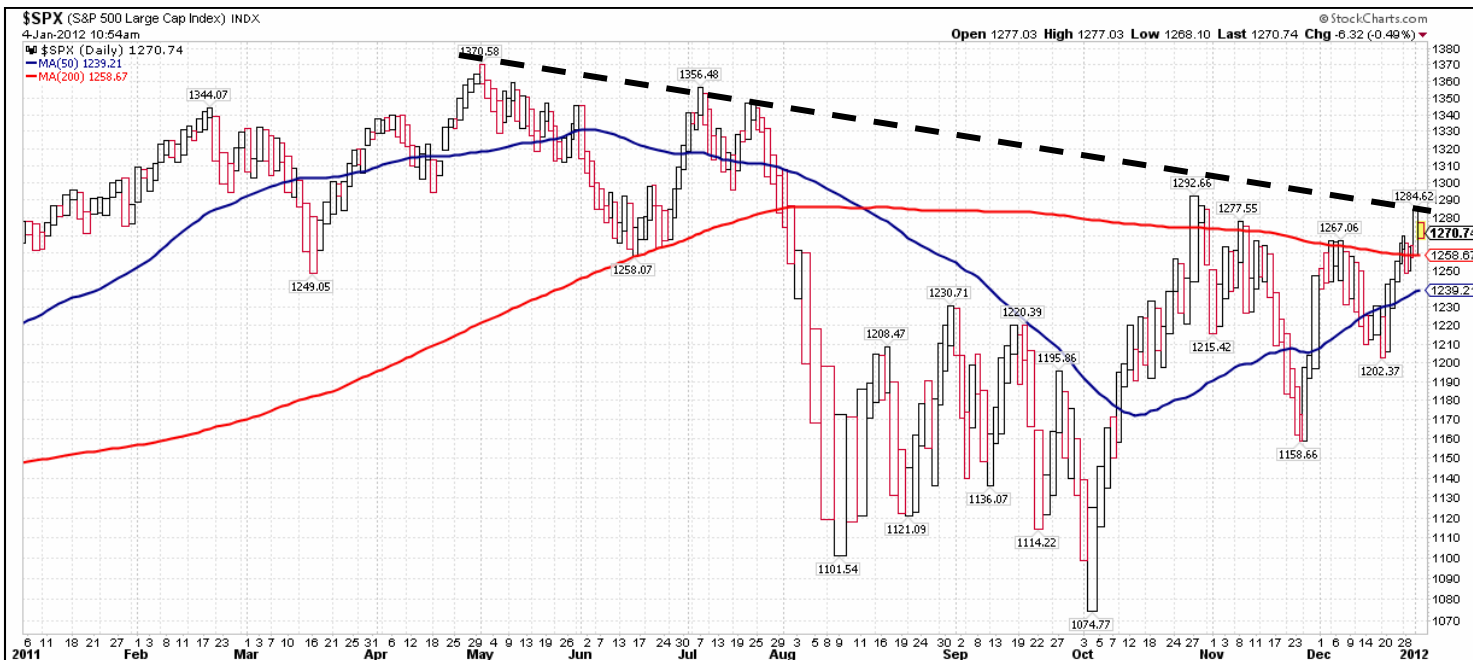


# THE DELTA ADVISOR™

"You're  
Flying  
Into an  
Unknown  
Financial  
Future—  
We Have  
Charts!"

Leading Authority on Successfully Investing the Delta 401(k) Plan for Pilots

January 2012



## S&P 500—So Close, but no cross yet:

1. Dashed downtrend line drawn across the market peaks. It stretches back to May 2011. The end of the year rally (on light volume) rose up and touched this downtrend line. Today, as I write this, the market is down slightly.
2. Moving average lines that make up the bull bear oscillator components. When the blue crosses up through the red, the system will buy. Until then, there is no long-term trend. It is getting close. The chart above does not cover the first couple days of January and the lines have gotten closer.

It is the time it takes to establish a long-term trend that is the hardest thing for members to handle (at least based on email received here at USPFA World Headquarters). In July, it was difficult to wait for the "death cross" downwards. Now it is difficult to wait for the "golden cross" upwards. My only feedback is that it's *far more difficult* to hold through the kind of volatility we've experienced since July. At this moment, we are sitting on the runway—first in line—waiting for clearance that a new trend has developed so we can take off.

