



# The Compass™

Appleton Group Wealth Management, LLC  
100 W. Lawrence Street, Third Floor  
Appleton, WI 54911



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**Appleton Group Wealth Management LLC** is an independent, Registered Investment Advisor (RIA) located in Downtown Appleton, Wisconsin. Our firm provides wealth management and investment advisory services, using time-tested asset management strategies that prepare for cooperative and uncooperative markets. Since our founding in 2002, our firm has been recognized both locally and nationally as a leader in the wealth management community.

Appleton Group Wealth Management, LLC currently manages approximately \$139.1 million, serving advisors, individuals, families, trusts, corporations, institutions, endowments, foundations, and company sponsored retirement plans.

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## Keep Calm and Carry On...

From the desk of **Mark C. Scheffler**

It was to be a turning point in the history of Great Britain, and a watershed moment for the western world. 1939 had been a year of nightly Luftwaffe bombings over England's major cities, in what was to be a precursor to a seemingly inevitable and most unwelcome invasion by German troops. Much of Europe had already fallen victim to the blitzkrieg of Nazi imperialism, and it seemed only a matter of time before the British Crown would succumb as well.

Keeping the faith was surely difficult during these dark times of the western world, but the British Information Ministry had a plan to help boost morale.

They came up with a slogan that was to be plastered all over England as a sign of resistance and of resolution. "Keep Calm and Carry On" was to be forever emblazoned in Britain's cities, villages and indeed in the hearts of every faithful man, woman and child.

History had other plans for the Nazis, however, and the entry of the United States in World War II marked the beginning of the end of the German threat. "Keep Calm and Carry On" was never needed because the support and sacrifice of the American people proved to be the greatest morale booster there could be.

Today, this slogan is being revived not as a response to war



**Mark C. Scheffler**  
Senior Portfolio Manager,  
Founder

but as a response to economic uncertainty. Europe is once again gaining much of the attention in capitalism's struggle for growth. As it turns out, they are on the front lines against many forms of

## 2010 Small Business of the Year

Appleton Group Wealth Management is the proud recipient of the 2010 Fox Cities Chamber of Commerce & Industry's Small Business of the Year Award – Service Category.

"This award recognizes our ongoing commitment to strengthening and sustaining the financial lives of our clients, many of whom live and work right here in our community," said Mark Scheffler. He credits the award to the firm's success in many key areas – client satisfaction, solid long-term performance and sustainable asset growth in a not so favorable market.

"We beat out some tough



competition," said Cherie Wirth, Director of Marketing. "Not only did we have to demonstrate in writing why we deserved the award, but the judges also conducted an intense interview session with our staff."

In 2006, the Fox Cities Chamber awarded Appleton Group Wealth Management the Rising Star Award, which recognizes an emerging company that shows a unique blend of vision, energy, perseverance and skill.

To be eligible for the Small Business Awards, firms must be a member in good standing of the Fox Cities Chamber; have been in business for more than five years, employ fewer than 300 employees, have not won the award previously, and be a for-profit business.

-CW

## Trend-Following University

# Simple Moving Averages: Filtering out the Noise

A new word was recently added to the world vocabulary: Vuvuzela (pronounced voo-woo-ZAY-luh). Fans of the 2010 FIFA World Cup have become all too familiar with this term – it is the name of the horn that soccer fans in South Africa have been blowing non-stop during all of this year's world cup football matches. The loud noise has been described as “a stampede of noisy elephants”, “a deafening swarm of locusts”, “a goat on the way to slaughter”, and “a giant hive full of very angry bees.” Anyway you put it, the Vuvuzela has been the top complaint among TV viewing soccer fans world-wide.

Short of banning the horn from South Africa's soccer venues all together, there have been some novel, technological solutions that have been suggested. One fix has been for the broadcast company to engineer a filter that would digitally remove the annoying sound from the audio feed, but would still allow the sounds of the crowd and the announcers to come through clearly. A novel solution: the unwanted noise would still be there but the TV viewing audience would only hear what they really needed.

