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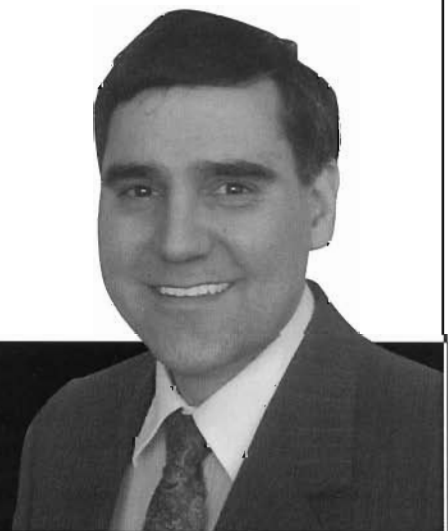
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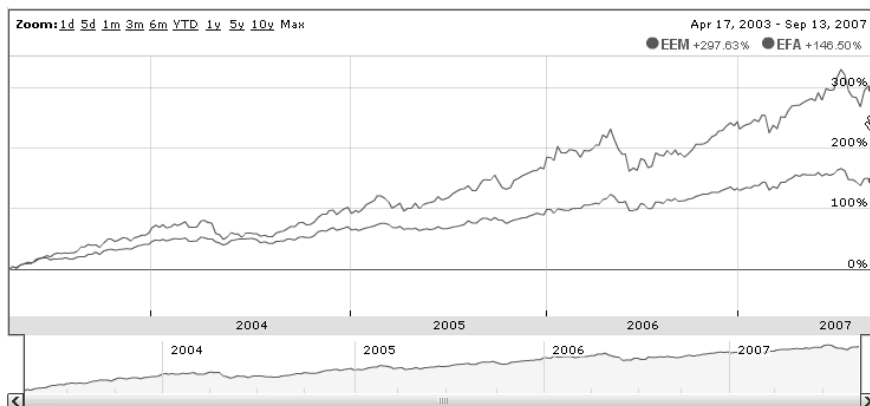
FOREIGN (EFA) BEATS US (S&P500)



2002 through September 2007

EFA 21 countries (+100%) beats S&P500 (+25%)

Emerging Markets beats EFA



2003 through September 2007

EEM 22 countries (+298%) beats EFA (+147%).

Tracking Exchange-Traded Portfolios

Performance figures are total returns as of Dec. 29 for largest exchange-traded funds and other portfolios ranked by asset size.

