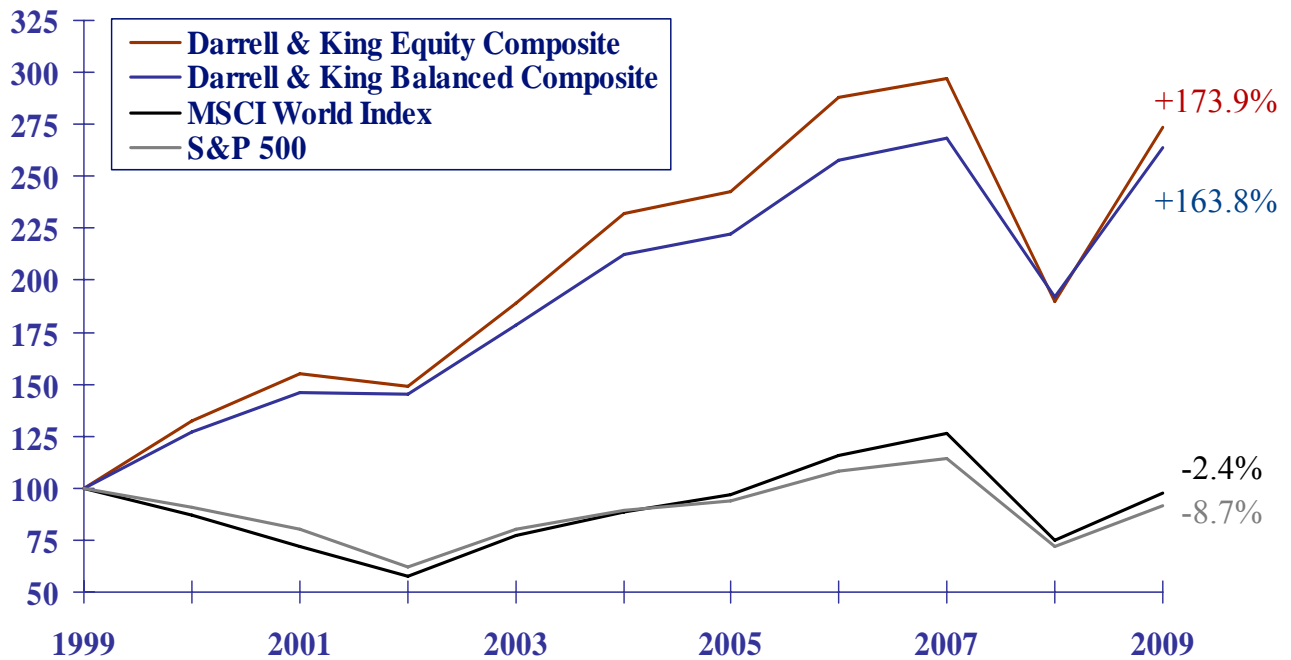


**Sidestepping “The Lost Decade”**

In hindsight, we should have known that the last decade was going to be a doozie. For starters, even now we still don’t know what to call it - “the aughts”, “the nulls” or “the zeroes” never really had the same ring as “the seventies”, “the eighties” and “the nineties.” Unfortunately the decade started with the tech bubble and ended with the credit crisis. Between these two memorable bookends were 9/11, Enron, WorldCom, Tyco, Afghanistan, Iraq, SARS, Hurricane Katrina, the housing bubble, TARP and H1N1, just to name a few of the low points.

The stock market reflected all of this with a humbling cumulative total return of -8.7% for the S&P 500 over the entire decade (1999-2009). Global stocks fared almost as poorly with a cumulative total return of -2.4% in dollar terms, as measured by the MSCI World Index (see chart below). In local currency, the MSCI World Index did remarkably worse.

**Darrell & King Investment Counsel, LLC**  
**“The Lost Decade” - 12/31/99 to 12/31/09**



\*Presented gross of fees.  
 Please see Disclosures & SEC Information, which includes net of fees performance data.

Given this abysmal stock market performance on a global scale, it only seems appropriate the last ten years will be callously remembered as “The Lost Decade.” *As illustrated by our equity and balanced composites above, it was anything but a lost decade for our clients.* This will be addressed in more detail shortly, but first let’s compare the last decade to those that preceded it.

---

## The S&P 500 Annualized Returns Over the Decades

---

<u>Decade</u>	<u>Annualized S&amp;P 500 Total Return</u>
Jan. '26 – Dec. '29	19.64%
1930's	0.97%
1940's	8.73%
1950's	19.21%
1960's	7.75%
1970's	5.88%
1980's	17.55%
1990's	18.21%
2000's	-0.91%

\*Standard & Poor's

---

Just how bad was 1999-2009 for the typical investor?

