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Oxford Communiqué Investor Report:

The Gone Fishin' Portfolio

The Nobel Prize-Winning Secret to Maximizing Returns with Minimal Risk

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THE OXFORD COMMUNIQUÉ

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It may come as a surprise, but there are only **six factors** that will determine what your investment portfolio will be worth in the future. And it doesn't matter whether you're investing $10,000 or $10 million, these factors apply equally. So what are they?

1. The amount of money you save
2. The length of time you allow that money to compound
3. Your portfolio's investment returns
4. The amount of expenses your portfolio absorbs
5. The amount of taxes you pay
6. Your asset allocation

Interestingly enough, of these six, there is only one that is out of your control. Regardless of what you've been told, you cannot control your portfolio's investment returns.

And yet it's the one factor that most investors spend their time stressing about. What is the stock market going to do? When will my stocks turn around? Is it a good time to buy this security and sell that one?

Many investors believe that phenomenal wealth is only obtained as a result of superior stock selection or market-timing skill. But real wealth is accumulated over time with a disciplined and sound investment strategy, no matter what anyone else tries to tell you.

Take, for instance, the research of **Ibbotson Associates**, a well-respected, Chicago-based financial research firm. In its study to identify the primary reasons for the success or failure of different investment portfolios, it found only 5% of investment returns could be explained by "*investment selection*."

If investment selection only accounts for 5% of your returns and it occupies most of your time... it's time for a change. Let's be clear, investment selection certainly deserves your attention, but the research clearly demonstrates that it should not occupy all your time.

And regarding market timing, the following quote appears to be an attractive strategy:

"Getting in when the outlook is positive, getting out when the environment looks bad."

Unfortunately, the truth's a bit different. **Implementing this strategy is both extremely difficult (if not impossible) and may adversely affect investment performance**. If you were unable to time the top of the market in 2007, what makes you think you can possibly predict the bottom? Or the next top?

Attempting to time the market may only increase what is known as the "Double Loss" effect.

An investor who wants to reduce or eliminate exposure realizes current losses by selling out of positions, sits on the sidelines and then tries to decide correctly when to reinvest. Ultimately the investor is locking-in losses and potentially missing the beginning of any upswing. Not only is this strategy stressful, it negatively impacts your portfolio's returns.

Accept as reality that on any given day, nobody knows if the market will be up or down, which stocks will outperform or underperform, or what sectors will lead or lag. Attempting to utilize a market-timing strategy can mean you miss the market's best-performing periods.

Research clearly shows that if you do nothing but let your investments compound over time, you come out way ahead. Conversely, if you tried to time the market, jumping in and out, your investment returns suffered.

So instead of spending your valuable time on factors you cannot control (i.e. trying to time the market), it should be spent on those that you can control. And of the six factors that affect your portfolio's returns, here's a quick snapshot of what it takes to effectively control what you can:

1. **The amount of money you save:** Simply, save more to have more.
2. **The length of time you allow that money to compound:** Start earlier. The sooner you invest, the more time your investment benefits from compounding.
3. **Your portfolio's investment returns:** Remember, this one's out of your control!
4. **The amount of expenses you absorb:** Limit expenses at all costs. The more you incur, the less your portfolio will be worth.
5. **The amount of taxes you pay:** Invest in tax-efficient strategies so that you retain more of your money instead of giving it to the IRS.

And most importantly, use a simple Nobel Prize-winning strategy known as asset allocation.

You don't even need a computer to implement this strategy. All the adjustments you'll need to make to your portfolio can be done once a year – with a single 15-minute phone call.

The rest of the time, you're supposed to go fishing... or you can just spend your time however you choose. Because this strategy works.

This is not just a strategy that allows those with money to make money; it is a strategy that allows any investor to maximize returns and minimize risks.

Staying on the Path to Financial Freedom

With any investment program, there are two potential obstacles that can seriously impact your ability to accumulate wealth: taking too little risk and taking too much risk.

Some investors are too timid for their own good. Being conservative with your investments and avoiding risk might seem attractive, but if you're too conservative and your returns do not increase your purchasing power after taxes and inflation, you'll probably fail to meet your investment goals.