ETFs
and
2006
Pg 1 of 2

Fund name	Ticker	Assets (\$ Billions)	Expense ratio	Launch date	PERFORMANCE (%)		
					December	4th-qttr	1-Year
SPDR 500	SPY	64.00	0.10	01/29/93	1.4	6.7	15.7
iShares MSCI EAFE Index Fund	EFA	37.07	0.35	08/14/01	3.0	10.2	26.0
iShares S&P 500 Index Fund	IVV	17.98	0.09	05/15/00	1.4	6.7	15.7
Nasdaq 100 Trust Series I	QQQQ	17.95	0.20	03/09/99	-1.9	6.3	7.0
iShares MSCI Emerging Markets Index Fund	EEM	15.73	0.75	04/07/03	4.9	19.0	30.7
iShares MSCI Japan Index Fund	EWJ	13.78	0.59	03/12/96	2.4	4.9	5.5
iShares Russell 2000 Index Fund	IWM	12.65	0.20	05/22/00	0.3	8.8	18.2
streetTRACKS Gold Shares	GLD	9.26	0.40	11/18/04	-1.8	6.0	23.4
iShares Russell 1000 Value Index Fund	IWD	9.19	0.20	05/22/00	2.2	7.9	22.0
SPDR Mid Cap 400	MDY	8.56	0.25	05/04/95	-0.5	6.9	10.0
iShares Dow Jones Select Dividend Index Fund	DVY	7.77	0.40	11/03/03	2.1	7.4	19.4
iShares Russell 1000 Growth Index Fund	IWF	7.68	0.20	05/22/00	0.3	5.9	8.9
Vanguard Total Stock Market ETF	VTI	6.87	0.07	05/24/01	1.1	7.1	15.6
Diamonds Trust Series I	DIA	6.73	0.18	01/27/98	2.1	7.3	18.8
iShares FTSE/Xinhua China 25 Index Fund	FXI	5.76	0.74	10/05/04	18.6	38.3	83.0
iShares Lehman 1-3Yr Treasury Bond Fund	SHY	5.68	0.15	07/22/02	unch.	0.9	3.8
iShares Lehman Aggregate Fund	AGG	4.91	0.20	09/22/03	-0.6	1.2	4.1
iShares S&P Small Cap 600 Index Fund	IJR	4.66	0.20	05/22/00	unch.	7.8	14.9
iShares S&P 500 Value Index Fund	IVE	4.53	0.18	05/22/00	2.4	7.7	20.6
iShares S&P 500 Growth Index Fund	IVW	4.36	0.18	05/22/00	0.3	5.6	10.8
iShares Russell 2000 Value Index Fund	IWN	4.35	0.25	07/24/00	0.8	8.9	23.2
iShares S&P Mid Cap 400 Index Fund	IJH	4.19	0.20	05/22/00	-0.5	6.9	10.1
iShares Lehman TIPS Bond Fund	TIP	4.00	0.20	12/04/03	-2.3	-1.3	0.3
SPDR Energy	XLE	3.81	0.24	12/14/98	-2.5	10.2	18.3
iShares S&P 100 Index Fund	OEF	3.18	0.20	10/23/00	1.8	7.1	18.2
iShares Russell Mid Cap Value Index Fund	IWS	3.05	0.25	07/17/01	1.0	8.4	19.9
iShares Russell 1000 Index Fund	IWB	3.04	0.15	05/15/00	1.3	6.9	15.3
iShares Russell 2000 Growth Index Fund	IWO	2.99	0.25	07/24/00	-0.3	8.7	13.1
SPDR Utilities	XLU	2.98	0.25	12/14/98	1.1	9.1	20.6
iShares MSCI Brazil Index Fund	EWZ	2.96	0.74	07/10/00	7.6	23.9	44.2
iShares Russell 3000 Index Fund	IWV	2.81	0.20	05/22/00	1.2	7.1	15.5
iShares Russell Mid Cap Index Fund	IWR	2.76	0.20	07/17/01	unch.	7.6	15.0
iShares Cohen & Steers Realty Majors Index Fund	ICF	2.75	0.35	01/29/01	-2.0	10.6	38.9
iShares iBoxx \$ Investment Grade Corporate Bond Fund	LQD	2.72	0.15	07/22/02	-1.0	1.2	4.0
iShares S&P Mid Cap 400 Value Index Fund	IJJ	2.58	0.25	07/24/00	0.1	7.8	14.3
iShares MSCI Pacific ex-Japan Index Fund	EPP	2.53	0.50	10/25/01	4.2	16.5	32.1
iShares S&P Europe 350 Index Fund	IEV	2.38	0.60	07/25/00	3.0	10.8	32.8
SPDR Financial	XLF	2.30	0.25	12/14/98	3.8	7.0	18.8
iShares MSCI EMU Index Fund	EZU	2.22	0.59	07/25/00	3.4	11.8	35.8
iShares MSCI Taiwan Index Fund	EWT	2.16	0.74	06/20/00	1.3	13.1	18.9
Vanguard Emerging Markets ETF	VVO	2.04	0.30	03/10/05	4.1	17.2	29.5
SPDR Technology	XLK	2.02	0.25	12/14/98	-0.3	6.5	12.1
iShares S&P Small Cap 600 Value Index Fund	IJS	1.96	0.25	07/24/00	0.3	8.3	19.3
Rydex S&P Equal Weight	RSP	1.87	0.40	04/24/03	0.7	7.0	15.3
SPDR Health Care	XLV	1.84	0.24	12/14/98	1.2	1.3	7.1
iShares Lehman 7-10Yr Treasury Bond Fund	IEF	1.79	0.15	07/22/02	-1.3	0.5	2.7
iShares S&P Mid Cap 400 Growth Index Fund	IJK	1.75	0.25	07/24/00	-1.2	5.9	5.7
Vanguard Value ETF	VTV	1.65	0.11	01/26/04	2.4	7.8	22.3
iShares Dow Jones U.S. Real Estate Index Fund	IYR	1.63	0.48	06/12/00	-1.2	10.0	35.2
iShares MSCI South Korea Index Fund	EWY	1.62	0.74	05/09/00	-0.3	4.8	11.1
iShares Russell Mid Cap Growth Index Fund	IWP	1.59	0.25	07/17/01	-0.9	6.9	10.4
Vanguard Mid Cap ETF	VO	1.58	0.13	01/26/04	-0.3	7.4	13.7
iShares S&P Latin American 40 Index Fund	ILF	1.58	0.50	10/25/01	6.4	21.6	40.8
iShares Nasdaq Biotechnology Index Fund	IBB	1.57	0.48	02/05/01	-3.0	5.7	0.6
iShares Silver Trust	SLV	1.56	0.50	04/21/06	-5.7	11.5	N.A.
Vanguard European ETF	VGK	1.51	0.18	03/10/05	2.7	11.2	33.5
iShares Goldman Sachs Natural Resources Index Fund	IGE	1.51	0.48	10/22/01	-2.6	9.4	16.3
SPDR Consumer Staples	XLP	1.49	0.25	12/14/98	2.5	3.6	14.5
Vanguard REIT ETF	VNQ	1.48	0.12	09/23/04	-1.8	9.1	35.1
iShares Lehman 20+Yr Treasury Bond Fund	TLT	1.43	0.15	07/22/02	-2.8	0.4	0.8
iShares MSCI Hong Kong Index Fund	EWH	1.36	0.59	03/12/96	6.2	14.3	29.6
Vanguard Growth ETF	VUG	1.34	0.11	01/26/04	0.2	5.9	9.1
PowerShares Water Resources Portfolio	PHO	1.33	0.60	12/06/05	1.4	9.5	22.3
streetTRACKS Wilshire REIT	RWR	1.32	0.25	04/23/01	-2.3	8.8	35.5
iShares MSCI Mexico Index Fund	EWX	1.32	0.59	03/12/96	6.3	19.2	44.0
iShares S&P Small Cap 600 Growth Index Fund	IJT	1.25	0.25	07/24/00	-0.4	7.2	10.3
iShares Dow Jones U.S. Healthcare Sector Index Fund	IYH	1.23	0.48	06/12/00	1.0	1.6	6.5
iShares MSCI Singapore Index Fund	EWS	1.08	0.59	03/12/96	6.2	22.9	45.9
iShares MSCI Canada Index Fund	EWG	1.08	0.59	03/12/96	-0.8	6.9	17.5
SPDR Industrial	XLI	1.07	0.24	12/14/98	0.6	5.9	13.6

