

## OVERVIEW OF THE MARKET ENVIRONMENT

We are in the final days of the first decade of the 21<sup>st</sup> Century. For the markets this decade should be called "The Lost Decade". Since 1/01/2000 through last Friday (12/18/2009) the Benchmark S&P 500 is down a whopping -24.96% in aggregate (total return, not annualized per year). Prior to this, the worst performing decade ever for the S&P 500 was the 1930s (1/01/1930 to 12/31/1939) with a loss of -0.3% in aggregate for the entire 10-year period. The best decade was the 1950s, up an amazing +487% in aggregate. (source: BTN Research). Unfortunately for all of us, a bitter history lesson has been learned over the past ten years.

From its decade high on October 9, 2007, the S&P 500 dropped an unimaginable 57.7%. Since then, it has regained about 63% from its low on March 9, 2009. Two problems now face investors. First, this 63% gain represents a rally second to none; no rally has ever gained such a large amount in such a short time. Second, as good as this rally has been, investors still need to make approximately 43% more to get back to the market high of October 9, 2007. Remember, a 50% loss requires a 100% gain to break even.

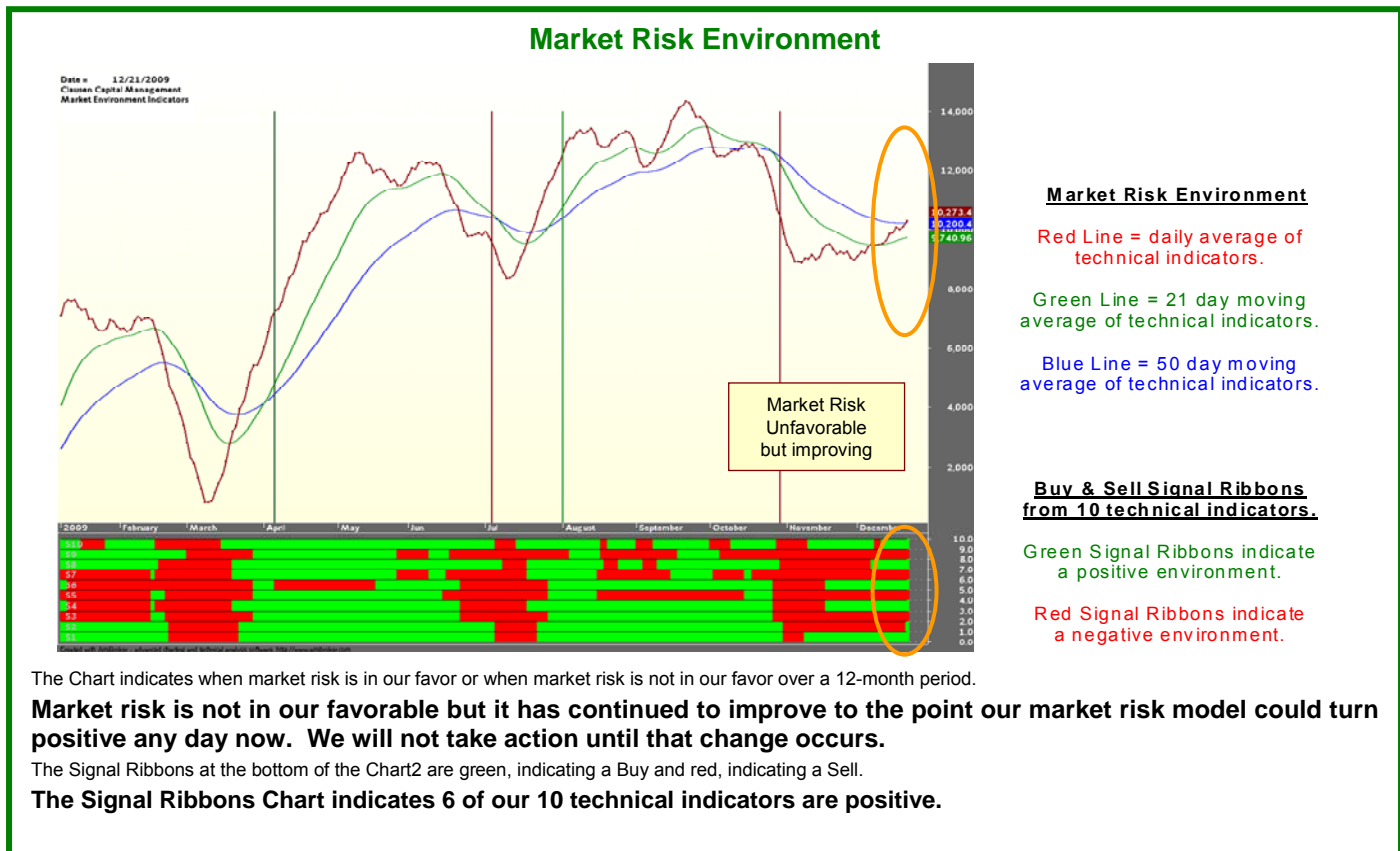
Let's hope 2010 has continued gains in it forecast. Unfortunately, we are not so sure it is going to be an easy year.