The flipside to this is that you take too much risk. Instead of exercising some caution when investing, you end up letting it all ride with risky investments. Being too risky puts you in a situation where you end up losing all or a substantial percentage of your investment capital.

But that's where the asset allocation-oriented Gone Fishin' Portfolio can help. It's designed to make sure you take neither too much risk nor too little. It provides you with a balanced investment portfolio that ensures you will meet your investment goals and will be able to retire as planned.

The Gone Fishin' Portfolio makes use of very low-risk investments. It then combines them with high-returning investments that keep your overall volatility quite low. It's this low-risk aspect that appealed so greatly to the *Nobel Prize Committee*.

The ultimate effect is a portfolio that protects your investments against the thief that robs us all. It's the strategy that ensures the financial security of your future and allows you to live with peace of mind and knowing that your retirement is safe.

Asset Allocation: Different Investment Baskets Can Make You Less of a Basket Case

So what is asset allocation? Let's run through the basics…

Asset allocation's roots can be traced back to the 1950s when a University of Chicago graduate student, Harry Markowitz, began his dissertation on the stock market. What he developed was the theory and mathematical framework that became a foundation for financial economics. Years later, in concert with William Sharpe, he was awarded the Nobel Prize in Economics in 1990 for pioneering work on *Modern Portfolio Theory*... now referred to as asset allocation.

Asset allocation is the process of developing the most effective – optimal – mix of investments. In this case, optimal means that there is not another combination of asset classes that is expected to generate a higher ratio of return to risk.

Quite simply, it's breaking down your portfolio into different baskets, or classes of investments, to maximize returns and minimize risk. As the familiar cliché goes, "*Don't put all your eggs into one basket*." And don't scoff at its simplicity. In the world of asset allocation, this is the key to unlocking maximized returns with minimal risk.

So let's take the first steps in breaking down your portfolio into baskets, or asset classes. An asset class is a group of securities that have similar financial characteristics. In today's investment landscape, there are multitudes to choose from. For the purpose of this report though, let's focus on the five principal types of long-term investments: stocks, bonds, cash, real estate and precious metals.

Wthin them, there are also many subclasses. For instance, stocks aren't just the Dow, S&P 500 and Nasdaq. Rather, within that universe, classes range from large-caps, mid-caps and small-caps, to growth stocks, value stocks or emerging-market stocks, just to name a few.

Bonds can be divided into two main classes: taxable and tax-free. *Taxable bonds* include U.S. Treasuries, corporate bonds and agency bonds, like Ginnie Maes. Tax-free bonds, often known as municipal bonds, are issued by local or state governments and agencies.

Real estate can be divided into managed income properties and mortgage loans. Precious metals include the subclasses of the metals (gold, silver, platinum and palladium) themselves. Even cash can be broken down to include money market funds, T-Bills, Certificates of Deposit and commercial paper.

Proper asset allocation involves the selection of investments across many asset classes to maximize returns and minimize risk.

Diversification & Correlation... Limiting Assets That Behave the Same

Diversification is a strategy designed to reduce exposure to risk by combining a variety of investments, which are unlikely to move in the same direction. The goal of diversification is to reduce a portfolio's volatility. The key is to avoid putting all your investments in asset classes that are highly correlated. In other words, you don't want to put all your money in investments that will perform similarly.

Instead, you want to take advantage of the fact that investments with ***low correlation*** (or little relationship) to one another will behave differently at any given point in time. For instance, in 2011, while international stocks suffered an annual return of –11.76%, long-term government bonds posted returns of 23.36%.

It is important to note that investors can properly diversify with individual holdings in stocks or bonds. **It turns out, though, that one of the best ways to diversify your portfolio is by placing your money into mutual funds**. Because mutual funds are generally invested in a diverse portfolio of securities, they provide the greatest degree of diversification. By owning several investments, you lessen the chance that you'll suffer if one or two of them drop in value. One mutual fund can hold dozens – or even hundreds – of different securities at the same time.

Mutual funds are also advantageous because they increase your purchasing power. Achieving diversification on your own can require more money and effort than you may be able to provide.