ETF Fund Name

ETFs end 2006 Page 2
 Ticker Assets Expense Launch Dec 4th qtr 2006 year

SPDR Materials	XLB	1.02	0.25	12/14/98	0.7	11.2	18.3
iShares MSCI UK Index Fund	EWU	0.99	0.59	03/12/96	2.5	10.1	29.8
PowerShares Dynamic Market Portfolio	PWC	0.96	0.60	04/29/03	1.9	7.3	11.7
iShares Dow Jones U.S. Telecomm Sector Index Fund	IYZ	0.95	0.48	05/22/00	4.2	7.8	32.4
CurrencyShares Euro Trust	FXE	0.94	0.40	12/08/05	-0.2	N.A.	N.A.
iShares MSCI Germany Index Fund	EWG	0.94	0.59	03/12/96	4.1	14.1	35.7
iShares COMEX Gold Trust	IAU	0.91	0.40	01/21/05	-0.1	6.0	22.3
iShares Dow Jones U.S. Energy Sector Index Fund	IYE	0.90	0.48	06/12/00	-2.5	10.1	20.4
Vanguard Pacific ETF	VPL	0.82	0.18	03/10/05	3.2	7.8	12.1
iShares Dow Jones U.S. Utilities Sector Index Fund	IDU	0.79	0.48	06/12/00	0.9	9.1	20.7
iShares MSCI Australia Index Fund	EWA	0.76	0.59	03/12/96	3.2	16.2	31.4
iShares S&P Global Healthcare Sector Index Fund	IXJ	0.74	0.48	11/13/01	0.8	1.4	10.3
PowerShares Wilder Clean Energy Portfolio	PBW	0.70	0.60	03/03/05	-4.2	3.1	7.5
iShares S&P Global Energy Sector Index Fund	IXC	0.69	0.48	11/12/01	-0.9	10.2	20.9
iShares MSCI EAFE Value Index Fund	EFV	0.69	0.40	08/01/05	3.3	11.1	29.9
iShares Dow Jones U.S. Technology Index Fund	IYW	0.68	0.48	05/15/00	-1.2	6.1	9.6
iShares Russell 3000 Value Index Fund	IWW	0.67	0.25	07/24/00	2.1	8.0	22.0
Vanguard Small Cap ETF	VB	0.67	0.10	01/26/04	unch.	8.5	15.8
SPDR Consumer Discretionary	XLY	0.66	0.25	12/14/98	2.3	10.2	18.5
iShares MSCI Spain Index Fund	EWSP	0.63	0.59	03/12/96	1.8	14.7	49.5
PowerShares FTSE RAFI US 1000 Portfolio	PRF	0.62	0.60	12/19/05	1.8	7.1	18.9
iShares S&P Global 100 Index Fund	IOO	0.61	0.40	12/05/00	2.1	7.6	19.8
Vanguard Large Cap ETF	VV	0.59	0.07	01/27/04	1.3	6.8	15.6
iShares Dow Jones U.S. Financial Sector Index Fund	IYF	0.55	0.48	05/22/00	3.2	6.8	18.8
Rydex Russell Top 50	XLG	0.54	0.20	05/10/05	2.2	7.6	17.9
iShares MSCI Malaysia Index Fund	EWM	0.54	0.59	03/12/96	4.3	20.4	36.1
iShares Dow Jones U.S. Total Market Index Fund	IYY	0.54	0.20	06/12/00	1.1	6.9	15.3
Vanguard Small Cap Growth ETF	VBK	0.52	0.12	01/26/04	-0.4	8.5	12.0
Vanguard Small Cap Value ETF	VBR	0.51	0.12	01/26/04	0.5	8.5	19.4
iShares Dow Jones U.S. Basic Materials Sector Index Fund	IYM	0.51	0.48	05/22/00	-0.5	11.4	17.0
First Trust Value Line Dividend Fund	FVD	0.45	0.70	08/26/03	1.3	6.8	20.2
PowerShares High Yield Equity Div Achievers Portfolio	PEY	0.44	0.50	12/09/04	1.8	7.3	13.7
iShares MSCI Austria Index Fund	EWO	0.44	0.59	03/12/96	6.8	17.8	35.8
Market Vectors TR Gold Miners	GDX	0.44	0.55	05/22/06	-4.5	12.1	N.A.
iShares Morningstar Large Value Index Fund	JKF	0.43	0.25	06/28/04	2.7	7.7	25.2