- **Bull Bear Oscillator remains in negative territory**
- **Models have no changes**
- **Summary of '11**
- **A look ahead**

### Let me welcome you to 2012

Last year was the most volatile year in the stock market that I can remember—and I've been at this since 1986 (26 years). During the course of the year, we had 13 rallies and 14 corrections. More than one each per month. Chart inside this issue.

2011 was marked by a continued recession, joblessness, poor real estate markets, sovereign debt issues and

world turmoil.

What can we expect in 2012? Continued recession, joblessness, poor real estate markets, sovereign debt issues and world turmoil!

So why am I upbeat as an investor? Let me count the ways:

1. Presidential election year. Neither party wants to lose. Either party in power tries to goose the economy.
2. All that I listed is now old news. It is factored into the market.
3. European politicians do not want to lose power any more than US politicians. They will be forced, against their will, into saving the Euro.

Already, the US Fed has been providing US Dollar swaps behind the

scenes to the European Central Bank... which means, yes! We are paying to help bail out Europe.

All that to say that yes, our problems are real and deep, but nothing new. They will be kicked down the road using short-term solutions as a political job security act. The market will be relieved when it happens.

Will volatility go away? Hardly. The Middle East is in turmoil (affecting oil prices as well as people's lives).

Before the Europeans reach a solution, there will be lots of back and forth. The markets won't like it. But at this point, the markets are looking for an excuse to break out. Every shred of good news will be seized upon to rally.

Could I be wrong about this? Sure! And that is why, despite our personal

(Continued on page 4)

# Velocity Composite Fund Score™ Ranking

Ticker	Symbol	Score	1MoPerf	3MoPerf	6MoPerf	1YrPerf	2YrPerf	3YrPerf
RRRRX	DWS RREEF Real Estate Securities Fund	1130	10.38	13.65	-1.28	9.57	39.09	53.79
DSMCG	Small/Mid Cap Growth Fund *	1126	6.28	12.40	-8.32	-2.87	23.55	64.02
DLCVF	Large Cap Value Fund *	1123	1.78	12.30	-6.49	-2.06	10.56	95.49
DLC20	LifeCycle 2020 *	1122	2.71	4.54	-2.52	1.73	12.00	59.68
DSMVF	Small/Mid Cap Value Fund *	1119	9.35	16.21	-3.29	-1.84	21.91	52.61
DSMCE	Small/Mid Cap Equity Index Fund *	1117	8.25	14.50	-4.28	.64	26.70	44.77
DLCGF	Large Cap Growth Fund *	1116	-.43	10.14	-4.70	1.08	16.12	39.63
DS500	SP500 Equity Index Fund *	1112	5.80	9.41	-2.50	2.19	16.08	24.85
FCNKX	Fidelity ContraFund	1107	3.06	6.27	-3.05	.23	16.94	79.74
DDBFX	Diversified Bond Fund *	1082	1.69	2.91	2.48	7.15	19.04	28.43
DIEIX	International Equity Index Fund *	1007	1.82	.68	-16.14	-12.76	-6.84	70.96
DEMEI	Emerging Markets Equity Index Fund *	992	1.59	3.54	-18.75	-18.32	-5.17	27.60
DBIXX	Bond Index Fund *	922	1.23	1.65	5.33	8.27	14.88	17.80

\* A proxy was used to calculate scoring for this fund

## Definitions & Notes:

1. Tickers are created for convenience, but do not exist outside this newsletter. The majority of the funds in the Delta Plan are not really mutual funds. They are composites or comingled funds, etc. This creates two problems: 1) how our software references them (consequently, we need to create a ticker). You will use the fund name to trade. 2) They have no history of their own yet. Until they generate sufficient history, we have created composites in order to generate the models. These proxies are extremely similar in return and movement to the new funds.

2. The funds above were selected to work, using the model system. There are other funds in the plan that are not used. There is no reason to have multiple international or emerging market funds, for example.