By pooling the assets of many investors, mutual funds allow you to achieve diversification with much less money. And you can get even more diversification by purchasing shares of funds with differing objectives. As the objectives differ, the chance of two or more mutual funds holding the same stocks is less.

And yes, not too long ago, the fees of mutual funds were under the microscope for being, in some cases, excessive and costly to your portfolio. The fees, however, do not change the fact that mutual funds are the most effective means of diversifying your portfolio. And when the specifics of **The Gone Fishin' Portfolio** are revealed, you will see how these expenses have been mitigated so you can capitalize on the superior diversifying effect of mutual funds at a significantly lower cost.

Ultimately, what diversification does is reduce both the upside and downside potential of your portfolio. As a result, it allows for more consistent performance under a wide range of economic conditions. Consistency during these markets is something most investors would gladly embrace.

We need to be clear though. Asset allocation is not simply the concepts of diversification and correlation. A portfolio can be properly diversified based upon only 10 stock holdings as long as they are spread out among different classes, such as tech stocks, defense stocks, etc. What asset allocation does is take diversification and correlation one step further.

It calls for the diversification of investments across asset classes to take into account the varying risks associated with each asset class. For example, stocks have historically produced higher average annual returns over time than other investments, but they have also been historically more risky (volatile). Bonds' long-term returns are generally lower than those achieved by stocks, but they are a less risky asset class because prices fluctuate less than those of stocks.

The advantage of asset allocation is that it allows you to invest some assets in higher-risk assets such as stocks, while placing others in lower-risk assets such as government bonds. The actual mix between asset classes depends on investors' risk tolerance and may vary by age.

For instance, a young aggressive investor is more concerned with capital appreciation (making money) than preservation of capital (preserving money) and seeks to invest in higher-risk investments. As a result, this investor's asset allocation would include a large percentage (perhaps 70% to 80%) in stocks. As this investor grows older, however, and becomes more concerned with preserving wealth for retirement, he or she naturally becomes less risk tolerant. To account for this change, the investor simply allocates less to the riskier asset class of stocks and more to the lower-risk classes of bonds and cash.

Asset allocation is based upon the principal that non-correlated investments of varying risk, when astutely mixed together, will smooth out the volatility (or variability) of your returns. And the best part about it is that it also increases your returns.

Boiled down to one sentence: asset allocation is the process of dividing investments among different kinds of assets, such as stocks, bonds, real estate and cash, to optimize the risk/reward trade-off.

With so many asset classes to choose from though, how do you know which ones to select? It's easy. We've done the work for you with **The Gone Fishin' Portfolio**.

The Rebalancing Act: "Buy & Hold" Is Not an Investment Strategy

After using asset allocation to divide investments across different asset classes, there is one more critical component to understand: the 15 minutes of work you'll have to do annually, known as "***Rebalancing***."

Many investors did well during the roaring bull market of the 1990s. But the thundering herd turned into cliff-diving lemmings when the market downdraft started in earnest.

Why didn't they sell? In many cases, it was because their money managers or mutual fund companies peddled the idea that they should buy and sit tight.

But let's face facts. Any successful investment strategy has to have a sell discipline. Otherwise, you're just acting on dangerously blind faith.

Admittedly, that decision to sell is complicated. History proves it's impossible to predict which asset class will be the best or the worst performing in any given year, as the table on the following page shows.

From 2004 to 2007, *international stocks* were among the best performing of the group. But they were the worst in 2008 and 2011.

Or take the example of *small-cap stocks*. In 2005, they posted mediocre returns of 4.5%. In 2006, they were the second best (18.4%).

Since no one can predict the market leaders and underperformers, you must remain allocated across a broad group of asset classes. That's why a proper asset allocation also involves the strategy of rebalancing.

Rebalancing is a tool to help you maintain your target allocation by selling a portion of an appreciated asset and investing the proceeds into an underweighted asset class to restore your original asset allocation. To understand this, consider the following:

Every asset class in **The Gone Fishin' Portfolio** – stocks, bonds, precious metals, etc. – represents a specific percentage of your total portfolio.