PowerShares International Dividend Achiever Portfolio	PID	0.42	0.50	09/15/05	3.0	10.8	26.4
iShares MSCI South Africa Index Fund	EZA	0.42	0.74	02/03/03	7.2	28.1	19.5
Vanguard Extended Market ETF	VXF	0.41	0.08	12/27/01	unch.	8.7	14.5
iShares MSCI EAFE Growth Index Fund	EFG	0.41	0.40	08/01/05	2.7	9.2	21.9
BLDRS Emerging Market 50 ADR Index Fund	ADRE	0.40	0.30	11/08/02	5.9	20.9	37.5
Vanguard Energy ETF	VDE	0.39	0.26	09/23/04	-2.9	10.3	19.0
PowerShares Dynamic Large Cap Value Portfolio	PWV	0.38	0.60	03/03/05	2.6	8.2	24.4
iShares S&P/Topix 150 Index Fund	ITF	0.35	0.50	10/23/01	2.6	5.4	8.2
streetTRACKS EURO STOXX 50	FEZ	0.35	0.29	10/21/02	2.8	10.3	32.0
PowerShares Golden Dragon Halter USX China Portfolio	PGJ	0.35	0.60	12/09/04	11.5	30.0	53.0
iShares MSCI Sweden Index Fund	EWSD	0.35	0.59	03/12/96	8.2	19.6	43.3
iShares NYSE 100 Index Fund	NY	0.34	0.20	03/29/04	2.4	6.5	17.0
iShares Dow Jones U.S. Consumer Goods Sector Index Fund	IYK	0.34	0.48	06/12/00	1.4	6.1	14.3
Vanguard Health Care ETF	VHT	0.34	0.26	01/26/04	0.9	1.7	6.6
iShares Goldman Sachs Technology Index Fund	IGM	0.34	0.48	03/13/01	-0.7	7.0	8.5
iShares Dow Jones Transportation Average Index Fund	IYT	0.31	0.48	10/06/03	-3.6	2.3	8.9
iShares S&P Global Financials Sector Index Fund	IXG	0.31	0.48	11/12/01	3.4	8.1	23.8
SPDR Homebuilders	XHB	0.30	0.35	02/06/06	1.1	13.8	N.A.
iShares Russell 3000 Growth Index Fund	IWZ	0.29	0.25	07/24/00	0.3	6.1	9.2
iShares Goldman Sachs Semiconductor Index Fund	IGW	0.29	0.48	07/10/01	-2.8	-0.7	0.2
iShares Dow Jones U.S. Industrial Sector Index Fund	IYJ	0.29	0.48	06/12/00	1.0	6.7	13.2
iShares Dow Jones U.S. Financial Services Index Fund	IYG	0.27	0.48	06/12/00	4.2	6.3	19.3
streetTRACKS KBW Regional Banking	KRE	0.27	0.35	06/22/06	1.4	3.3	N.A.
iShares Goldman Sachs Software Index Fund	IGV	0.26	0.48	07/10/01	-1.7	3.0	10.7
iShares Dow Jones U.S. Consumer Svcs Sector Index Fund	IYC	0.26	0.48	06/12/00	2.3	8.2	13.8
PowerShares Dynamic Oil & Gas Services Portfolio	PXJ	0.26	0.60	10/26/05	-3.5	7.7	10.0
iShares Russell Micro Cap Index Fund	IWC	0.26	0.60	08/12/05	1.5	9.8	14.7
Vanguard Consumer Staples ETF	VDC	0.26	0.26	01/26/04	2.6	4.4	15.8
Vanguard Information Technology ETF	VGT	0.25	0.26	01/26/04	-1.0	6.4	9.0
PowerShares Dynamic Biotech & Genome Portfolio	PBE	0.24	0.60	06/23/05	-4.7	5.8	2.1
iShares Morningstar Large Growth Index Fund	JKE	0.24	0.25	06/28/04	-0.5	5.5	5.4
iShares MSCI Switzerland Index Fund	EWL	0.24	0.59	03/12/96	2.0	9.1	29.4
iShares MSCI Belgium Index Fund	EWK	0.24	0.59	03/12/96	5.1	10.4	36.3
iShares Goldman Sachs Networking Index Fund	IGN	0.23	0.48	07/10/01	-0.9	4.3	3.5
iShares MSCI Italy Index Fund	EWI	0.22	0.59	03/12/96	1.9	11.2	32.8

