

Roffman Miller Review

A Quarterly Newsletter from Roffman Miller Associates

I would like to begin this letter with a word of thanks to you, our client, without which Roffman Miller Associates would not be what it is today. It is with great pride that I can reflect on the relationships we have built over the past 19 years. I am equally proud of the team of investment professionals we have assembled to serve the needs of our clients, and of the investment process we adhere to in order to meet those needs. In this issue of *Review*, we will not only look back at the quarter that just passed but also at the future and how our employees and our process will meet the challenges to come.

The second quarter of 2009 provided some much needed relief in the equity markets around the globe. Here in the U.S., the Dow Jones Industrial Average was up 11% for the three months ending June 30th, while the S&P500 was up 15%. As with most of the recently released economic news, this seemingly positive data should be viewed with some perspective, as the gains this past quarter have propelled the S&P into positive territory for the year-to-date (up 1.8%), but left the Dow behind and still down for the year (-3.8%).

Today there is quite a debate about when the recession will officially end. Maybe it is in the fourth quarter of 2009, maybe in 2010. There is an equal amount of debate over whether the real estate market has finally hit bottom. I was especially amused by the headlines I read this week with regards to the economy and, by extension, the markets. Monday the headlines indicated that the market would be down due to lowered expectations for the economy. On Tuesday, market futures pointed to a higher opening due to some more positive sentiment about the economy. Perhaps the only conclusion one can draw from these observations is that not all economists are in agreement. How can that be? There are many reasons. To name a few, no single data point tells the whole story. As important as one number can be, a trend is usually more useful. Trends, however, take time and patience if one is to draw conclusions from them; they don't change from Monday to Tuesday! Also, the validity of the economic data reported to us is also under constant debate – from revisions of GDP to varying methodologies on the calculation of the unemployment number, numbers will be massaged to mean different things to different people. A lot of this 'noise' must be suppressed if one is to succeed in this investment climate.

To me, successful investing is and will continue to be a three-part affair: first, you must identify the goals and constraints of the portfolio. Second, you must select the securities. Last, you must abide by the first two often over a considerable period of time. The first two steps are 'active' and demand the skills of talented individuals, constantly inquiring, analyzing, and monitoring. The third leg of the process may seem passive, but it is the point where the investor demonstrates his confidence that the first two steps were completed with both diligence and common sense. This step has proved to be equal in importance for the long term success of any portfolio. This is also where ignoring the 'noise' comes into play, and following a discipline pays off. I've been following these steps for a long time – but I haven't been doing it alone. Over the following pages, I will re-introduce you to the other members of our team who are responsible for these and all other activities here at Roffman Miller Associates.



I expect this summer to be anything but dull, as government stimulus programs take root and financial institutions continue to work out of their debt. If you have any current concerns about the markets, the economy, or if you'd like to schedule some time to review your portfolio, please feel free to contact me directly.

-Peter Miller, President

Our Team

Our team approach plays a crucial role in the success of our investment process, our client service, and even our emergency and succession plans. Roffman Miller clients can feel confident that someone is always 'minding the shop'



Robert Hofmann, CFP **Managing Director**

Investment Committee Member

Bob came to Roffman Miller in 2004. After beginning his career at Morgan Stanley, Bob joined Charles Schwab as an Investment Specialist in 1996. Within three years, he was promoted to manage the Newtown Pennsylvania office and finished his tenure with Schwab as the manager of the flagship office in Philadelphia. Bob graduated cum laude from Rider University in 1992 with a BS in Finance. As part of the management team, Bob communicates and executes the company vision on a daily basis. Bob is also responsible for new client acquisition. In 1999 he became a Certified Financial Planner (CFP®) and is currently a member of the Financial Planning Association.



Paulette Greenwell, CFA **Managing Director, Chief Compliance Officer**

Investment Committee Member

Paulette has been with Roffman Miller Associates since 1995. A member of the management team, Paulette also maintains many individual client relationships. Her role as CCO means she is the official record keeper of the firm and is responsible for keeping us up to date with the latest regulatory changes. She earned her Bachelor of Arts Degree in Sociology from Temple University in 1991 and her Masters of Business Administration in Finance from Drexel University in 1994. Paulette earned the right to use the Chartered Financial Analyst Designation in 2003. She is a member of the CFA Institute and the CFA Society of Philadelphia, and lives with her family in Philadelphia.



