August 4, 2006 Newsletter and Commentary

By Will Woodard, CFP®

The model portfolios that I track on an ongoing basis have performed as follows through 8/04/06. (Note: return data is compiled using Morningstar resources. All returns reflect reinvested dividends and, if applicable, capital gains. Returns maybe vary slightly over time as capital gains distributions take place within the portfolio. Returns are reported before applicable management fees.)

	YTD '06	2005	2004
Modified:	8.78%	18.60%	20.76%
Pure:	9.88%	12.01%	19.47%
Challenge:	5.26%	12.29%	15.92%
Bond Fund:	1.20%	2.99%	4.56%
S&P 500:	3.83%	4.83%	10.70%

Market thoughts- I'm not much of a Grateful Dead fan (other than *Shakedown Street*, the album that core Deadheads deride as an overly commercial sellout) but "What a long strange trip it's been" is just too apropos to ignore as a way to nutshell the last three months in global financial markets. From up solidly for the year and relatively calm (-ex Bush and Iraq) at the end of April, to flat-lining and a sharp correction brought on by hair trigger hedge funds, global warlike actions of varying severities, and the bond market deciding to play "Quien es mas macho?!" with "Uncle Ben" Bernanke (how's that for a honeymoon for the new Fed chairman?), to back in the green as data points increasingly suggest a Goldilocks–like soft landing without too much inflation for the US economy, it has been one DYNAMIC period.

Looking at the performance data above doesn't tell the whole story-but truthfully, maybe it's not necessary to attempt to annotate and justify every market mood swing. The markets are in a phase where bad news is good news and good news is bad news, so the weakening GDP report and this morning's softening jobs data suggest that it will be tough for the Fed to continue to raise interest rates. (Side note: Isn't it amazing that the level of short-term interest rates in the US economy can have so many trickle-down effects!?)

This was one of those periods when we in the planning and investing world earned our salaries. Keeping clients defensively positioned and out of the latest fad stock implosion that was happening on a seemingly daily basis, keeping them from selling into a fear-driven market only too happy to shake out weak hands, and most importantly keeping them on the life plan/investing track we mutually established tends to pay emotional (and monetary!) dividends in times such as these. How does your portfolio look? How about your plan?

Hits and misses: Although my crystal ball does not see any better than any of you all's, I think it's an invaluable learning experience to look back at previous decisions/courses of action and see how they turned out over time. Experience is a great teacher, no? Here are some investment themes and/or specific recommendations that I've discussed in previous newsletters and how those themes/recommendations look in retrospect: (See the newsletter archives at www.darecapital.com for more info.)

Slowing growth could mean a need for a more defensively-postured portfolio-HIT This one's a biggie…a lot of last year's market darlings have been taken out and shot since the first of 2006. We've managed to avoid almost all of the carnage. "Eat drink smoke" works in a slowing growth economy, as does looking in your medicine cabinet or pantry for stocks to own.

It may be a good idea to be overweight oil-HIT Energy prices are up and the "Oil patch" has done well. Integrated oils, refiners, drillers, and tankers are all up, as are commodity funds that own oil. I still think it's a prudent strategy, too-they've not figured out a way to make any more of the stuff and we're still using it up as fast as we can. How many oversized SUV's have YOU seen today?

Own commodities exposure-HIT I have talked about the benefits of owning commodities exposure in portfolios for years now. A volatile asset class on its own, but a terrific way to hedge inflation fears and profit from the recent bull markets in natural resources.

Natural gas bought in the wake of the 2005 hurricane season still had further to run-MISS We're not making money on this trade yet, as the natural gas market had already run up considerably and last winter was much warmer than expected. With the record heat, the 2006 hurricane season, and the winter coming, though, I think natural gas is still a buy.