100 Largest Global Companies

(by market cap, as of Aug 31, 2004)

Of the 100 largest companies in the world, 55 are in the United States. Those 55 can be found in the Standard & Poor's 500 Average, which are listed in order of market capitalization: GE, Exxon Mobil, Microsoft, Pfizer, Citigroup, Wal-Mart Stores (are the six largest in the world), followed by AIG, Bank of America, JNJ, P&G, IBM, etc. etc. The U. S. companies hold eight of the top 10 places and 14 of the top 20 in this ranking.

The 45 foreign companies listed below can also be found in the EFA fund. EFA is an electronically-traded-fund on the American Stock Exchange that mirrors the EAFE (Europe, Australia & Far East) Index. The EFA fund, like the S&P500 Index is market weighted. The UK has 9 of the 100 largest caps on this list, Japan has 7, France 5, Germany 4, Spain 4, Switzerland 4, Italy 3, Australia 2, Netherlands 2, and one each for Finland, Russia, Hong Kong/China, South Korea, Russia, and Bermuda.

The 45 foreign companies (in market cap order) are:

- | | |
|---|--------------------------------------|
| 7. BP, (UK) \$193 billions | 86. HBOS (UK) 47 |
| 10. Royal Dutch Shell (Netherlands) 175 | 87. Enel (Italy) 46 |
| 12. HSBC Holdings (UK) 171 | 88. Gazprom (Russia) 46 |
| 13. Vodafone Group (UK) 155 | 89. Grupo Santander (Spain) 46 |
| 16. Toyota (Japan) 142 | 93. SAP (Germany) 45 |
| 20. Total (France) 126 | 94. Telecom Italia Mobile (Italy) 45 |
| 22. Novartis (Switz) 124 | 95. News Corporation (Australia) 45 |
| 23. GlaxoSmithKline (UK) 120 | 96. Banco Bilbao (Spain) 45 |
| 30. Nestle (Switzerland) 95 | 97. L'Oreal (France) 44 |
| 31. NTT DoCoMo (Japan) 92 | 98. Telefonica Moviles (Spain) 44 |
| 33. Roche Holding (Switzerland) 87 | |
| 34. Royal Bank Scotland (UK) 87 | |
| 38. ENI (Italy) 81 | |
| 40. UBS (Switzerland) 79 | |
| 41. AstraZeneca (UK) 77 | |
| 43. Deutsche Telekom (Germany) 73 | |
| 47. Telefonica (Spain) 70 | |
| 48. Nippon T & T (Japan) 67 | |
| 52. Tyco Int'l (Bermuda) 62 | |
| 56. Siemens (Germany) 60 | |
| 58. Barclays (UK) 59 | |
| 59. Unilever (Netherlands) 59 | |
| 60. France Telecom (France) 58 | |
| 61. Mitsubishi Tokyo Fin Grp (Japan) \$58 | |
| 62. BHP Billiton (Australia/UK) \$58 billions | |
| 64. China Mobile (HK/China) 57 | |
| 65. Samsung Electronics (South Korea) 57 | |
| 67. Nokia (Finland) 56 | |
| 72. BNP Paribas (France) 53 | |
| 73. Sanofi-Aventis (France) 52 | |
| 76. ING Group (Netherlands) 51 | |
| 78. Nissan Motor (Japan) 49 | |
| 80. E.ON (Germany) 49 | |
| 83. Honda Motor (Japan) 48 | |
| 85. Mizuho Fin Group (Japan) 48 | |

NOTE:

Since this was written (over 2 years ago), of the top 94 companies, only 44 are from the US or 47% of the top companies. This shows the continuing decline of US dominance in the world economy. New entrants are one company in Brazil, 3 in Saudi Arabia, 2 additional Chinese companies, and an additional Russian company. (Feb. '07)



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iShares Age Appropriate Portfolios

Recommendation good only until: **6/9/08**

Symbol		Age:	10	15	20	25	30	35	40	45	50
MMF	Money Market		0%	0%	0%	0%	0%	0%	0%	0%	0%
AGG	Leman Aggregate Bond		0%	0%	0%	2%	3%	6%	7%	8%	9%
PFBDX	PIMCO Foreign Bond		0%	0%	0%	2%	3%	6%	7%	8%	9%
IWD	iShares Russell 1000 Value		4%	6%	9%	10%	10%	11%	11%	12%	12%
IWF	iShares Russell 1000 Growth		19%	18%	17%	15%	14%	12%	11%	10%	9%
IWM	iShares Russell 2000		37%	36%	34%	29%	27%	23%	22%	20%	19%
EFA	iShares EFA Index		27%	27%	27%	25%	25%	21%	20%	19%	18%
EEM	iShares Emerging Markets		13%	13%	13%	12%	11%	10%	10%	9%	9%
IGE	iShares Goldman Sachs Nat Res		0%	0%	0%	5%	7%	11%	12%	14%	15%

Beta	0.98	0.98	0.97	0.93	0.91	0.84	0.83	0.80	0.78
Expected Real Return: Inflation +	6.34%	6.34%	6.33%	6.16%	6.06%	5.85%	5.79%	5.69%	5.63%

Symbol		Age:	55	60	65	70	75	80	85	90	95
MMF	Money Market		0%	0%	0%	0%	0%	0%	0%	5%	10%
AGG	Leman Aggregate Bond		10%	11%	12%	16%	18%	21%	25%	31%	45%
PFBDX	PIMCO Foreign Bond		10%	11%	12%	16%	18%	21%	25%	31%	45%
IWD	iShares Russell 1000 Value		12%	12%	12%	12%	11%	11%	9%	5%	0%
IWF	iShares Russell 1000 Growth		9%	8%	7%	5%	4%	3%	2%	0%	0%
IWM	iShares Russell 2000		18%	16%	14%	11%	9%	6%	3%	1%	0%
EFA	iShares EFA Index		17%	17%	17%	12%	12%	10%	8%	4%	0%
EEM	iShares Emerging Markets		8%	8%	7%	6%	5%	4%	3%	1%	0%
IGE	iShares Goldman Sachs Nat Res		16%	17%	19%	22%	23%	24%	25%	22%	0%

Beta	0.76	0.74	0.72	0.64	0.60	0.54	0.46	0.29	0.00
Expected Real Return: Inflation +	5.55%	5.47%	5.37%	5.11%	4.95%	4.74%	4.47%	3.93%	3.00%

