



FILOMENO WEALTH MANAGEMENT, LLC

Registered Investment Adviser

April 15, 2010

Client Name and Address

Dear Client Name:

Enclosed are the following performance reports for your investments at Charles Schwab as of March 31, 2010:

- Schwab Investment Portfolio
- Portfolio Performance Review
- Portfolio Performance Summary

In this newsletter we'll give a brief commentary on stocks and bonds and discuss the benefits of using both actively and passively managed funds. In addition, in this and future issues we will highlight a specific fund that we use in many of our clients' portfolios.

Market Commentary

Since the market low on March 9, 2009, stocks, as represented by the S&P 500 Index, have risen 76.8% through March 31, 2010. Yet the market is still down 20.9% since its peak on October 9, 2007. The current trailing P/E (price/earnings) ratio for the S&P 500 Index of 17.3 is less than its trailing 20 year average of 19.8. Accordingly, we are not overly concerned that stocks have risen so dramatically over the past year. We continue to generally favor a neutral balance between growth and value investment styles. However, we currently suggest tactically overweighting the technology and health care sectors based, in part, on their relatively low trailing P/E to their 20 year averages.

Notwithstanding current concerns about government debt levels and inflation, it is important to note that the current interest rate on 10 year U. S. Treasury bonds (3.9%) is significantly below its historical average. Despite the fact that the percentage of U. S. Treasuries owned by foreigners fell from 61% to 57% last year, recent domestic demand for well diversified bonds has mitigated the upward pressure on rates. While we think interest rates will rise, particularly on shorter maturities, we don't view that as all bad news. Although rising interest rates will reduce the principal value of currently owned bonds, it is important to remember that a bond's income (interest) is the largest portion of a bond's total return.



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Benefits of Using Actively and Passively Managed Funds

Once we have agreed upon an asset allocation strategy, we implement that strategy using mutual and exchange traded funds. Each of our clients' portfolios consists of both actively and passively managed funds. Thus, we don't take the position one strategy is right and the other wrong. To the contrary, we believe combining the two strategies is beneficial.

Passively managed funds, or index funds, are designed to capture the return of a particular index, such as the Standard and Poor's 500 Index. There are literally hundreds of indexes covering domestic and foreign stocks and bonds. We use index funds to achieve diversification within a market segment, such as large U.S. stocks. We also use them because they are generally tax efficient, transparent as to their holdings and have low management and trading costs. Historically, index funds have outperformed the majority of actively managed funds over the long term.

On the other hand, actively managed funds offer investors the possibility of outperforming a particular market. Outperformance can be attributed to the manager's ability to over or under weight sectors relative to a benchmark index or by superior security selection within a sector. While it is difficult for an active manager over a long period of time to overcome the higher management and trading costs of active management, they can outperform in the short term. In selecting actively managed funds, we look for those who have experienced and long-term managers with expense ratios less than the average of their peers. We also view favorably those managers who have invested their own money in their funds. Finally, we look at historical long-term performance of the manager relative to a peer group based on investment category.

Fund Review - "Vanguard 500 Index Signal" (see attached)

This is an index (passively managed) fund whose investment strategy is to buy and hold the stocks in the S&P 500 based on their relative market capitalization. Thus, ExxonMobil Corporation is the fund's largest holding representing 3.26% of the portfolio (A) and most of the companies owned by the fund will be familiar to you. The manager does not attempt to add value by holding cash, bonds or foreign stocks. The assets are invested in large domestic stocks (B).

The return of this fund, net of expenses, should be close to its benchmark index as has historically been the case (C). In addition, this fund's expense ratio is a very low .09% (D) and its portfolio turnover only 12% (E) making this fund both cost and tax efficient. It should be pointed out, that while historically this fund was the premier fund of its kind,



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other fund companies like Schwab and Fidelity, as well as some exchange traded funds, have competitive offerings that we are utilizing and you may own.

According to a study by Vanguard, 61.05% of actively managed funds in the "Large-Blend" equity investment style (F) underperformed their index for the 10 year period ended 12/31/08 by an annualized return of 1.4%. Thus, for this investment style, the record favors a passively managed strategy.

Seminar

We are hosting a seminar on May 12th on "To ROTH or not to ROTH." According to a recent study by Fidelity Investments, more than a third of clients eligible to take advantage of the recent removal of income limits on Roth IRA conversions are expected to do so in 2010. If you have an IRA, we encourage you to register by contacting Yolanda Fontanez at YF@Filomeno.com or (860) 760-7001.

Invitation to Wine Tasting Event

As a reminder, we are assisting the American Heart Association with their fund raising initiatives by co-sponsoring a "Go Red and White" wine tasting event on May 20, 2010 at Blue Heron Fine Wine & Spirits, located in Glastonbury, Connecticut. We invite you and a guest or other friends and family members who may be interested. Please contact Kim Lockwood to make a reservation by May 8, 2010. She can be reached at (860) 760-7052 or by e-mail at KJL@filomenowealth.com

We thank you for your continued business and referrals. We value your thoughts and encourage you to call us at anytime should you have any questions, concerns or suggestions.

Sincerely,

Richard E. Thibodeau, CPA / PFS; JD
Managing Director

Michael A. Tedone, CPA / PFS
Director, Chief Compliance Officer

Enclosure