Mark Frombach, CFA **Chief Investment Officer**

Investment Committee Member

Mark joined Roffman Miller Associates in 2006, following seven years at Morgan Stanley. A graduate of Rutgers University with a BS in Electrical Engineering and an MBA in Finance, he spent the first ten years of his career in hands-on industry roles which helped hone his understanding of how large companies actually make decisions. Mark's responsibilities include implementing investment plans for individual clients, oversight of the Roffman Miller investment process, and he also follows the financial sector for our Investment Committee. A native Philadelphian, he now lives with his wife and three children in New Jersey. Mark earned the right to use the Chartered Financial Analyst Designation in 2006. He is a member of the CFA Institute and the CFA Society of Philadelphia.



Lori Blum **Investment Manager**

Investment Committee Member

Lori began her career at Roffman Miller Associates in 1998 as an intern and joined us fulltime upon graduation from West Chester University in 2002. Her primary responsibility is to ensure that decisions made by the investment committee are implemented in client accounts. In addition, she follows the technology sector (and perhaps not coincidentally supervises all IT services at the firm). Lori's long history with the firm has rooted her as an expert in all things operational and technological, and Lori was a key player in developing our firm's disaster recovery plan.



F. Tucker Schade **Investment Manager**

Investment Committee Member

Tucker joined Roffman Miller Associates in 2004 with years of experience in investment management, sales and consulting. Most recently he was Vice President and Financial Advisor at Morgan Stanley. He held the same title at Bishops & Associates, Inc. in Philadelphia. Today Tucker is responsible for the utility and energy sectors, and plays a vital role in his daily interaction with clients. In his free time, he enjoys spending time with his grandchildren.

Individually, we are one drop. Together, we are an ocean.
-Ryunosuke Satoro

Susan Arnold
Investment Manager

Investment Committee Member

Susan has been working directly with RMA for a total of three years and has been indirectly involved with the firm for the past 12 years. As one of the portfolio managers, her daily activities include reviewing client accounts, reallocating properly and maintaining relationships with each person to understand their unique situations. Susan also researches the Retail Sector, which includes many shopping trips to the stores of the companies we follow! She lives in East Norriton with her husband Rob and two sons. She also started running this year and has recently completed her longest run over the July 4th weekend at 4 miles. Susan is a graduate of Penn State.



Ryan Crooks
Investment Manager

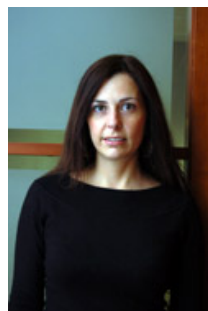
Investment Committee Member

Ryan joined RMA in 2007 with extensive fixed income experience from his previous positions and is also the active Treasurer of the Bond Club of Philadelphia. He provides us with daily updates on the bond markets, searches through bond inventory of several institutions and purchases the best bonds we can buy for our clients. Ryan also provides all of the research on the Health Care Sector for our Investment Committee. He recently purchased a house and will moving to the suburbs with his wife Jill and 7 month old daughter Caroline. Ryan holds a BS in Finance from the University of Scranton, and an MBA from Drexel.



Jennifer Tinney
Operations Manager

Jennifer joined RMA in 2007 after five years of working with another money management firm. As the operations manager her day includes reconciling our client account statements with Schwab, posting all of the previous days transactions to your accounts, gathering cost basis information and billing. She lives in Philadelphia with her son Alexander and is committed to a healthy lifestyle including working out no less than three days a week. Jen attended Cabrini College where she studied Business Administration.



Tish Lee
Human Resources and Accounts Receivable

Tish has been with Roffman Miller for four years, although she has been a Miller all her life – Tish is Peter Miller's daughter. She handles all employer/employee relations for the office as well as the company bookkeeping. Previously, Tish spent several years as a Recruiting Manager for Engineering and Financial firms in the Delaware Valley. Tish currently lives in West Chester with her husband Mike and three children, Savannah, Gavin and Arden, and is a graduate of West Chester University.



RaRa Souriyamath
Administrative Assistant

RaRa has been working with us for the past five years. While most of our clients have spoken with her over the years, many don't know that RaRa is Laotian. RaRa assists our clients in various ways including most client service issues and assists her colleagues by managing our phone system, our general office needs and our charity work, including Making Strides. She lives in Philadelphia with her husband Sam and two children, and newly adopted puppy named Brady.