BALANCE & REBALANCE YOUR PORTFOLIO

by George Marotta Write me at george@emarotta.com

1. FOR **SMALL** PORTFOLIOS (under \$100,000): To achieve **diversification** of your investment portfolio, have a good percentage invested in **value-type** common stocks. Subtract your age from 120 and put that amount in domestic stocks, foreign stocks and inflation-hedge stocks. For example, if you are 60, then put 60 percent in common stocks. Invest 20 percent in US stocks, 20 percent in foreign stocks and 20 percent in inflation-hedge stocks (see 2, 3 and 4 below).
2. Invest 20% in **US stocks** through no-load mutual funds. Invest in value funds such as Vanguard Equity-Income Fund (VEIPX), or the iShares Dow Jones Select Dividend Index Fund (DIVY) that trades on the New York Stock Exchange.
3. For **foreign stocks**, invest 20% in the iShares MSCI – EAFE Index that trades as (EFA) on the American Stock Exchange. This is the Morgan Stanley foreign index. It invests in 1,021 companies in 20 countries around the world, outside of the US.
4. For **inflation-hedge common stocks**, invest 20% in the iShares Goldman Sachs Natural Resources Index Fund. It trades under the symbol (IGE) on the American Stock Exchange. Like DIVY and EFA above, this is a new “exchange-traded” fund that trades like a stock but has a much lower expense ratio than a traditional mutual fund.
5. Of the remaining 40 percent (for a sixty-year old), invest 15 percent in US bonds, 15 percent in foreign bonds and 10 percent in money market funds.
6. For **domestic bonds**, invest 15% in iShares US Treasury Inflation Protected Securities Fund (TIP) on the NYSE, or in iShares Lehman Aggregate Bond Fund. It trades under the symbol (AGG) on the American Stock Exchange
7. For **foreign bonds**, invest 15% in American Century International Bond Fund (BEGBX). It is an open-end, no-load mutual fund.
8. Invest 10% in **money market funds**. Every mutual fund family or brokerage firm has money market mutual funds. They don't pay much interest, but this is for emergency use and must be very conservative.

For **MEDIUM** portfolios **over \$100,000**, add more **growth** common stock investments.

- a. To take advantage of the growing **healthcare** industry, invest in iShares S&P Global Healthcare Index Fund. It trades as IXJ on the American Stock Exchange.
- b. **Smaller countries** grow faster than larger countries. To take advantage of this, invest in iShares MSCI Emerging Index Fund. It trades as (EEM) on the American Stock Exchange.
- c. The **computer internet** companies are growing at a very rapid rate. Invest in Baron iOpportunity Fund, an open-end mutual fund. The symbol is (BIOPX). There is also an ETF that invests in internet companies around the world:
- d. China's rapid growth rate is gobbling up resources from around the world. An **Australian** company with the strange name of Broken Hill Proprietary – Billiton will benefit. It trades as (BHP) on the New York Stock Exchange.
- e. To invest in **China**, pick FTSE/Xinhua China 25 Index Fund (FXI). To invest in **India**, use the India Fund (IFN). Both are exchange-traded funds on the American Stock Exchange.

MOST IMPORTANTLY: You must rebalance your portfolio periodically – at least once a year.

For **LARGE** portfolios (over \$500,000), consider the services of a **professional** manager to grow your assets. Use a fee-only manager who does not earn commissions. I can give you information about our fee-only asset management company or help you find a similar fee-only manager.

Foreign Freedom Investing 2007

MAROTTA ON MONEY by David John Marotta

Adding international investments to your portfolio is a good way to diversify for safety while boosting returns. On average, international stocks appreciate more than US stocks. What's more, companies located in countries with the most economic freedom typically appreciate more than the broader international average. Over the past year, countries with the most economic freedom appreciated 7% more than the international index.

The MSCI EAFE Index of international developed markets gained 27.0% (in US dollars) during the one-year period ending June 30, 2007 and has averaged 22.2% annually for the past three years. Compare that to the stock indexes of the twelve most economically free countries which gained 34.0% during the past year and returned 25.4% annually for the past three years.

For small accounts, investing in a good international mutual fund is usually sufficient foreign diversification for your investments. However, greater diversification and returns can be gained by putting some money into the "emerging markets" category. Emerging markets, as measured by the MSCI Emerging Markets Index, appreciated 36.6% (in US dollars) over the past year and has averaged 26.5% over the past three years. Although emerging markets have a higher appreciation rate, they are also inherently more volatile than the markets of more developed nations.

To balance investment performance and volatility, a simple foreign asset allocation might invest two-thirds in the MSCI EAFE Index and one-third in the MSCI Emerging Markets Index. Using this technique, you would have gained 30.2% for the past year and averaged 23.7% over the past three years.

For larger accounts, a more complex asset allocation can be used for further diversification. This asset allocation strategy takes advantage of the fact that economic growth is often better in those countries with the greatest economic freedom. We use the Heritage Foundation's measurement of economic freedom to emphasize those countries that combine the greatest economic freedom with large investable markets.

Since its inception in 1994, the Heritage Foundation Index of Economic Freedom has used a systematic, empirical measurement of economic freedom in countries throughout the world. The conclusions from this study clearly demonstrate that countries with economic freedom also have higher rates of long-term economic growth. This makes the study useful for investors to use to decide which countries should be emphasized in their country-specific foreign stock allocation.

According to the Heritage Foundation's study, "Economic freedom is defined as the absence of government coercion or constraint on the production, distribution, or consumption of goods and

Returns 6/30/2006-6/30/2007

Singapore	60.7%
Germany	48.8%
Sweden	44.3%
Australia	43.6%
Netherlands	38.4%
Austria	36.4%
Belgium	33.2%
Hong Kong	29.5%
Canada	28.3%
United Kingdom	27.4%
Switzerland	22.5%

services beyond the extent necessary for citizens to protect and maintain liberty itself. In other words, people are free to work, produce, consume, and invest in the ways they feel are most productive."