Asset Class Winners & Losers
(Annual Asset Class Returns from Highest to Lowest)

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
LT Gov't Bonds 20.29%	Corporate Bonds 8.44%	LT Gov't Bonds 16.99%	Small Stocks 47.25%	Int'l Stocks 20.25%	Int'l Stocks 26.86%	Small Stocks 18.37%	Int'l Stocks 11.63%	LT Gov't Bonds 22.69%	Mid Stocks 40.48%	Small Stocks 29.95%	LT Gov't Bonds 23.36%
Corporate Bonds 11.63%	LT Gov't Bonds 4.34%	Corporate Bonds 10.26%	Mid Stocks 40.06%	Mid Stocks 20.22%	Mid Stocks 12.65%	Large Stocks 15.79%	LT Gov't Bonds 9.65%	Corporate Bonds 5.24%	Int'l Stocks 32.46%	Mid Stocks 22.00%	Corporate Bonds 6.98%
Mid Stocks 8.25%	30-day T-bills 3.69%	30-day T-bills 1.65%	Int'l Stocks 38.59%	Small Stocks 18.33%	Diversified Portfolio 7.04%	Mid Stocks 15.26%	Corporate Bonds 6.96%	30-day T-bills 1.35%	Small Stocks 27.17%	Diversified Portfolio 16.31%	Large Stocks 0.97%
30-day T-bills 5.65%	Small Stocks 2.49%	Diversified Portfolio -7.08%	Large Stocks 26.38%	Diversified Portfolio 11.59%	LT Gov't Bonds 6.61%	Diversified Portfolio 12.39%	Diversified Portfolio 6.21%	Diversified Portfolio -20.52%	Large Stocks 26.46%	Large Stocks 13.24%	Diversified Portfolio 0.93%
Diversified Portfolio 2.68%	Diversified Portfolio -2.86%	Int'l Stocks -15.94%	Diversified Portfolio 22.00%	Large Stocks 8.99%	Large Stocks 4.91%	Int'l Stocks 11.63%	Mid Stocks 5.60%	Small Stocks -33.79%	Diversified Portfolio 16.82%	Corporate Bonds 10.68%	30-day T-bills 0.08%
Small Stocks -3.02%	Mid Stocks -5.62%	Mid Stocks -16.19%	Corporate Bonds 4.10%	LT Gov't Bonds 7.94%	Small Stocks 4.55%	30-day T-bills 4.75%	Large Stocks 5.49%	Large Stocks -37.00%	Corporate Bonds 5.93%	LT Gov't Bonds 9.57%	Mid Stocks -0.25%
Large Stocks -10.14%	Large Stocks -13.04%	Small Stocks -20.48	LT Gov't Bonds 2.61%	Corporate Bonds 4.34%	30-day T-bills 2.93%	Corporate Bonds 4.33%	30-day T-bills 4.56%	Mid Stocks -41.46%	30-day T-bills 0.09%	Int'l Stocks 8.38%	Small Stocks -5.96%
Int'l Stocks -14.19%	Int'l Stocks -21.43%	Large Stocks -23.37%	30-day T-bills 1.03%	30-day T-bills 1.21%	Corporate Bonds 2.43%	LT Gov't Bonds 2.06%	Small Stocks -1.57%	Int'l Stocks -43.06%	LT Gov't Bonds -12.19%	30-day T-bills 0.13%	Int'l Stocks -11.76%

[Asset Classes are represented by the following indices: Large Stocks (S&P 500 Index), Small Stocks (Russell 2000 Index), International Stocks (MSCI EAFE Index), Long-Term Government Bonds (Lehman Bros. Aggregate Bond Index), and T-Bills (Citigroup U.S. 90 Day T-Bills Index). (2010-2011) LT Gov't bonds: Morningstar Longterm US Gov't Bonds.]

But as each year goes by, those percentages change depending on the performance of the financial markets. Bonds may be higher and stocks may be lower. Inflation-adjusted Treasuries may have appreciated and gold mining shares may have fallen. And so on.

The job of rebalancing is to bring those percentages back to your original alignment.