We are only a few days away from the end of the year and it would not be out of the ordinary to see the markets turn very volatile for the first few days of the New Year. This is due in part to tax selling, taking profits and investors changing allocations.

Our Market Risk Model is improving. If our Market Risk Model does turn positive in the next few days, our plan is to remove the defensive positions we currently hold. However, we will not add the more aggressive positions we normally include to help augment returns until after the first few trading days of 2010.

**Summing it Up:** Our Market Risk Model remains on a sell but it has been steadily improving. Frankly, it is close to turning positive but until it does, remain on the sidelines.

This is the last market review of 2009. From our family to yours, have a very Merry Christmas and a Happy New Year. We look forward to January 2010.



### WACHOVIA 401K FUND RECOMMENDATIONS

We made portfolio change recommendations on Thursday October 29, 2009. Our current recommendations are listed at the bottom of this page. Please consider your risk tolerance when making these investment choices. We continue to recommend you hold 20% in the **Bond Index Fund** with the remaining 80% in the **Stable Fund**.

We have published this newsletter for over six years. This is the last issue of the Wachovia 401K Newsletter. It is the end of an era as well as the end of the decade and the end of the year. That said, every ending is also a new beginning. When we return in 2010, this will become the Wells Fargo 401K Newsletter.

Our investment philosophy is to participate during periods when market risk is in our favor and protect assets during periods of elevated market risk.

To the right you will see a graphic of our actual Wachovia portfolio performance over the past six years. The Conservative Portfolio is in Green, the More Aggressive Portfolio is in Red and the Benchmark S&P 500 is in Dark Blue. Please note those periods when the Conservative and More Aggressive equity curves are flat. These are periods when our Market Risk Model was negative and we recommended a defensive position in either the Stable Fund or in a bond fund and selling your equity positions. Of importance is the performance of our defensive recommendations during the financial meltdown in 2008.

Also note those periods when the portfolios and the S&P are climbing in unison. This indicates those periods when our Market Risk model was in our favor and we were fully invested in a diversified portfolio of Wachovia 401K equity offerings.

The bottom line is your 401K outperformed the markets by a significant factor over the last six years if you followed our recommendations.

As we reflect back over the past six years, we have utilized an evolving Market Risk Model which has matured and become more sophisticated. Statistically, our model indicates Market Risk is in our favor about 45% of the time. It also shows market risk is not in our favor about 40% of the time with the remaining 15% being allocated to the transition between the buy and sell periods. Certainly these percentages were skewed by the amount of time our model was negative during 2008 and 1Q09.

Based on our Model, we recommended subscribers become defensive on June 10, 2008 and not return to an invested position until March 27, 2009. Those who followed our recommendation missed the majority of the financial meltdown.