Sometimes, investment markets can be just as noisy. The millions of market participants often produce daily fluctuations that just don't seem to be rational. On a day in which nothing but bad news grabs the headlines, markets will sometimes rally. Other days when it seems that the news just can't get any better, markets flop miserably. The daily moves get all of the attention, but it is the underlying trend that all investors need to be concerned with.

Fact is, daily market moves don't give us an accurate picture of what's really going on. Unless you are aware of the cumulative effect of these moves, many market participants have a very difficult time putting them into the proper perspective. To address this reality, we've been using our

own kind of filter for years: the Simple Moving Average.

A simple moving average is quite straightforward: for any given time-frame, you simply average together the closing price of any particular security, and plot it on a graph. For example, a 30-day simple moving average would take 30 trading days of prices averaged together. The next day, this 30-day set of prices moves forward (the most recent price is added and the earliest one falls off), and a new average price is plotted. What you get is a much smoother and more useful set of data points than you would get if you only used the daily closing price.

The Appleton Group Wealth Management Discipline™ uses multiple combinations of simple moving averages for each security that we might own. When we combine a number of simple moving averages, we are better able to determine the true price trend of a security, and to determine whether the overall trend is still supportive enough for us to own that security. Simple, straightforward, and repeatable.

Overwhelmingly, making objective investment management decisions based on emerging trends and on the presence of sustainable trends is where the most meaningful and sustainable investment returns lie.

The markets (and the vuvuzela) will surely continue to produce its own kind of noise. But being able to successfully filter out that noise and see the truly important data is one of the true keys for investment success over time.

- MCS

Graph Source: Yahoo Finance: 6/17/05 - 6/17/10



## Keep Calm and Carry On... concluded

deficit spending, excess credit and a global economy still struggling against a glut of past success. Our global economic system is built on the idea that whether we need it or not we will be able to spend other people's money to consume and devour everything we want today and delay the payments that are due far into the future.

Truth is, this battle has been waged before. Indeed, the economic issues of today are essentially the same as have been waged throughout the history of humanity. In a very real sense, economics can be thought of as the study of comfort, stability and happiness. Money is simply the mechanism that all of us use as a means to acquire the goods and services that can (hopefully) give us these traits. It has been said that money is the root of all evil. But it has also been noted that the *lack* of money is the root of all evil.

"Keep Calm and Carry On" is also being used as the title to a little book of famous sayings over the ages that pertain to the economy, business, money, debt, risk, greed, and so on. But it also catalogues sayings pertaining to strength in adversity, mistakes and

failures, happiness, friendship, thrift, and change.

Here are a few of my favorites:

Let us all be happy, and live within our means, even if we have to borrow the money to do it with.  
— Artemus Ward

effort we shall rapidly recover.  
— Herbert Hoover, May 1, 1930 (the Dow lost 85% of its value over the next two and a half years)

Credit is a system whereby a person who can not pay gets another person who can not pay to guarantee that he can pay.  
— Charles Dickens

Luxury: the lust for comfort, that stealthy thing that enters the house as a guest, and then becomes a host, and then a master.  
— Kahlil Gibran

To be without some of the things you want is an indispensable part of happiness.

— Bertrand Russell

Now and then it's good to pause in our pursuit of happiness and just be happy.  
— Guillaume Apollinaire

If all economists were laid end to end, they would not reach a conclusion.  
— George Bernard Shaw

- MCS

### Blessed are the young, for they shall inherit the national debt.

— Herbert Hoover

It isn't so much that hard times are coming; the change observed is mostly soft times going.  
— Groucho Marx

Economic advance is not the same thing as human progress.  
— John Clapham

Always be kind, for everyone if fighting a hard battle.  
— Plato

Beware of little expenses; a small leak will sink a great ship.  
— Benjamin Franklin