For example, let's use an asset allocation that is 30% U.S. stocks, 10% international stocks, 50% U.S. bonds and 10% cash. For a $100,000 portfolio, the original allocation would be as follows:

Asset Class	Percentage	Amount
U.S. Stocks	30%	$30,000.00
International Stocks	10%	$10,000.00
U.S. Bonds	50%	$50,000.00
Cash	10%	$10,000.00
		$100,000.00

Let's assume at the end of the year, the portfolio value is $140,000. U.S. stocks performed strongly, international stocks struggled and U.S. bonds and cash were relatively stable... leading to the following allocation:

Asset Class	Percentage	Amount
U.S. Stocks	35%	$49,000.00
International Stocks	3%	$4,200.00
U.S. Bonds	52%	$72,800.00
Cash	10%	$14,000.00
		$140,000.00

To rebalance this portfolio, $7,000 of U.S. stocks and $2,800 of U.S. bonds would have to be sold to reallocate $9,800 to international stocks, thereby returning the portfolio to its original Asset Allocation percentages:

And this is where your **sell discipline** comes into play. Instead of ascribing to the "***buy and hold***" philosophy, asset allocation forces you to sell investments on an annual basis. And the ideal candidates to replace them are those assets within that asset class that performed the worst during the previous year.

This strategy doesn't just hope to "buy low and sell high." It forces you to actually do it. That's a good thing. If you didn't rebalance, you would be buying more of an appreciated asset in the hope that you will be able to sell it at an even higher price in the future.

Now you might question why you would want to buy more international stocks if they performed so poorly the previous year? But recall the preceding table ("Asset Class Winners and Losers") and you'll find your answer. Remember that it is impossible to predict which asset class will be the best- or worst-performing in any given year. So although international stocks may have underperformed in the previous year, there is no way of being certain that they won't be one of the top performers the following year.

If we use the performance of international stocks in 2000 through 2002, we can clearly see why you are not throwing good money after bad. The funds that were reallocated into international stocks during those down years paid off in spades during the next five-year period.

Rebalancing your portfolio ensures your investments are always properly allocated to take advantage of these year-to-year changes.

Research from **Ibbotson Associates** demonstrates that the strategy of rebalancing reduces the level of portfolio risk in both market upturns and downturns. More importantly, Ibbotson found the reduction in risk is greater during market downturns.

So when markets are performing poorly, your rebalanced portfolio will experience less negative returns than a "not-rebalanced" portfolio. And when they turn, you'll have more money to take advantage of the upswing than you would otherwise.

Asset Allocation Made Easy

Once you've determined that asset allocation is the best strategy for you and you recognize the importance of rebalancing, there is only one decision left: what investments do you choose for your portfolio?

That's where **The Gone Fishin' Portfolio** comes into play. We've done the complicated, statistic-driven legwork for you and developed a portfolio that ensures maximum returns with exceedingly low risk.

At this point though, it is worth explaining (in detail) one decision we've made before revealing the portfolio. It is the most important question you have to answer when implementing an asset allocation strategy: Are you going to take an active or a passive approach to investing?

In a nutshell, the "***active investor***" believes that he or she can regularly generate (or choose fund managers who can generate) returns that are above those of a specific benchmark portfolio.

In contrast, the "***passive (or index) investor***" wants only to match those benchmark returns at the lowest possible cost. (As you'll recall, limiting the expenses you absorb is one of the six factors you can control. A passive approach provides an ideal opportunity to reduce your costs and, in turn, control your portfolio's future worth.)

Fortunately, there is statistical data to support this active versus passive debate.

A study published by Vanguard strongly supports the passive management approach. Vanguard's investment counseling and research group found that, of the 420 actively managed balanced funds they tracked (that had at least five years of returns)... only 7% outperformed their benchmarks.

And before you think all you need to do is invest in funds whose managers have done well over the past five years, there are no academic studies that show good mutual fund performance persisting over successive multi-year periods.

In other words, investing in a fund because it had great performance relative to other funds over the past five years does not increase your chances of great relative performance over the next five years. In fact, many studies seem to show that it happens just the opposite.

If there is no guarantee and the expenses (both fund level and in additional taxes) are greater, **it makes most sense to adopt a passive strategy**.