- It was the worst calendar decade for the S&P 500 on record, even worse than the 1930's.
- It was the first full calendar decade to notch negative annualized returns.
- In a nutshell, it was a disaster for most individual and professional investors.
- For reference, our equity and balanced composites had annualized returns of 10.60% and 10.19%, respectively, gross of fees for the decade.

### How we sidestepped “The Lost Decade”

Our unique investment philosophy is the fundamental reason for our success over the last decade. While most investment managers limit their investment universe to specific styles, countries and market capitalizations, we maintain maximum flexibility in regard to these parameters. Our philosophy allows us to invest in areas of the market with a high probability of appreciating over a multi-year time frame. This investment philosophy has generated five key decisions during two bear markets spanning the last 10 years:

- 1. We avoided technology stocks during the tech bubble** - In the late 1990's our proprietary research indicated that technology stocks were significantly overvalued. The recognition of this mispricing allowed us to avoid the ensuing bear market.
- 2. As technology and large-cap stocks gained popularity in 1999 and 2000, we invested in under-priced cyclical stocks** - When most were enamored with technology, we invested in unpopular old economy stocks that produced stellar returns as the S&P 500 and NASDAQ plunged through the fall of 2002.
- 3. We sold our bank stocks in early 2007** - Rising real estate prices and loosening lending standards concerned us enough to exit the banking sector before the credit crisis struck later that year.
- 4. Expecting a major slowdown in economic activity, we shifted into defensive stocks in late 2006 and 2007** - We knew the expansion that started in 2002 was long in the tooth and prepared for what we expected to be a very difficult time period.
- 5. In anticipation of a recovery, we purchased economically sensitive stocks during the darkest days of 2009** - We thought a rebound was imminent and this decision helped our client portfolios outperform significantly in 2009.

Our performance over the last decade has not gone unnoticed in our industry. We were recently named “*Manager of the Decade*” (all cap value universe) by PSN, an investment database containing approximately 2,000 investment managers and 10,000 investment products. Also, *Money Manager Review* ranked us the **#1 U.S. Balanced Multi-Cap Blend Manager for the decade ended 12/31/09**.



# Money Manager Review

## US Balanced Multi-Cap Blend Mgrs. Ranked by 10 Year Ann. Returns (4Q2009)

Ranking	Company Name Product Name	Min Acc. Size(\$'000)	Wrap	Reporting	Gross/Net	Ann. Ret (%)	Ann. Risk(%)	Return/Risk
1	<a href="#">Darrell &amp; King Multi-Cap Blend</a>	1000	No	Unaudited	Gross	10.19	14.24	0.72
2	<a href="#">Purcell Advisory Services, LLC THY Program</a>	50	No	Representative	Net	9.25	8.10	1.14
3	<a href="#">AIS Capital Management L.L.C. TAAP</a>	500	Yes	Unaudited	Gross	8.47	11.94	0.71
4	<a href="#">A.R. Schmeidler &amp; Co., Inc. US Balanced</a>	1000	No	Unaudited	Gross	7.05	16.09	0.44
5	<a href="#">Fruth Investment Management Balanced</a>	500	No	Audited	Gross	5.64	12.74	0.44
6	<a href="#">Janus Capital Management LLC Janus Inst Balanced</a>	25000	Yes	Audited	Gross	5.63	8.20	0.69
7	<a href="#">Delaroché &amp; Company, Inc. Conservative Investing</a>	500	No	Audited	Net	5.18	4.58	1.13
8	<a href="#">Caldwell &amp; Orkin, Inc. Balanced Account</a>	1000	No	Unaudited	Gross	5.08	5.70	0.89
9	<a href="#">Scholtz &amp; Company, LLC US Balanced Approach</a>	150	Yes	Unaudited	Gross	4.90	10.59	0.46
10	<a href="#">Twenty First Investors Balanced Asset Allocation</a>	1000	Yes	Unaudited	Net	4.79	11.09	0.43
11	<a href="#">Sadoff Investment Management Major Trends - Balanced domestic</a>	750	Yes	Unaudited	Net	3.03	6.23	0.49
12	<a href="#">James Pappas Investment Counsel LLC balanced equity</a>	100	No	Unaudited	Gross	2.95	15.37	0.19
13	<a href="#">Beese, Fulmer Investment Management Multi-Cap Blend</a>	500	Yes	Unaudited	Gross	2.91	7.52	0.39
14	<a href="#">King Investment Advisors, Inc. Socially Responsible Balanced</a>	1000	Yes	Audited	Gross	2.51	12.94	0.19
15	<a href="#">Leonetti &amp; Associates Inc. Balanced-Equity Weighted</a>	50	Yes	Unaudited	Gross	1.56	10.62	0.15
16	<a href="#">Cambridge Financial Group, Inc. Balanced</a>	250	Yes	Unaudited	Net	1.29	10.24	0.13
17	<a href="#">King Investment Advisors, Inc. Balanced</a>	1000	Yes	Audited	Gross	0.87	14.17	0.06
18	<a href="#">J. W. Burns &amp; Company Balanced</a>	1000	Yes	Audited	Gross	-0.23	11.29	-0.02