OUR INVESTMENT PROCESS

Mark Frombach, Chief Investment Officer

At Roffman Miller, it is our belief that the most effective method for enhancing wealth is through long-term investing. As Peter mentioned in his letter, the first step in a successful investment plan is to define the objectives of the portfolio; recognizing that individuals have varying goals, obligations, and risk factors, we carefully listen and take a personalized approach to our clients' investments. Risk tolerance, return goals, taxes, time horizon, legal issues, liquidity needs, and any unique circumstances are all considered.

Ultimately, once we have agreed upon what types of investments are appropriate and in what percentages (i.e. the asset allocation), we must begin to choose the individual securities for an account. One question we are frequently asked by clients is how our stock selection process works. Here again, we rely on the strength of our team.

In addition to working directly with clients, the eight members of our Investment Committee all have individual responsibilities within the stock selection process. The universe of securities available for investment is quite large. We begin our process by narrowing our focus to a number of stocks currently followed by our team, plus an additional *watch list* of companies that are of interest to us but are either not currently owned in the portfolio or are not officially under research coverage by the team. New names on our *watch list* can come from almost any source, but mainly they are the product of the many, many financial journals and research publications that the team must digest on a daily basis in order to keep current.

Once it is determined that a company is officially brought under our research coverage (a step that can be initiated by any investment committee member), a formal internal report is written by the initiator. At that time, the company may be assigned one or both of the two ratings in our split ratings system. Under the split ratings system, each company is assigned a rating for company 'quality' and also a rating for whether we would be inclined to buy, hold, or sell the stock. It is worth taking note of the terminology I used in that last sentence – a company can be analyzed many different ways, and our approach includes a number of quantitative and qualitative analyses. So, we assign the *company* a rating. A *share* of that company, or simply a 'stock', can only be bought or sold at the price the market will bear and while that price will be relative to earnings, sales, dividends, etc, it may or may not reflect our opinion of the company. That, in fact, forms the basis for the process of buying a stock at a price which we think does not reflect the full value, or 'quality', of the company. Along those same lines, we may sell shares of a highly rated company simply because we believe the stock price has overestimated the prospects of the company over our investment time horizon.

Research coverage is continued by the committee member responsible for the applicable sector. Each week, a rotating list of committee members is responsible for presenting at least one company report and each is responsible for updating the group on any news or recommended rating changes in their sector. As Chief Investment Officer, it is my responsibility to ensure that the entire investment process is rigid enough to provide an "intellectual framework" (to steal a phrase from Ben Graham) upon which to base our decisions. Using a team of eight, we are able to eliminate any one individual's bias that might affect a decision. But the process must be flexible as well. Group decision-making has its challenges, such as basing decisions on consensus or simple majority, and we must continuously identify those hurdles to effective implementation of our process. For example, it seems a given that Peter Miller would be assigned the role of Chief Investment Officer. But, from our studies of the topic, a group will tend to yield to the decisions of an overall leader rather than challenge them, leaving the team potentially vulnerable to any bias that Peter may have for a particular stock. Everyone, it seems, enjoys challenging my opinion.

As an added element of flexibility, an investment process must leave room for an overlay of common sense. Too many of last year's horror stories had to do with rigid value investment approaches or *quantitative* strategies that ignored risk management or liquidity needs. A similar problem occurred in the bond market last year, as the ratings agencies only looked backwards for data rather than projecting the current challenges forward. We maintain 'model' portfolios for clients oriented towards growth, income, or a balance of the two. To remain responsive, however, each model is used only as a starting point for a discussion of how to customize a portfolio, and once the committee has discussed and agreed upon an approach for an individual client, it becomes the responsibility of your assigned Investment Manager to implement any required trades. It is also the Investment Manager's responsibility to review the portfolio with clients, and to make updates to the objectives and constraints as needed.

Successful investing, it has been said, is simple in theory but near impossible to execute. If you have any questions at all about our Investment Process, please do not hesitate to contact your Investment Manager or give me a call directly.

To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights, or inside information. What's needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework.

Benjamin Graham, 1949
The Intelligent Investor

**Roffman
Miller**

ASSOCIATES, INC.

Wealth Management

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