I can calculate the motion of heavenly bodies, but not the madness of people.  
— Sir Isaac Newton, after losing a fortune in the 1720 South Sea bubble

Stock prices have reached what looks like a permanently high plateau.  
— Irving Fisher, economist, October 17, 1929

While the crash only took place six months ago, I am convinced we have now passed the worst and with continued unity of

## Introducing Morningstar Office®

Appleton Group Wealth Management LLC is pleased to announce that we are now using Morningstar Office® as the platform for offering portfolio accounting and performance reporting capabilities to both our private client practice and to the greater independent advisor community.

Morningstar Office, previously Morningstar Advisor Workstation Office Edition, is a complete global practice and portfolio management platform for independent financial advisors and wealth managers. Designed so that advisors can run an entire practice effectively on its single, all-inclusive system, Morningstar Office features the most current

Morningstar research and data on more than 325,000 securities, as well as comparisons to more than 8,000 investment managers across the country. The platform also includes sophisticated investment planning tools, complete portfolio accounting and performance reporting capabilities, practice and client management tools, e-mail and calendar functions, batch reporting, a client Web portal, and SEC document archiving.

"We continually seek state-of-the-art technology as a way to provide best-of-breed solutions and reporting to both our private clients and to independent investment advisors," said Mark Scheffler, Senior Portfolio Manager and Founder of the firm.

**Consolidated Quarterly Performance Statement**

June 30, 2010

www.appletongrouponline.com

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THE APPLETION GROUP WEALTH MANAGEMENT GROUP LINE™

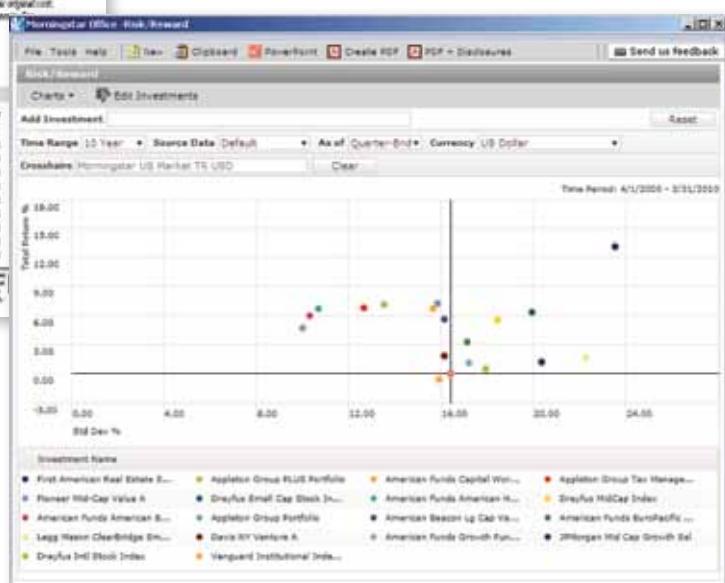
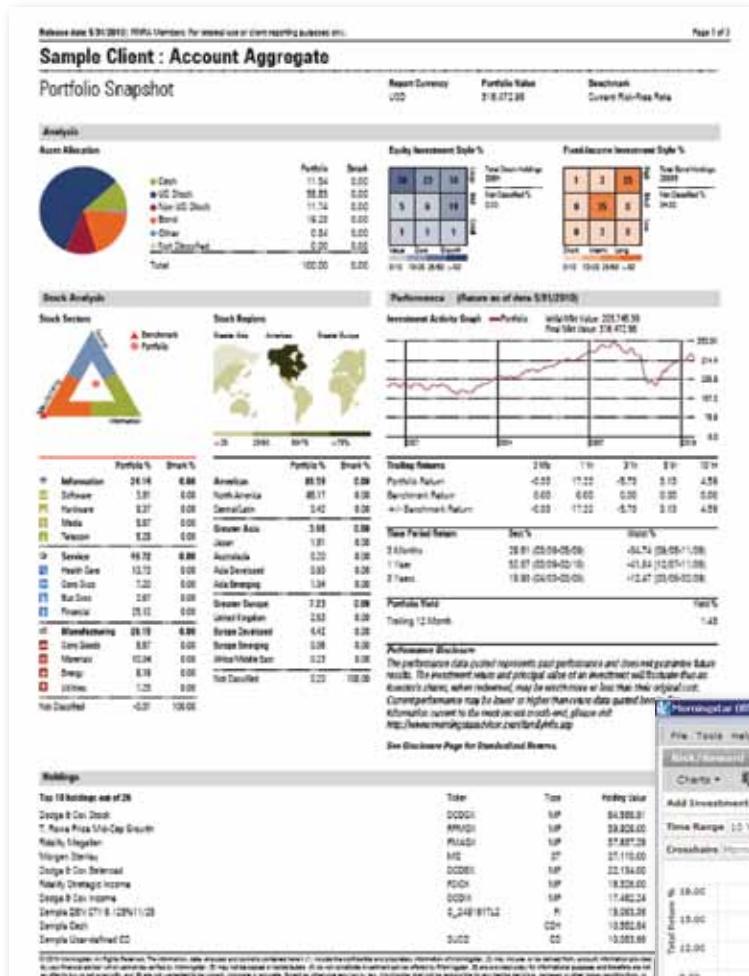
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## Introducing Morningstar Office®... concluded

