



DAVENPORT WATTS & DRAKE

INVESTMENT ADVISORS, LLC



Investments • Financial Plans • 401K Plans

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FINANCIAL PEACE OF MIND

In the first edition of our newsletter, we introduced you to the entire team at Davenport Watts & Drake Investment Advisors, LLC. The past year has been a time of exciting growth and change since that first issue. During this time, we added a new member to our team that we'd like to introduce.

Davenport Watts & Drake Investment Advisors, LLC formally announces the addition of Douglas White. Dr. White graduated summa cum laude with a Bachelor of Science degree from Millsaps College, a Master of Arts from SUNY at Buffalo, and a Ph.D. from Arizona State University. He taught college in Iowa before joining the firm. Doug, a Jackson native and St. Andrew's graduate, and his wife Lea, an Ocean Springs native, are both excited to have returned home to Mississippi after many years of moving around and thrilled to finally live near family. He is the research analyst for the firm and a member of the Investment Advisory Team.

The team approach to financial advising is one of the issues that most interested Doug in joining the firm. Each member of the team brings his or her qualities, education, and experiences to the table for decisions that are made concerning our clients. Together, we have experience in the accounting, legal, financial, and academic spheres, and are stronger than the sum of us individually. Doug will be joining Sonny, Jane, Hank, Ellen, Linda, and Suzie.

The team approach plays an important role in every step of the investment process. At Davenport Watts & Drake, we construct portfolios based on a carefully defined investment discipline that incorporates tactical asset allocation and diversification within a risk framework. Periodically, the portfolio is rebalanced, and along the way we use our collective expertise to minimize income taxes through the appropriate investments. In a time where powerful macro forces are shifting the economic landscape, a solid foundation of core beliefs and investment strategies are essential to long-term investment success. Through these core beliefs, investment strategies, and team approach, Davenport Watts & Drake works together to help ensure your financial peace of mind.

We appreciate your continued confidence and trust. If you have any questions, please don't hesitate to contact us if we can be of any assistance.

Focusing on your future...

INVESTING PERSPECTIVES:

While we saw decent economic growth in 2010, a number of significant stresses remain that may tempt investors with short-lived and backward-looking fads in the given environment. A good investment plan should not change due to current market conditions. Investors must use strategies that allow them to be both disciplined in sticking to core values while being flexible enough to recognize relevant changes.

A strong fourth quarter rally turned an okay year for stocks into a very good one, with full-year returns ranging from the mid-teens for large-caps to the mid-20s for mid- and smaller-caps. Overseas, emerging-markets stocks saw similar strength, with returns in the high teens, while developed-market foreign stocks lagged modestly, with high single-digit returns. On the bond side, the broad investment-grade bond market saw most of its 1.4% fourth-quarter loss come in December. Still, its strong performance earlier in the year left it with a full-year gain of just over 6%. Emerging-markets debt was roughly flat in the fourth quarter but saw strong full year returns in the mid-teens.

Household debt and unemployment remain high, and the housing market appears to be weakening again. Problems like the threat that Europe's heavily indebted weaker countries pose to the entire European Union, and our own escalating federal, state, and municipal debt problems, are also risks to consider.

All that said, we aren't meaning to paint a depressing picture that suggests the need to hunker down. Things are better, and we are more optimistic than we were a year ago. Consumer spending is edging up, unemployment is less bad, and we are seeing companies around the globe benefitting from demand in the stronger emerging market economies. Why the focus on the negatives, then?

The negatives are important to consider, but your investment plan should not change due to current market conditions. We are confident that our allocations can provide competitive returns at less risk over our multiyear horizon. We also expect periods of fear to create compelling opportunities, and that our discipline and patience will allow us to take advantage of them when they do occur.

By sticking to a sound investment plan, you can work through crises and make the most of the opportunities that are created during bear markets. Although the context is timely, our process and philosophy is timeless.

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ABOUT OUR FIRM:

Davenport Watts & Drake is a fee-only financial services firm offering asset management and financial consulting services to businesses, families and individuals. Our desire is to work with a select group of these businesses, families and individuals as a part of their financial team, helping them with the many decisions throughout their lives which will affect the financial future of themselves and their families. The team has a common vision of a client-centered financial consulting firm that treats our clients as we would want to be treated.

CORE STRATEGIES:

- Asset Allocation
- Asset Diversification
- Periodic Rebalancing
- Long-term Perspective
- Minimize Income Taxes

INVESTMENT SERVICES:

- Portfolio Management
- Individual Retirement Accounts
- Company Retirement Plans
- Personal Financial Plans

INVESTMENT CUSTODIANS:

- Fidelity Investments
- John Hancock

“Sound investing is simple but not necessarily easy to do.”

— Warren Buffett

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