We can also reflect back and see where we were too conservative. When our model turned positive in late March 2009, we decided to override our model and recommend you only invest 50% of your 401K assets. Based on the market environment at the time, we were too cautious. This caused us to clearly underperform the markets in 2009. We missed our performance mark for 2009; however, we clearly surpassed the performance of the Benchmark S&P 500 since we started providing advice to our subscribers.

Over the last six years, the Conservative Portfolio has grown at an annualized rate of 5.3%. The More Aggressive Portfolio has an annualized growth rate of 5.2%. The S&P experienced an annualized growth rate at 0.20% (1/5<sup>th</sup> of 1%). This is a significant difference when you analyze the compounding effect on the value of your 401K Portfolio.



For 2009, Year to Date, the Conservative Portfolio has gained 7.01%. The More Aggressive Portfolio has gained 7.85%. The benchmark S&P 500 has gained 24.08%.

Market Risk remains negative. We remain on a defensive posture.

The final merger of the Wachovia and Wells Fargo 401K plans will start on December 28<sup>th</sup>. Between December 28, 2009 and January 17, 2009, there will be rolling blackout periods in which you will have limited access to your account.

There will be no newsletter the week after Christmas.

We wish you a very Merry Christmas and a Happy New Year. Thank you for being a subscriber. We look forward to working with you in 2010.

Let us know what you are thinking at [401K@clausencap.com](mailto:401K@clausencap.com).

**TECHNICAL ANALYSIS OF THE NEW WACHOVIA 401K FUNDS**

The table below represents the gain or loss of funds available to participants in the **NEW** Wachovia 401K for the past month, past year, and year-to-date. The most important column in the chart is the Trend Rating. When the majority of funds begin to pass through 55 and 60, we will most likely have a sustainable rally and risk can be considered in our favor. The Trend Rating is scored on a scale from 0 to 100. A good rule of thumb is to hold funds with a Trend Rating of 65 or better.

One Month and One Year Gain/Loss

Gain or Loss over the past 21 Market Days and 252 Market Days

Year-To-Date Gain/Loss

Gain or Loss since January 1, of this year

Trend Rating

0 – 50



Indicates a generally negative trend.

50 – 65



Indicates fund is in a transitional period between a positive and negative trend. Direction is important and needs to be monitored.

65 – 100



Indicates a generally positive trend.

Wachovia Fund Performance	YTD Gain / Loss %	One Year Gain / Loss %	Trend Quality		One Month Trend
<b>Fixed Income Fund Ratings</b>					
Stable Fund – Money Market	0.53	0.73	100.0		Money Market Fund
SSgA US Bond Index Fund	10.05	10.05	56.7		Trading Range
<b>Equity Fund Ratings</b>					
American Funds Euro-Pacific Growth	36.77	40.17	38.0		Trending Down
Large Cap Growth Fund	33.70	35.26	64.3		Trending Up
Large Cap Value Fund	27.03	29.44	63.3		Trending Up
Lazard Emerging Market Equity	64.34	66.04	48.7		Trading Range
Small Cap Fund	20.88	25.24	73.7		Trending Up
SSgA International Index Fund	21.25	25.14	38.7		Trending Down
SSgA NASDAQ 100 Index Fund	50.93	50.25	67.9		Trending Up
SSgA S&P 500 Fund	26.01	28.43	65.2		Trending Up
SSgA S&P MidCap Index Fund	26.70	29.80	70.3		Trending Up
Wells Fargo Advantage Today	10.21	10.53	39.3		Trending Down
Wells Fargo Advantage Target 2010	12.90	13.52	46.4		Trading Range
Wells Fargo Advantage Target 2015	15.80	16.69	53.3		Trading Range
Wells Fargo Advantage Target 2020	19.06	20.27	60.6		Trading Range
Wells Fargo Advantage Target 2025	22.60	24.36	61.1		Trading Range
Wells Fargo Advantage Target 2030	26.68	28.66	65.6		Trending Up
Wells Fargo Advantage Target 2035	28.82	31.09	63.1		Trending Up
Wells Fargo Advantage Target 2040	31.05	33.59	66.3		Trending Up
Wells Fargo Advantage Target 2045	30.32	33.11	62.2		Trending Up
Wells Fargo Advantage Target 2050	30.84	33.22	61.6		Trending Up
<b>Market Index</b>					
NYSE	24.15	27.26	48.9		Trading Range
S&P 500	23.34	25.47	63.9		Trading Range
OTC – NASDAQ Composite	41.89	43.04	73.4		Trending Up
RUSSELL 2000	23.86	27.22	74.1		Trending Up