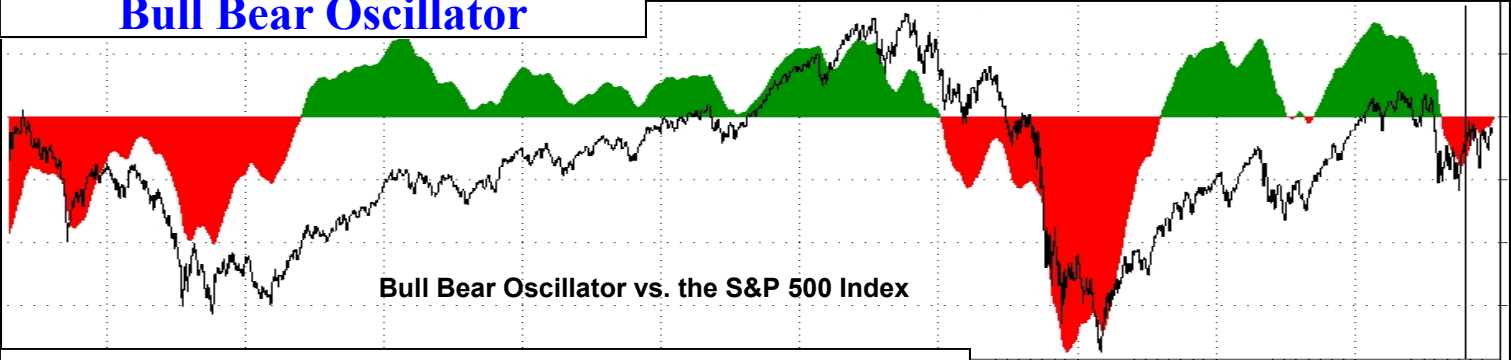
The Velocity Composite Fund Score Ranking combines the Velocity (speed of advance of a fund compared to all other funds) with its Buy Point Score (how close the fund is to a recent bottom). This composite score is used to rank all available fund choices. In defined Bull Market advances, the system uses the Top 3 funds in the Aggressive model and the Top 4 in the Moderate and Conservative models.

In Defined Bear Market periods, this ranking is provided for information purposes and for those who are "doing their own thing" and would like to know how the system views the funds. Rankings dates are the last business day of each month and the business date closest to the 15th of the month. The actual price history of each fund is used to calculate the score.

Delta Pilots 401(k) Plan Conservative Model		
Symbol	Fund Name	Allocate
FNSXX	Fidelity Institutional Money Market Portfolio	50.00%
DBIXX	Bond Index Fund	50.00%
		100.00%
Delta Pilots 401(k) Plan Moderate Model		
Symbol	Fund Name	Allocate
FNSXX	Fidelity Institutional Money Market Portfolio	20.00%
DBIXX	Bond Index Fund	80.00%
		100.00%
Delta Pilots 401(k) Plan Aggressive Model		
Symbol	Fund Name	Allocate
DBIXX	Bond Index Fund	100.00%
		100.00%

- **NO CHANGES THIS ISSUE— this is because the bull bear oscillator remains in negative territory.**
- **READ:** If your 401k plan has *any* trading restrictions, you must keep track of when you make buys and sells. Fidelity does a poor job of defining what excessive trading is and has expanded that definition to include all funds.
- **Future Contributions:** Direct ALL your future contributions into the money market account. They will automatically be invested in the correct funds whenever you do a new "allocation".
- **NOTE:** Update your new credit card information **BEFORE** it expires for uninterrupted access to the newsletter. If you move, update your address, or your credit card won't work. On the website, left side, under Resources, Your Account.
- **Download "Fast Start Guide"**  
<http://www.uspfa.org/members/282.cfm>
- **Ask questions at the Members Forum at USPFA.org**

