

# Winch Report

## S&P downgrades U.S. credit outlook

U.S. stocks sank more in one day than they have in the last month on Monday as Standard & Poor's Ratings Service cut the nation's long-term credit outlook to negative. Ten-year Treasuries erased earlier gains and the cost to protect corporate bonds from default climbed to the highest level this month.

While the US will maintain its AAA long-term and A-1+ short-term sovereign credit ratings, Monday's move reduced the rating from stable to negative. The U.S. has never had a negative debt rating.

According to Standard & Poor's analysts, who hosted a conference call Monday, the main issue lies in the agency's frustration with the lack of agreement between Congress and the Administration to provide any real response to ballooning budget deficits.

In fact, the agency threatened to downgrade the U.S. credit rating if the U.S. government doesn't come up with a multi-year, credible defi-

cit reduction plan by 2013. S&P analysts specifically addressed the lack of response to the financial crisis of 2008, saying that the U.S. already was experiencing very large budget deficits and, with the onslaught of financial trouble, deficits went up to more than 10% of the GDP and haven't come down yet.

---

***Our investment department is keeping an eye on this situation and allocating our portfolios into more defensive positions accordingly.***

---

there is a material risk that U.S. policymakers might not reach an agreement on how to address medium- and long-term budgetary challenges by 2013; if an agreement is not reached and meaningful implementation is not begun by then, this would in our view render the U.S. fiscal profile meaningfully weaker than that of peer 'AAA' sovereigns."

Our investment department is keeping an eye on this situation and allocating our portfolios into more defensive positions accordingly.

A press release from S&P on Monday supported this stance.

"We believe



### Office Hours

Because the market will be closed on Friday, April 22 in observance of Good Friday, our offices will be closed as well.

We will reopen on Monday, April 25 and resume our normal office hours.

We wish you all a blessed and tasty Easter holiday.

# Kindergartner takes Appleton Compassion Project global

Five-year old Jameson “Jamie” Stroebel drew the Dalai Lama on his panel for the Appleton Compassion Project, and the world’s leading advocate for compassion responded with a personal message to the kindergartner.

Such is the potential worldwide impact of The Appleton Compassion Project, a collaborative effort among the Trout Museum of Art, the Appleton Area School District and the Appleton Education Foundation.

Dr. Richard Davidson, a University of Wisconsin-Madison psychology and psychiatry professor and the inspiration for The Appleton Compassion Project took the panel to India. His Holiness the 14<sup>th</sup> Dalai Lama added the following message to it:



*To my friend,  
It gives me incredible joy to see  
this drawing. I want to express  
my thanks for that.  
Dalai Lama of Tibet  
21 December 2010*



When asked to explain his artwork, Stroebel said, “I can’t remember his name. He lives in the hills, he teaches care and being nice to each other. Also, he has skinny legs. ... Dan Panda? (Dalai Lama). —Oh! Dalai Lama! Next time I will remember his name!”

The 6-inch-by-6-inch autographed art panel will be displayed along with more than 10,000 others during the Appleton Compassion Project, which seeks to promote Davidson’s theory that those who practice compassion have measurably healthier brains, and generally, a happier outlook on life.

The panels are installed in The Trout Museum of Art galleries, and will be on view for the public, from May 1 – June 30, 2011.

Efforts like the Appleton Compassion Project demonstrate the relevance of local nonprofit organizations.

That’s why we at Winch Financial are proud to support it. Most local nonprofits are still feeling the effects of the 2008 market collapse and, according to the Giving USA Foundation, more than 7

percent of nonprofits are at risk of shutting down.

This month we are featuring the Compassion Project because it combines at least three of our favorite things: Art, Music and Compassion.

In addition to the gallery display, the event will include a concert at the PAC. Compassion Project LIVE! Features music from Cory Chisel and the AASD choirs and will take place on Tuesday, May 17. at 7:30 p.m.

In the meantime, you can check out the project’s website at [www.appletoncompassion.org](http://www.appletoncompassion.org).

The site features many of the tiles, along with descriptions from the contributing artists.

**Note:** The Trout Museum of Art (formerly the Appleton Art Center) was established in 1960 with a mission to promote, teach and nourish the creation and appreciation of the visual arts. The museum officially became known as The Trout Museum of Art as of September 9, 2010, in honor of Dr. Monroe E. and Mrs. Sandra Trout who generously donated their 180-piece art collection to the organization, along with an endowment to preserve, protect and promote the collection.

The museum’s hours are: Museum hours: Tuesday – Saturday 10:00 a.m. – 4:00 p.m.; Sundays Noon – 4:00 p.m.; Mondays closed.

# Landscaping provides more than pretty face to property

**Editor's note:** Today's guest column is written by Sue Brown, owner of Plantasia. Sue has a Bachelor of Science degree in Horticulture and Business, and an Organic Gardening certificate from Cornell.



