



# Vantage Point

A newsletter for investors serious about their financial future.

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By Jud Doherty

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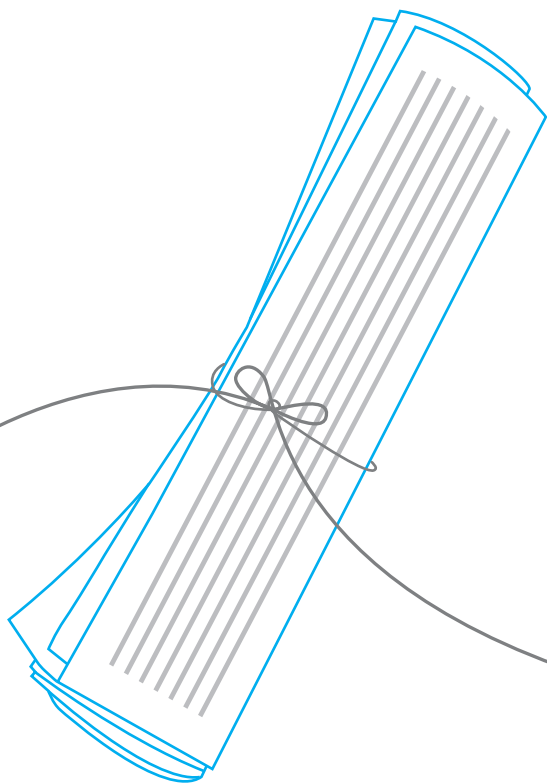
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# Wow! Good News About a Financial Services Company?

Stadion president **Jud Doherty** gives a state of the company report—and brings some sunshine to our industry's dark days.

Longtime Stadion investors and their advisors are familiar with at least a few of our favorite mottos: "winning by not losing," "we don't hit homeruns, but we don't strike-out either," "capturing most of the good times and missing most of the bad times," etc. We frequently emphasize the Stadion investment philosophy in our quarterly newsletters where we convey not only how we are managing money, but also why we do it that way. Fortunately, we appear to have succeeded in reaching advisors and clients who understand and embrace Stadion's long-term approach to investing.

In addition to questions about the health of the financial markets or the strength of our investment process, we sometimes receive questions about the health of our business. Financial headlines continually attest to the difficulties of banks, brokerage firms, and

investment firms that have fallen on hard times. It is understandable that clients want to know more about who is managing their money. We'd like to take this opportunity to address those questions.

Founded more than 15 years ago, Stadion Money Management is privately owned, and our investment philosophy has not changed since our model's inception. Our 44 professionals are committed to effectively delivering our high-quality, fee based investment management services for our investors' "serious money."

However, during the last 15-plus years, the company has evolved significantly, and particularly recently. The following is an overview of the major business developments at Stadion:

## 1. Business Milestones

The value of Stadion's conservative management model and its recognition in the industry is contributing to our significant growth even in these difficult economic times. In fact, the last year and a half has been characterized by the achievement of one financial milestone after another:

- In 2009, Stadion surpassed \$3 billion and then \$4 billion in total firm assets under management.
- This year, we exceeded \$2 billion in 401(k) assets under management.
- New client investments for the prior three quarters averaged \$700 million per quarter, each quarter producing new record inflows.
- Assets in our two proprietary mutual funds surpassed \$500 million, with inflows averaging \$80 million per quarter.

## 2. Rebranding

In 2009, working with New York-based agency Thinkso, we completed the consolidation of our former corporate name, PMFM, and our 401(k) management service, 401k Toolbox, into a unified corporate identity: Stadion Money Management. The new Stadion brand received national recognition for this rebranding effort and was named one of the most effective rebrands in the 2010 REBRAND 100 Global Awards. The rebranding included a complete overhaul of everything from our name, logo and tagline to documents, prospectuses, marketing materials, website functionality, videos, etc.

We encourage you to visit our new website, stadionmoney.com, if you have not yet done so.

## 3. Distribution

In the early days, Stadion managed money directly for individual investors. During the last several years, our products and services are now distributed through financial advisors. A key piece in this evolution was the addition last year of 19 distribution professionals dedicated to supporting financial advisors throughout the country.

## 4. Charitable Endeavors

During 2010, Stadion played a significant role in two major charitable endeavors. In January, Stadion was the presenting sponsor of the Georgia Special Olympics Indoor Winter Games. Many of our employees also served as volunteers at the event. (We encourage you to view the slideshow on our website to witness what a powerful and rewarding experience this was for all involved.) This spring, Stadion joined the University of Georgia and the PGA when we stepped into the role of title sponsor for the Stadion Athens Classic at UGA, a Nationwide Tour professional

golf tournament. While the tournament sponsorship was a great opportunity to generate national awareness of the Stadion brand, the charitable aspect of the tournament was even more rewarding. Made possible by Stadion's sponsorship, 100% of the ticket proceeds went to 37 local charities through the TICKETS For CHARITY program. Our tournament raised nearly \$100,000 for these charities, the highest amount raised from any first-year event since the inception of the charity.