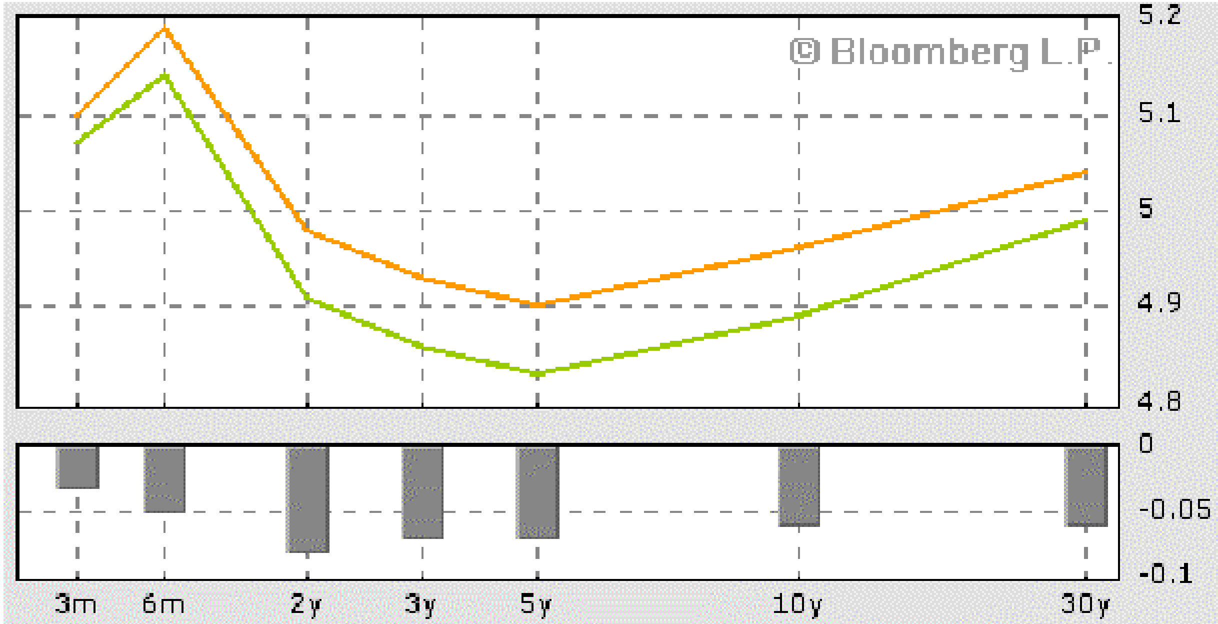
Get some exposure to sectors that will benefit from a weaker dollar-HIT This is a great reason to own some international exposure--and the stocks of US companies that do a lot of business overseas. Some of this year's best performers are in this category.

Intel could find a bottom at $19-MISS I should know better than to try to call a bottom in a stock. We still own some INTC, though!

The Fed may be able to engineer a soft landing for the economy-TOO EARLY TO TELL. It's certainly too early to say that this investment posture is a winner and a done deal, although data points are starting to support it. I have been sniffing around some stocks that are more tied to GDP lately- Caterpillar (CAT), TD Ameritrade (AMTD), Toll Brothers (TOL), Qualcomm (QCOM), even Goodyear Tire (GT)-(I know-don't laugh!) This is a more Contrarian stance and will not work if the US/global economy falls off a cliff.

CAT is a good proxy for global economic expansion. Most of these other stocks have sold off significantly and in my eyes have gotten too cheap. There's an enhanced sense of value in buying things when they're on sale, too-as long as they don't keep getting cheaper ad nauseum.

Charts:Yield curve as of 8/03/06 (orange) and 8/04/06 (green)-Soft data equals flight to quality!



S&P 500, 8/04/06. U.S. Large cap index held up well in recent correction

Good investing,

Will Woodard, CFP@ is president of Dare Capital Management & Advisory, a Fee-Only Registered Investment Advisor firm with offices at 2518-E S. Croatan Hwy, Milepost 10.5, Nags Head. The phone number is (252) 480-0156. Learn more about the firm on the Internet at www.darecapital.com Will and/or his clients may own the investments mentioned herein.