Plantasia is a locally owned landscape business specializing in organic care of indoor and outdoor plants, design, consultation, and of course, installation and maintenance. The goal of every Plantasia design is to create a landscape unique to the client, not to a nursery stock inventory list. Creating gardens with plant groupings in curved lines can create a healthy environment for the home or garden.

Sue emphasizes unique designs with low maintenance plants to create a look in landscaping that truly reflects the clients wishes; there's more to Wisconsin plants than spirea and crabapple trees! With the expanding plant breeding programs, it's easy to have year-round color and interest with just plant foliage, and blooms available today can be eye popping!

Outside, plants can build curb appeal, give you privacy or create an outdoor "room" and lower utility bills.

An attractive landscape also plays

an important role in reducing stress.

The environment inside your home is just as important as outside.

Many house plants are known to remove indoor toxins, and they also have a considerable impact on your mental and physical well being.

Plants are alive and vibrant and are a sure way to add those qualities to any room.

There is a renewed interest in fewer chemicals in our life and the organic method is near and dear to Plantasia.

Whether you're interested in organic gardening, renewing your landscaping, or adding some indoor plants, Plantasia is your source.

If you don't have the time to maintain your landscape this summer due to busy schedules or vacations, Plantasia can help with the care of your plants inside and

out.

## Spring Gardening Tips:

1. Within the next couple of weeks most lawn care companies will use 2 4-D as a pre-emergent to prevent crab grass from germinating. An **organic approach** is to use corn gluten. Besides preventing seeds from germinating, it is also a slow release nitrogen fertilizer.

When you are ready to mow, the first mow should be to 2" to prevent fungal problems. For the rest of the year keep the height to 3" to shade out weeds. Leaving your grass clippings on the lawn provides nutrients to the lawn. Aerating your lawn is also helpful.

2. Waiting to dig in your garden can be hard, but if the soil sticks to the shovel, you will be destroying your soil structure! Wait until the soil dries out and then it is the perfect time to move plants around, divide perennials and start plotting out your garden.
3. Removing old leaves and debris is an important step in keeping your landscape disease and pest free. It's the perfect time of year to start a compost pile.

For more information, contact Sue at 920-284-5287 or [plantasia07@hotmail.com](mailto:plantasia07@hotmail.com).

## Winch Financial

Founded in Appleton, Wisconsin by Christina Winch more than 30 years ago, Winch Financial has become a nationally recognized, full service financial planning firm.

424 East Wisconsin Avenue  
Appleton, WI 54911  
920-739-8577  
800-640-8010

[www.winchfinancial.com](http://www.winchfinancial.com)



<http://www.facebook.com/pages/Appleton-WI/Winch-Financial/407389700714>



<http://twitter.com/winchfinancial>



[www.linkedin.com/company/winchfinancial](http://www.linkedin.com/company/winchfinancial)

# First quarter ends on positive note

Stocks continued to climb in the first quarter, with domestic equities posting returns ranging from roughly 6% to 8% depending on the asset class (smaller-caps generally beat larger-caps), while high-quality bonds were roughly flat. Overseas, returns for both developed and emerging-markets equities were lower, at 3% and 1.8%, respectively, while foreign developed-market bonds gained a little less than 1%. Emerging-markets local-currency bonds gained almost 3%.

Future holdings we are considering include: short-term high-yield bonds that have lower default risk thanks to their short maturities and careful credit research; flexible, absolute-return-oriented bond funds that have a broad toolkit with respect to the types of bonds they can own and their ability to limit the risk of rising rates (PIMCO Unconstrained), and floating-rate funds that generate decent yields but that are not exposed to the risk of rising rates.

The net effect of these positions is to reduce overall portfolio risk while generating as good or better returns in most scenarios.

If we continue to see strong stock returns, it is likely that our portfolios would participate in the market but, as always, we have sharp eyes on greater vulnerability to a correction.

Could the economy perform well enough to continue to drive the kinds of stock returns we've been seeing? Consumers could ramp up spending, and take on more debt, and the jobs and housing pictures could improve more quickly than

we expect. But even if that happens to some degree, the deeper underlying problem isn't going to go away as a result.

The deeper problem is that we have gone through a massive build-up of debt that occurred over many decades, and a lot of it still remains. Some of it has effectively been shifted to the government.

With large deficits, a growing national debt, and entitlement spending on track to make these problems significantly worse over coming years and decades, it is inevitable that at some point as a nation we will have to take our medicine. When we do, it will mean we borrow less and spend less, which will reduce economic growth, and that will be a drag on corporate earnings and therefore stock returns.

Considering the economic headwinds, along with big-picture risks such as Europe's debt problems, unrest in the Middle East, Japan's disaster, and other unforeseeable shocks, we conclude that some stock returns are unlikely to compensate us sufficiently for their risk. We also consider other investments that can generate competitive returns at less overall risk.

A final note about return expectations is that we are confident that inevitable periods of fear will drive certain asset classes lower and present us with opportunities to earn much more compelling returns in exchange for ratcheting our risk higher. This discipline and longer-term focus, along with careful underlying research, is the core of what we bring to the table as investment advisors.