## 5. Growth

We continue to add talented members to the Stadion team in all areas of our business. One of our most notable new hires for the year is Michael Isaac, our new Chief Compliance Officer (CCO). Michael joins Stadion after seven years with FINRA, the regulatory body that oversees broker-dealers, and a stint as CCO at an Atlanta-based broker-dealer and investment advisory firm. Michael's expertise will help Stadion navigate the increasingly complex world of financial and securities regulation. Our ability to attract and retain

such capable and experienced talent is one of the reasons Stadion has thrived through tough times in the financial markets.

As I look back on the evolution of our firm, I continue to be amazed by how much Stadion has grown and matured as a business in such a short period of time. At Stadion we see this as validation of an investment model that works as it was designed to work: to grow and protect investor assets. My sentiments are expressed perfectly in this quote by Jack Brennan, former CEO of Vanguard: "We better be the worst we ever are today." All of our employees are committed to continuous improvement in every aspect of our company. While our business is thriving during very trying times in our industry, we will continue to pursue more and better ways to serve our clients. While you may never have the opportunity to meet the employees of Stadion in person, you can be confident that we are all working in unison toward one common goal: providing the best management possible for your serious money.

## Despite Tough Times, Stadion Money Management Continues to Rise.

WEDNESDAY, JUNE 30, 2010  
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### Business Milestones

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been characterized by the

# Quarterly Review

**An overview of how we've been managing the Stadion accounts this quarter.**

## Asset Allocation Commentary 2Q10

After showing strength at the end of the first quarter, including a late quarter upswing that poured into early April, the market in the second quarter lost its footing in a dramatic way that included a wild one-day ride in early May. As for Stadion portfolios, we began the quarter fully invested, but following the SEC's mid-April Goldman Sachs announcement, our holdings in financials and real estate breached Stadion's sell criteria and were sold. Stadion's Investment Model continued to call for full equity exposure, so we reallocated proceeds to Dow 30, NASDAQ 100, and consumer discretionary ETFs, trading later out of Dow 30 into Russell 2000 and Russell 2000 Value.

Perhaps the best news we can offer is that the tactical portions of most Stadion portfolios were moved to significantly defensive positions prior to the dramatic sell-off on

May 6. Our model spotted negative events that lead us to increase our defensive posture. As May began, we had already taken approximately 20% cash positions in our tactical portfolio holdings. On Wednesday, May 5, we responded to our model indicators and sold additional holdings. Working to protect your money, tactically managed assets had been moved to roughly 75% cash positions before the market opened on Thursday, significantly reducing exposure to the day's turmoil. Around 11 AM, all remaining positions were sold. Specifically, prior to the sell-off, holdings in S&P Midcap 400, S&P Midcap 400 Growth, Russell 2000, Russell 2000 Value and Consumer Discretionary all breached the Stadion sell criteria and were liquidated. On the morning of Wednesday, May 6th, the remaining holdings in S&P Dividend, S&P 500, Industrial and NASDAQ 100 were liquidated, leaving all profiles in their most defensive allocation.

June continued the volatility that marked 2Q10 when, on June 7, a sharp rally of just over 8% low to high ensued for the S&P 500, as it regained trading above the 200-day moving average. Stadion's Investment Model indications progressed toward a positive reading and were very close to identifying a new positive trend development by mid-June. In anticipation of adding equity exposure, we reduced our fixed income positions by roughly half. After a Monday morning gap-up on June 21 following positive news that China would let their currency float against the dollar, the S&P 500 was in reach of reclaiming its 50-day moving average, but volatility cuts both ways. The gap-up was actually the start of a brutal sell-off which trapped all investors who bought hoping that the February lows would not be violated.