A country's economic freedom score is based on fifty measurements that fall under the following categories: trade policy, fiscal burden of government, government intervention in the economy, monetary policy, capital flows and foreign investment, banking and finance, wages and prices, property rights, regulation, and informal market activity.

A number of the countries ranked high in economic freedom have exchange-traded funds (ETF's) which track the market indexes of these countries and provide an easy, convenient, and inexpensive way to invest in each country. Exchange-traded funds combine the liquidity of individual stocks with the diversification of an index fund. The ETF's also typically have lower expense ratios than most mutual funds.

For larger accounts, we recommend investing half of the assets using the simple technique described above. As such, one-third is invested in the MSCI EAFE Index fund and one-sixth in the MSCI Emerging Markets Index fund. The other half is divided among the twelve countries with the most freedom that also have markets large enough to have a country-specific ETF.

All of the top twelve most economically free countries, except Japan, beat the United States's 20.6% return over the past year as measured by the S&P 500. In descending order, the past year's investment returns for the top twelve countries are as follows: Singapore 60.7%, Germany 48.8%, Sweden 44.3%, Australia 43.6%, the Netherlands 38.4%, Austria 36.4%, Belgium 33.2%, Hong Kong 29.5%, Canada 28.3%, the United Kingdom 27.4%, Switzerland 22.5%, and Japan 7.23%.

Over the past year, ten of these countries beat the broad MSCI EAFE Index and only two (Switzerland and Japan) fell short. Of the twelve countries, Japan and Belgium were only ranked high enough by the Heritage Foundation's Freedom index this past year to warrant being added as country-specific investments. While Belgium's index had nice returns, Japan has not yet contributed as much.

Averaged together, the top twelve free countries gained 34% this past year. This is a full 7% above the MSCI EAFE Index which gained 27%. Excluding Japan, the other economically free countries beat the MSCI EAFE by a full 11%. Over the past five years, investing in countries with the most economic freedom is a strategy that has beaten the MSCI EAFE Index by an average of four or five percentage points annually.

Diversifying your foreign investments is just one important component of an optimal asset allocation. Building balanced portfolios that are more likely to meet your financial goals doesn't happen by accident or by working with someone whose interests are in conflict with yours. Visit NAPFA at www.napfa.org to find a Fee-Only advisor in your area or call NAPFA at 1-800-366-2732.

David John Marotta is President of Marotta Asset Management, Inc. of Charlottesville providing fee-only financial planning and asset management at www.emarotta.com. Questions to be answered in the column should be sent to questions@emarotta.com or Marotta Asset Management, Inc., One Village Green Circle, Suite 100, Charlottesville, VA 22903-4619.

INVESTMENT RESEARCH SOURCES

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Web Site: www.emarotta.com

BOOKS

The World is Flat by Thomas Friedman; Commanding Heights by D. Yergin & J. Stanislaw
What You Need to Know Before You Invest, Rod Davis, Barron's Books 2003. (Basic)
All About Exchange Traded Funds, Archie Richards Jr., McGraw Hill, 2003
Asset Allocation, Balancing Risk, by Roger Gibson, McGraw Hill, 3rd Ed, 2000. (for advanced).
Winning the Loser's Game by Charles Ellis, 4th ed. McGraw Hill, 2002
Fundamentals of Investing by Lawrence Gitman & Michael Joehnk
How to Make Money in Stocks, Wm J. O'neil (IBD Founder & CANSLIM, 3rd ed. McG Hill, 2002
Funds 500, Morningstar, Wiley, 2004 ed. Excellent one-page summaries of mutual funds.
Annual Economic Report by the President (Council of Economic Advisors) to the Congress.

NEWSPAPERS & MAGAZINES

Wall St Journal, Investor's Business Daily, Barron's Weekly, Economist magazine is great
www.economist.com, Fortune, Business Week, Forbes, Smart Money, Money.

WEBSITES prefix is www. *(The AAIJ Journal has a comprehensive list)*

Odc.gov/cia/publications/factbook/index.html

Economy.com, internationalinvestors.com, site-by-site.com, finance.yahoo.com, cnbc.com,
bigcharts.com is excellent for stock charts; hoovers.com has excellent summaries of companies
ici.org is the website of the Investment Company Institute

Newspapers: [wsj](http://wsj.com), [investors](http://investors.com), [ft](http://ft.com), Bloomberg

investor.reuters.com is the website of Reuter's biz news service. Euroland.com

iht.com Int'l Herald Tribune covers international biz news.

Stock exchanges: [nyse](http://nyse.com), [nasdaq](http://nasdaq.com), [ase](http://ase.com), world-exchanges.org

ORG: Worldbank, [ifc](http://ifc.com), [oecd](http://oecd.com), [imf](http://imf.com), [wto](http://wto.com), doingbusiness.com, transparency.com,

adr.com for foreign companies on US exchanges Also: adrbny.com (Bank of NY)

GOV: economicindicators.com (Commerce Dept.), Whitehouse. [cea](http://cea.com), [sec](http://sec.com), fedstats.com, [cbo](http://cbo.com),

Eco data: federalreserve.gov, federalreserveonline.org, bea.gov.com, census.gov

morningstar.com is good for mutual funds

ETFs: etfconnect.com, ishares.com, & amex.com for exchange-traded funds are a must!