Doing so guarantees the lowest expenses and ensures you won't have to deal with the difficulty of comparing long-term manager records that don't exist or worrying about a manager getting lucky.

And **The Gone Fishin' Portfolio** allows you to put this strategy to work through the lowest-cost group of mutual funds in the country, the Vanguard Group. Here's how you would asset allocate according to our model:

The Gone Fishin' Portfolio

Stock	Allocation
Vanguard Total Stock Market Index (VTSMX)	15%
Vanguard Small-Cap Index (NAESX)	15%
Vanguard European Stock Index (VEURX)	10%
Vanguard Pacific Stock Index (VPACX)	10%
Vanguard Emerging Markets Index (VEIEX)	10%

Vanguard Short-Term Bond (VFSTX)	10%
Vanguard High-Yield Corp. Fund (VWEHX)	10%
Vanguard Inflation-Protected Securities Fund (VIPSX)	10%
Vanguard REIT Index (VGSIX)	5%
Vanguard Precious Metals & Mining (VGPMX)	5%

Notice that our 30% allocation to U.S. stocks is divided between small-cap and large-cap stocks. Likewise, the 30% allocation to international markets is evenly divided between Europe, the Pacific and Emerging Markets.

It is important to note that **The Gone Fishin' Portfolio** is not exclusive to the Vanguard Group. We selected Vanguard as our family of funds simply because it has the lowest expense ratios. In an effort to maximize returns through Asset Allocation, reducing expenses with the Vanguard Group provides the best platform.

But this doesn't mean you cannot apply the same strategy to any fund family. As noted before, Asset Allocation is a strategy to use with the biggest and the smallest portfolios. And it can be used with any fund family. You can apply these concepts to your 401(k) or IRA account, or any other account in which you might be limited to the funds available to you.

Asset Class	Percentage	Amount
U.S. Stocks	30%	$42,000.00
International Stocks	10%	$14,000.00
U.S. Bonds	50%	$70,000.00
Cash	10%	$14,000.00
		$140,000.00

Simply use the same percentage breakout as noted above for your Asset Allocation. Then select the ones that most closely mirror the Vanguard funds from the list of funds available to you. Your fund expenses might be slightly higher, but you will still be able to benefit from the advantages of

Asset Allocation – guaranteed maximized returns and minimized risk.

Who Should Consider The Gone Fishin' Portfolio?

For investors who need their returns to exceed inflation, this is the ultimate in risk reduction. To be frank, however, it is not the ultimate for generating high returns.

Our *Oxford Trading Portfolio*, for instance, has generated market-beating returns year after year. Many of our VIP Trading Portfolios have done even better.

For those of you who need to maximize returns – either because you started saving late in life or you need to post big numbers in a short period of time – following our individual investment recommendations is a more effective shortcut to success.

But for those of you who are conservative investors, who are retired or close to retirement, who need to exceed inflation while taking as little risk as possible – and who prefer casting a purple worm to trading stocks – **The Gone Fishin' Portfolio** is designed with your serious money in mind.

The goal here is not to beat the market by the largest margin in the shortest period of time. Rather, this portfolio gives yourself and your family a gift that may be more valuable still: peace of mind. And at the same time, it is guaranteed to maximize your returns and minimize your risk.

Action to Take: *If you have the ability to invest in the Vanguard Group, you can set up **The Gone Fishin' Portfolio** by contacting Vanguard directly at www.vanguard.com or 800.997.2798. And you can track the performance online at www.oxfordclub.com.*

*If you don't have access to the Vanguard Group, you can construct the same portfolio using comparable index funds of any major fund family. Visit their websites directly to find the appropriate funds and contact them directly with the percentages provided here with **The Gone Fishin' Portfolio**. (And remember to rebalance annually to optimize your returns.)*

The Gone Fishin' Portfolio – Frequently Asked Questions

Question: *I just read the report on **The Gone Fishin' Portfolio**. I wanted to know how your portfolio has changed given the market crash/housing bust/etc.?*

Answer: This is our most frequently received question… and it misses the entire point of **The Gone Fishin' Portfolio**. Our investment philosophy is that trying to guess what the market will do tomorrow based on what it did today is a losing proposition. While CNBC may try to convince you about the need to react to every bit of news and economic report, it's simply not true.