Addressing the potential for a prolonged period of defensive exposure as the international sovereign debt crisis is resolved,

and with defensive indications from our Investment Model, Stadion moved a few small steps out on the yield curve in our fixed income and cash exposure. With money market yields extremely low and in the face of possible regulation to restrict their duration and holdings, some money market funds available across various platforms do not create sufficient yield. During prolonged stretches when we are defensively positioned, the potential exists for slight declines in portfolio value due to various fees. The fixed income positions we've adopted should help provide a greater yield over time. Research shows that adding fixed income can improve long-term performance

by enhancing yield potential during such defensive stretches. These are high quality, short-term maturity positions, with most of the ETF underlying holdings being short term Treasuries. Exposure was added to SHV (iShares Barclays Short Treasury Bond), SHY (iShares Barclays 1-3 Year Treasury Bond) and MINT (PIMCO Enhanced Short Maturity Strategy). ■

*The activity referenced applies to Stadion's tactical portfolios which may be a component of your specific holdings. To request specific holdings information from Stadion, please contact one of our Retirement Specialists by calling 1.800.222.7636 or email your request to [info@stadiummoney.com](mailto:info@stadiummoney.com).*

# 2Q10

## Market Watch

# Some Long-Term Clarity and One Very Strange Day

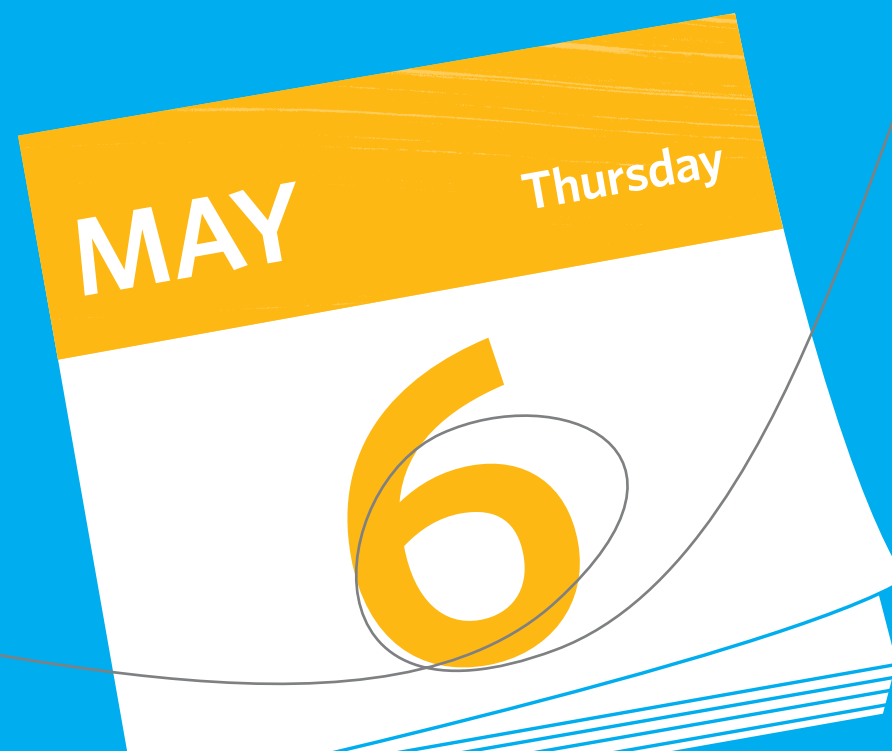
As the second quarter began, the equity markets continued a powerful uptrend. They ascended vigorously through mid month as optimistic investors responded to positive global macro conditions and encouraging domestic earnings reports. But optimism soon gave way to slowed upward momentum, sideways price movement and increased volatility, as headlines shifted from pleasant earnings surprises to negative events in the news.

When the SEC filed suit against Goldman Sachs, the markets resumed a steady climb toward potential new highs until the S&P 500 cut ratings on Greece's debt, again causing downward price pressure in the markets. This tug of war continued when the Federal Reserve announced that rates would remain low for an extended period of time, adding optimistic perspectives on its view of the economy. Choppiness continued during the latter half of April.

There are various assessments and opinions in the media as to what transpired Thursday afternoon May 6. But what we know for sure is that during the two o'clock hour, the market experienced a major sell-off; the Dow Jones lost nearly 10% of its value. These types of dramatic movements had been absent since April 2009.

It is now safe to say that a cyclical bull market (when all pullbacks inside the bull are contained at a higher price than the previous pullback) commenced in March 2009. Since that date, we've seen pullbacks during the summer of 2009, the fall of 2009, and most recently February 2010 when the S&P 500's last major support level was formed at a low price of 1045.

February's low represents an important milestone for the cyclical bull. After successfully holding support in early June, the market dropped below it during the last few days of the second quarter. Much focus will now shift to whether February's low (S&P at 1045) becomes future bear market resistance. ■



## Personal Finance Tips

### Understanding Your Credit Score

**We've all seen the advertisements for free credit reports on television and in magazines. But what exactly is a credit score and why does it matter?**

A credit score is a statistical expression of an individual's credit history—what loans have been extended to them and their record in paying (or not paying) them off. It helps lenders assess the risk level of a potential borrower, based on that person's current and past performance. The score is also a good indicator to the borrower of whether a loan will be approved and what interest rate and credit limit they'll receive.