Investopedia and globalinsight.com have some good free stuff.

Indexes: [msci](http://msci.com) (MorganStanley), [russell](http://russell.com), standardandpoors.com, wilshire.com, djindexes.com,

Personal finance: quicken.com, smartmoney.com, finance.com (toolkit)

emarotta.com is the website of George/David: Marotta Asset Management of Charlottesville VA.

CLASSES Stanford Continuing Education (650) 725-2650 www.continuingstudies.stanford.edu

ORGANIZATIONS

AAII - American Association of Individual Investors, Chicago (www.aaii.org)

625 No. Michigan Ave., Chicago, Illinois 60611 (800) 428-2244

Silicon Valley Chapter -- Sat a.m. monthly in Sunnyvale, CA

NAPFA - National Association of Personal Financial Advisors: www.napfa.org

Forum for "fee only" financial planners. For names in this area, call: 1-800-366-2732

NAIC - National Assoc of Investment Clubs: www.better-investing.org 1-877-275-6242

FPA - Financial Planning Association. Fpa.org

iSHARES' VIEW OF THE
WORLD EQUITY MARKETS



This map is for illustration purposes only.

iSHARES' VIEW OF THE WORLD EQUITY MARKETS

	TICKER SYMBOL	EXPENSE RATIO		TICKER SYMBOL	EXPENSE RATIO
INTERNATIONAL BROAD MARKET INDEX FUNDS	▼	▼	SINGLE COUNTRY INDEX FUNDS	▼	▼
iShares MSCI EAFE <i>Consists of countries in Europe, Australasia and the Far East</i>	EFA	0.35%	<i>Developed Markets</i>		
iShares MSCI EAFE Growth	EFG	0.40%	iShares MSCI Australia	EWA	0.59%
iShares MSCI EAFE Value	EFV	0.40%	iShares MSCI Austria	EWO	0.59%
iShares MSCI Emerging Markets	EEM	0.75%	iShares MSCI Belgium	EWK	0.59%
			iShares MSCI Canada	EWC	0.59%
GLOBAL INDEX FUNDS			iShares MSCI France	EWQ	0.59%
iShares S&P Global 100 <i>Consists of the Americas, countries in Europe and the Far East</i>	IOO	0.40%	iShares MSCI Germany	EWG	0.59%
iShares S&P Global Consumer Discretionary Sector	RXI	0.48%	iShares MSCI Hong Kong	EWH	0.59%
iShares S&P Global Consumer Staples Sector	KXI	0.48%	iShares MSCI Italy	EWI	0.59%
iShares S&P Global Energy Sector	IXC	0.48%	iShares MSCI Japan	EWJ	0.59%
iShares S&P Global Financials Sector	IXG	0.48%	iShares MSCI Netherlands	EWN	0.59%
iShares S&P Global Healthcare Sector	IXJ	0.48%	iShares MSCI Singapore	EWS	0.59%
iShares S&P Global Industrials Sector	EXI	0.48%	iShares MSCI Spain	EWP	0.59%
iShares S&P Global Materials Sector	MXI	0.48%	iShares MSCI Sweden	EWD	0.59%
iShares S&P Global Technology Sector	IXN	0.48%	iShares MSCI Switzerland	EWL	0.59%
iShares S&P Global Telecommunications Sector	IXP	0.48%	iShares MSCI United Kingdom	EWU	0.59%
iShares S&P Global Utilities Sector	JXI	0.48%	iShares S&P/TOPIX 150 (<i>Japan</i>)	ITF	0.50%
			<i>Emerging Markets</i>		
REGIONAL INDEX FUNDS			iShares FTSE/Xinhua China 25	FXI	0.74%
iShares MSCI EMU <i>Consists of countries in the European Monetary Union</i>	EZU	0.59%	iShares MSCI Brazil	EWZ	0.74%
iShares MSCI Pacific ex-Japan <i>Consists of Australia, Hong Kong, New Zealand and Singapore</i>	EPP	0.50%	iShares MSCI Malaysia	EWM	0.59%
iShares S&P Europe 350 <i>Consists of countries in continental Europe and the UK</i>	IEV	0.60%	iShares MSCI Mexico	EWW	0.59%
iShares S&P Latin America 40 <i>Consists of Mexico and countries in South America</i>	ILF	0.50%	iShares MSCI South Africa	EZA	0.74%
			iShares MSCI South Korea	EWY	0.74%
			iShares MSCI Taiwan	EWT	0.74%

Carefully consider the iShares Funds' investment objectives, risk factors and charges and expenses before investing. This and other information can be found in the Funds' prospectuses, which may be obtained by calling 1-800-iShares (1-800-474-2737) or by visiting www.iShares.com. Read the prospectus carefully before investing.

There are risks involved with investing, including possible loss of principal.

The iShares Funds ("Funds") are distributed by SEI Investments Distribution Co. (SEI). Barclays Global Fund Advisors (BGFA) serves as an advisor to the Funds. Barclays Global Investors Services (BGIS) assists in the marketing of the Funds. BGFA and BGIS are subsidiaries of Barclays Global Investors, N.A., which is a majority-owned subsidiary of Barclays Bank PLC, none of which is affiliated with SEI.

In addition to the normal risks associated with equity investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. Securities focusing on a single country may be subject to higher volatility.

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