**NEW LIST OF AVAILABLE WACHOVIA 401K FUNDS**

<b>New WACHOVIA 401K Fund Selections</b>	<b>New WACHOVIA 401K Fund Objectives</b>
<b>Stable Fund – Money Market</b>	<b>Fixed Income Securities – Money Market</b>
<b>SSgA US Bond Index Fund</b>	<b>Bond Fund</b>
<b>American Funds EuroPacific Growth-A</b>	<b>International Equity</b>
<b>Large Cap Growth Fund</b>	<b>Large-Cap Growth</b>
<b>Large Cap Value Fund</b>	<b>Large-Cap Value</b>
<b>Lazard Emerging Market Equity</b>	<b>Emerging Markets Equity</b>
<b>Small Cap Fund</b>	<b>Small Cap Blend</b>
<b>SSgA International Index Fund</b>	<b>International Equity</b>
<b>SSgA NASDAQ 100 Index Fund</b>	<b>Nasdaq 100 Index</b>
<b>SSga Russell Small Cap Index Fund</b>	<b>Small Cap Blend</b>
<b>SSgA S&amp;P 500 Fund</b>	<b>Large Cap Blend</b>
<b>SSgA S&amp;P MidCap Index Fund</b>	<b>Mid Cap Blend</b>
<b>WellsFargo Advantage Target Today</b>	<b>Target Retirement Income</b>
<b>WellsFargo Advantage Target 2010</b>	<b>Target Retirement near 2010</b>
<b>WellsFargo Advantage Target 2015</b>	<b>Target Retirement near 2015</b>
<b>WellsFargo Advantage Target 2020</b>	<b>Target Retirement near 2020</b>
<b>WellsFargo Advantage Target 2025</b>	<b>Target Retirement near 2025</b>
<b>WellsFargo Advantage Target 2030</b>	<b>Target Retirement near 2030</b>
<b>WellsFargo Advantage Target 2035</b>	<b>Target Retirement near 2035</b>
<b>WellsFargo Advantage Target 2040</b>	<b>Target Retirement near 2040</b>
<b>WellsFargo Advantage Target 2045</b>	<b>Target Retirement near 2045</b>
<b>WellsFargo Advantage Target 2050</b>	<b>Target Retirement near 2050</b>

To view a chart of our 2006 Wachovia 401K portfolio gains, go to [www.clausencap.com](http://www.clausencap.com) and click on 'Wachovia' and 'Performance Charts'. We exceeded the gains of the benchmark S&P 500 with about ½ the risk of the index. Our Conservative Portfolio gained 14.9% and our More Aggressive Portfolio gained 17.0% as compared with a 13.6% gain in the S&P 500. These gains are based on trades made the day we emailed our buy or sell recommendations and are adjusted for dividends and distributions.

**WACHOVIA 401K CONTACT INFORMATION**

Wachovia Benefits Center  
(800) 377-9220  
8:00am - 6:00pm ET  
Monday - Friday

Mailing Address:  
Savings Plan Operations  
Mail Code NC1180 2  
1525 West W.T. Harris Blvd. (3A5)  
Charlotte, NC 28288-1180

**Transfer deadline is 4:00 pm Eastern time or market close.**  
**Distribution deadline is 2:00 pm Eastern time or market close.**