The FICO Corporation provides the most popular credit score model. Understanding what the FICO credit score comprises can help you improve your score in the future.

- **35% Payment History.** Paying credit accounts on time is the most important factor in your credit score.

But, paying every bill on time does not guarantee a perfect score in this sector. FICO also considers how many accounts show no late payments as well as public record and collection items.

- **30% Amounts Owed.** Even if you have a good payment history, FICO may determine that you are strained financially if a lot of available credit is used up. Owing high balances on several accounts and "maxing out" your credit card may hurt your credit score.

- **15% Length of Credit History.** Overall, a longer credit history boosts your credit score. Credit bureaus consider the duration of your newest and oldest accounts and how long it has been since you used specific accounts.

- **10% New Credit.** Lenders know that the more new credit accounts

you open in a short period of time, the higher your credit risk. Therefore, your score can be affected by influxes of new accounts, including requests for credit.

- **10% Types of Credit in Use.** The kinds and quantities of your credit accounts are also factors in computing your credit score. Creditors like to see that you have experience in managing different types of accounts, but that you are not overextended in the amount of credit accounts utilized.

The first step to managing your credit is to get your credit score. The Fair Credit Reporting Act states that you are entitled to one free credit report per year from one of the three major agencies. Improving your credit score can make a big difference in your future, be it the type of home you can purchase or qualifying for your dream job.

## Q&A

### How Does Stadion Decide What to Invest In?

At Stadion, we use ETFs (Exchange Traded Funds) as the primary investment vehicle because they construct a broadly diversified portfolio very quickly. They also enable us to own the precise areas of the market that we want. As an example, instead of buying the entire S&P 500, we can target three or four sectors that are driving its performance. We may take a 5 or 10% position in these in order to weight the portfolio toward the better performers.

We track virtually all ETFs, identifying an ETF's price trend and its relative performance to other ETFs and the major indices. We also look at a number of risk return measures to add additional value to this process. The best performers move to the top of our ranking sheet, and from there we construct a broadly diversified portfolio of ETFs. While we are invested, we monitor those positions daily and may actively trade up to another ETF that might be moving into favor. The trade up strategy that we have allows us to keep performers in the portfolio as long as the overall market is trending in our favor. But as you know, markets do not go up forever, and when the marketplace shifts, that is when our sell discipline takes over.

## Follow Up

### Still Wondering if it is Springtime or a Sunny Day in Winter?

Last quarter's *Vantage Point* highlighted the importance of a long-term outlook in investing because upward movements in the market may feel like the next bull market but could in fact be a small upswing in the middle of a bear market. Stadion's defensive position in the recent market volatility has sparked inquiries from clients and advisors on how Stadion "predicted" that the market would go down. There was no wise prediction; the markets will always go up and down. Stadion studies market trends and reacts accordingly. We still don't know if it is in fact springtime or a sunny day in winter, but we do know that at Stadion our job is to protect and grow your money in both up and down markets. To read the entire article from last quarter log on to [stadionmoney.com](http://stadionmoney.com).



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# Vantage Point 2Q10

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## Stadion News

### Employee Spotlight



Stadion is pleased to announce that **Kerr McGowan** has been promoted to Senior Sales and Advisor Representative

for his outstanding commitment to Stadion and the advisors we work with. On a daily basis, Kerr coordinates the responsibilities and services that the Advisor Support department offers to wholesalers and financial advisors. This includes explaining the Stadion story and providing Stadion sales materials to financial professionals, as well as coordinating webcasts and formal presentations across the country. Kerr's hobbies include traveling with friends, coaching youth sports, and watching the Atlanta Braves—hoping they actually make it to the playoffs this (or any) year.

### TICKETS Fore CHARITY

As the title sponsor of the 2010 Stadion Athens Classic at UGA, (the PGA Nationwide Tour stop in Athens), Stadion helped raise over \$93,000 for local charities through the TICKETS Fore CHARITY program. To learn more about the program and other community involvement at Stadion, please visit the new section on our website, "Stadion in the Community."

### Greg's Travels

Greg Morris, Stadion's Chief Technical Analyst, recently traveled to Vietnam to speak at the Vietstock International Seminar. He provided insight on how investors and traders in emerging countries can learn about their market despite the lack of long-term data. A summary of Greg's speech can be found at [stadionmoney.com](http://stadionmoney.com) in the "Stadion News" section.

## Remember

If there have been any changes in your financial situation or investment objectives or if there are any reasonable restrictions or modifications you wish to place on your account, please notify us by calling 1.800.222.7636.

FSC LOGO  
FPO