"We're excited to work with Morningstar, a firm that shares our dedication to excellence in both objective investment analysis and client service. With Morningstar Office, we can offer our clients and advisors a truly comprehensive practice management solution from a world class provider."

In addition to the new look of our firm's client performance statements, we will soon be rolling out the Morningstar Office web portal feature. This technology will enable clients and prospects to view their performance statements, financial plans, and other enhanced reports in a secure way from any internet connection on the planet. In addition, it will enable us to roll out a "document vault" for our clients in which they will be able to securely store copies of wills, trust documents, social security cards, passports, birth certificates, and other important documents. All data is securely encrypted, backed up daily, and is available on-demand.

Over the coming months, look for additional information on this important and exciting enhancement.



## What Does a Winning Investment Strategy Look Like?

Overall Morningstar Rating™

**APPLETON GROUP PLUS PORTFOLIO**

**APPLETON GROUP TAX MANAGED GROWTH PORTFOLIO**

**APPLETON GROUP PORTFOLIO**

Portfolios managed by Mark Scheffler, Founder and Senior Portfolio Manager of Appleton Group Wealth Management, LLC.

It's a new decade and a chance for a fresh start for you and your investment portfolio. Visit us today at [www.appletongrouponline.com](http://www.appletongrouponline.com) for more information or call us at 920.993.7727 for an objective portfolio comparison.

**Accepting New Clients**

**APPLETON GROUP WEALTH MANAGEMENT, LLC**

THE APPLETION GROUP WEALTH MANAGEMENT DISCIPLINE

**Not FDIC Insured · May Lose Value · No Financial Institution Guarantee · Account Minimums Apply**

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The Morningstar Rating™ for separate accounts, commonly called the star rating, is a measure of a separate account's risk-adjusted return relative to other separate accounts in the same Morningstar Category. Separate accounts are rated 1 to 5 stars, with the best performers receiving 5 stars and the worst performers receiving 1 star. Separate accounts are ranked for up to three periods (three, five and 10 years), and ratings are recalculated each quarter. The Morningstar Rating for separate accounts uses an enhanced risk-adjusted return measure, which accounts for all variations in a separate account's monthly performance, with more emphasis on downward variation. Separate accounts are ranked against others in the same category and stars are assigned as follows: Top 10% 5 stars, Next 22.5% 4 stars, Middle 35% 3 stars, Next 22.5% 2 stars, Bottom 10% 1 star.