestic fixed income (high yield debt, convertible debt etc).

These moves proved to be timely and have produced rather large cash positions in our portfolios. This is definitely the most conservative that our portfolios have been postured in twenty years.

Despite this, we continue to be concerned about the spillover effects from Europe. This is especially true given that the US is not in the best of health either and we live in an increasingly interconnected world.

As such, **we will most likely be taking proactive moves to hedge our portfolios** in the relatively near future. The goal in doing so is to protect our stock market exposure from a potential massive sell-off.

If we are able to execute this strategy successfully our clients will be able to maintain their stock market exposure and benefit from the cash flow from their stock market assets, while neutralizing the price movement.

We are evaluating this decision now as there appears to be far more downside risk than upside opportunity and politicians rarely prove to make timely or insightful decisions.

Finally, for the seventh year in a row Sather Financial Group has been named one of the top independent wealth managers in the nation. The study was published last month by *AdvisorOne* (formerly Wealth Manager Magazine). Since our inception more than twelve years ago we have truly seen some remarkable things. Despite all of the issues to contend with, it is all very worthwhile given who we work for.

Thank you for your continued support and faith in our abilities.

If you have any questions on this, or anything else, don't hesitate to stop by or give us a call.

Sincerely,

Dave

Dave Sather, President
CERTIFIED FINANCIAL PLANNER™

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