No matter what the economy does, we maintain our asset allocation and we'll outperform the market – with less risk – because of it.

Our asset allocation has not and will not change.

Question: *Is there a minimum investment amount that you would recommend for **The Gone Fishin' Portfolio**?*

Answer: We don't recommend any specific minimum amount, though Vanguard does have minimums for their mutual funds ($3,000). The hardest minimum to meet is for the Vanguard Precious Metals and Mining Fund (VGPMX), which is $10,000. This is far and away higher than any of the other Vanguard funds, so members should use the **Market Vectors Gold Miners ETF (NYSE: GDX)** to fulfill their gold allocation.

Question: ***The Gone Fishin' Portfolio** uses mutual funds. Are there any advantages to using those mutual funds over Vanguard ETFs covering the same categories?*

Answer: There are advantages and disadvantages to using ETFs instead of mutual funds, and different investors will do better with one than the other. The topic is covered more in depth in Alex Green's book, ***The Gone Fishin' Portfolio***, but here's the basic thought…

ETFs have lower fees, lower minimums and are easier to trade. But if you make frequent contributions, they have higher commissions.

ETFs may be the better choice only if you are A) an investor with a small account that can't meet mutual fund minimums, B) a lump sum investor that will not keep making deposits to the account, or C) an investor with a large established account that can absorb commissions and doesn't want to move from his or her broker.

If you're interested, take a look at the table on the next page, which illustrates the ETF portfolio we have prescribed.

Question: *I like the concept of using index funds. However, Vanguard funds can't be purchased if your retirement account is with a different broker or in a 401(k). Can you provide some similar funds that can be purchased with Merrill Lynch or Fidelity?*

Answer: Not every investor will have access to Vanguard funds. We can't design custom portfolios for every single contingency… so here's what you want to do.

Take to heart the three biggest lessons of **The Gone Fishin' Portfolio** – namely index funds, asset allocation and annual rebalancing.

ETF	Symbol	Allocation
Vanguard Total Stock Market	VTI	15%
Vanguard Small-Cap	VB	15%
Vanguard European	VGK	10%
Vanguard Pacific	VPL	10%
Vanguard Emerging Markets	VWO	10%
iShares iBoxx High Yield Corporate Bond	HYG	10%
Vanguard Total Bond Market	BND	10%
iShares Barclays TIPs	TIP	10%
Vanguard REIT	VNQ	5%
Market Vectors Gold Miners	GDX	5%

Peruse the fund offerings from your broker or plan administrator and find one that fulfills each asset class. When possible, use an index fund (i.e. one that doesn't try to beat the market, just match it). And rebalance each year. While we do like Vanguard the best, your performance should match pretty closely.

Question: *I'm a Canadian member and can't purchase Vanguard mutual funds. What should I do?*

Answer: Canadian members have two choices: either use the ETF portfolio… or apply The Gone Fishin' philosophy to the mutual funds available to you.

Question: *The Precious Metals and Mining Fund (VGPMX) is sometimes listed as a "Hold" in the recent* Communiqué. *Why's that? And where do I put my money from my gold allocation until it becomes a "Buy" again?*

Answer: Due to its popularity, the Precious Metals and Mining Fund (VGPMX) is often closed to new investors, as Vanguard feels it can only put so much money to work effectively in the gold mining markets. When Vanguard closes the fund, we list it as a "Hold." Instead, you can use the Market Vectors Gold Miners Fund (NYSE: GDX).

From time to time, The Oxford Club will discuss investment ideas that will not be included in the Club's various portfolios. There are certain situations where we feel a company may be an extraordinary value but may not necessarily fit within the selection guidelines of these existing portfolios. In these cases, the recommendations are to be considered speculative and should not be considered part of any of the Club's portfolios.

Also, by the time you receive this report, there is a chance that we may have exited a recommendation previously included in one of our portfolios. Occasionally, this happens because we use a disciplined "trailing stop" philosophy with our investments, meaning that any time a company's share price falls 25% from its high, we sell the stock.

THE OXFORD CLUB

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