ManagerReview.com – Your Guide to Leading Private Money Managers – Telephone (415) 386-7111

Copyright ©2010 Money Manager Review™. All Rights Reserved. (For information, restrictions and disclosures see www.ManagerReview.com) 17-Feb-2010

### For more information

Please contact Stewart Darrell, 434-977-7010 or [sdarrell@darrellandking.com](mailto:sdarrell@darrellandking.com) and visit our website, [www.darrellandking.com](http://www.darrellandking.com). We are currently accepting new relationships of \$1 million and above.



410 White Gables Lane • Charlottesville, Virginia 22903  
434-977-7010 PHONE • 434-977-6313 FAX • [www.darrellandking.com](http://www.darrellandking.com)

## DISCLOSURES & SEC INFORMATION

### Tax-Free Composite Information

	Equity Composite		Balanced Composite		S&P 500	Composite # of Accts.	Composite Size (\$Mil)	Composite as % of Total
	Gross of Fees	Net of Fees	Gross of Fees	Net of Fees				
2000	32.09	32.33	27.22	28.21	-9.06	10	32.7	22.1%
2001	17.24	16.52	14.47	14.08	-11.89	11	37.7	22.7%
2002	-3.97	-4.7	-0.49	-1.93	-22.1	11	38.5	19.2%
2003	26.91	26.07	23.11	22.5	28.68	11	45.8	18.3%
2004	22.84	21.94	19.23	18.44	10.88	11	54.9	17.4%
2005	4.78	4.10	4.64	3.97	4.93	13	63.1	17.9%
2006	18.54	17.78	15.96	15.19	15.78	13	70.4	15.3%
2007	3.18	2.58	3.99	3.38	5.49	14	71.5	14.3%
2008	-36.22	-36.58	-28.42	-28.83	-36.89	14	61.7	17.3%
2009	44.52	43.75	37.31	36.53	26.68	14	85.0	17.9%
Cumulative	173.87	158.96	163.81	150.35	-8.73			
Annualized	10.60	9.98	10.19	9.61	-0.91			

- The CFA Institute has published Global Investment Performance Standards (GIPS) for investment managers to use in providing performance information. The Chartered Financial Analyst program administered by the CFA Institute has always maintained high ethical standards on the part of its membership, which we have been a part of over the years. We have been pleased with these Performance Standards, and started incorporating their suggestions as of January 1, 1993. They are generally close to the methods we were already using and these standards have quickly become the industry yardstick. Darrell & King has prepared this report using the Performance Presentation Standards of CFA Institute as a working framework, but because of the extreme time and cost of doing so we do not claim compliance with nor have met every technicality of the standards. In addition, the CFA Institute has not been involved in its preparation, review, audit, or approval. Basically, our approach has been to incorporate any new changes in the standards beginning at the point they occur and making the necessary changes in calculations in future periods. It should be realized that these Performance Standards have been under continuous revision since originally issued with new refinements periodically. For example, we require that our composite data be calculated monthly as of January 1, 2000, as required by GIPS. Our prior data calculates performance on a quarterly basis.
- Darrell & King Investment Counsel, LLC is an independent Registered Investment Adviser and is not affiliated with any other entity. We do not have any subsidiary companies.
- These results relate to a select group of discretionary, fee paying pension, profit sharing, IRA and 401-K separately managed accounts above \$500,000 that are representative of our investment strategy. It is our experience that discretionary accounts generally perform similarly over time as we manage them on a team basis.
- A complete list and description of our composites is available upon request. These composites include fee-paying, discretionary client portfolios over \$350,000.
- We do not use leverage or derivatives in any of our portfolios and we believe our presentation conforms to local laws and regulations that may differ from CFA Institute requirements. Furthermore, all figures are presented in U.S. Dollars.
- The investment management fee schedule is as follows: 1% on the first \$5 million and 0.5% on assets thereafter. Fees are billed quarterly in advance.
- The performance information above is shown after the deduction of commissions and transaction costs.
- We utilize the equity and balanced portfolio segments of all portfolios in our composite with cash equivalents allocated to the balanced portion along with equities, converts, fixed income and all other assets. Performance less than one year is not annualized.
- Additional information regarding policies for calculating and reporting returns is available upon request.
- Annual returns produced an annual standard deviation around the aggregate composite return of 2.0 since 12/75.
- Non-fee paying accounts are not included in composite data.
- Details regarding our full 34 year track record are available upon request.
- Investing involves taking and managing risk. Accordingly, past performance is no guarantee of future results.