## Bull Bear Oscillator



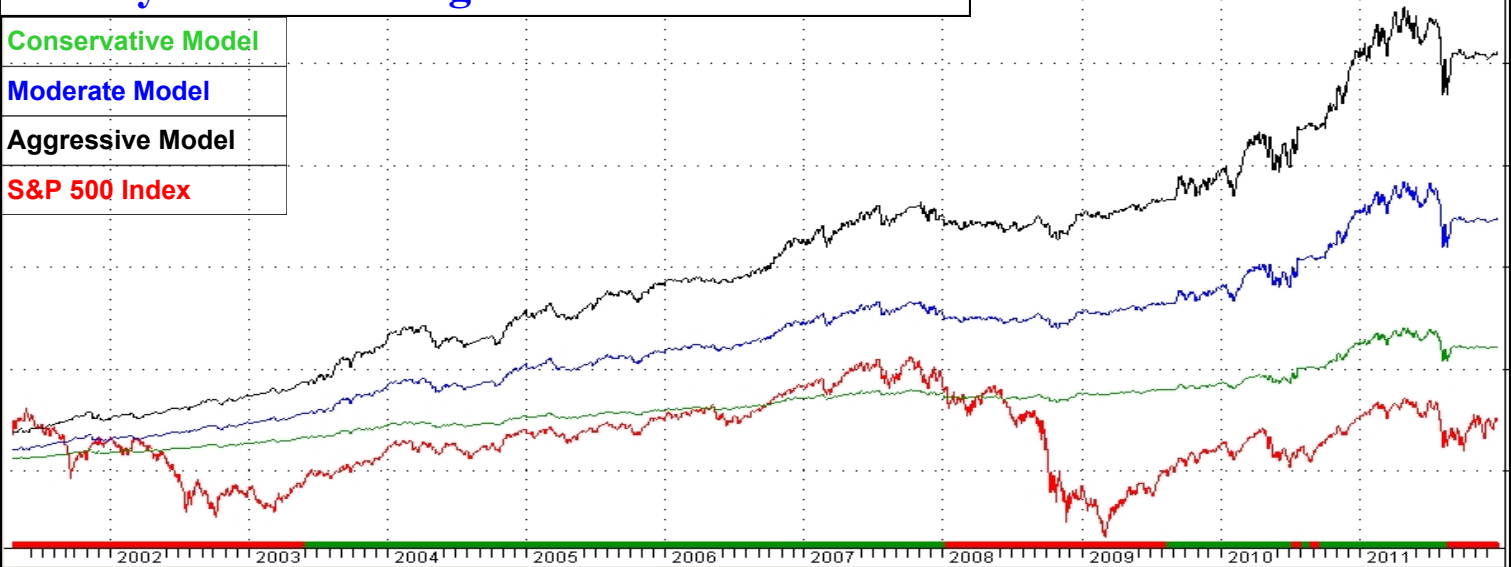
## Worry-Free 401k Flight Path Models™ - Delta

Conservative Model

Moderate Model

Aggressive Model

S&P 500 Index



### Delta Pilots 401k Plan

As Of 12/30/2011

### Performance Stats

	YTD	1 Month	1 Year	2 Years	3 Years	5 Years	10 Years	Inception
Conservative Model	-0.50%	0.60%	-0.50%	13.07%	17.02%	18.97%	47.65%	62.57%
Annualized				6.33%	5.38%	3.53%	3.97%	3.81%
Moderate Model	-0.82%	0.96%	-0.82%	18.44%	25.97%	29.89%	93.34%	126.89%
Annualized				8.83%	8.00%	5.37%	6.81%	6.50%
Aggressive Model	0.95%	1.20%	0.95%	25.04%	35.32%	43.97%	141.83%	210.35%
Annualized				11.82%	10.61%	7.56%	9.23%	9.10%
S&P 500	0.00%	0.85%	0.00%	12.78%	39.23%	-11.33%	9.54%	2.31%
Annualized				6.20%	11.66%	-2.38%	1.84%	0.18%

### Stepping back to look at the big picture

Our long-time readers know I never pretend that "our way" of doing things is right for everyone, or is the only way to invest. We rely on the rest of the investment world to buy when we want to sell and to sell us things when we want to buy. They serve a useful purpose :-)

I'd like to ask you to take a look at the chart above and the table of performance. In the chart, we've come through an ugly period. I wish all the days could be sunny, but it isn't that way. We have lousy times to get through like these. You should also notice that even after the ugliness that was 2011, the three models are dominating the S&P 500 Index over the 10 years shown above. You can confirm this in numbers by looking at the table of performance.

Most of us wish performance was more, regardless of how well it is going. I feel that way about most of the flights I've taken, but I'm always thankful to land, reasonably on time preferably not in the Hudson, and as I leave, I make it a practice to stick my head into the doorway and thank you guys. I realize there is only so much you control.

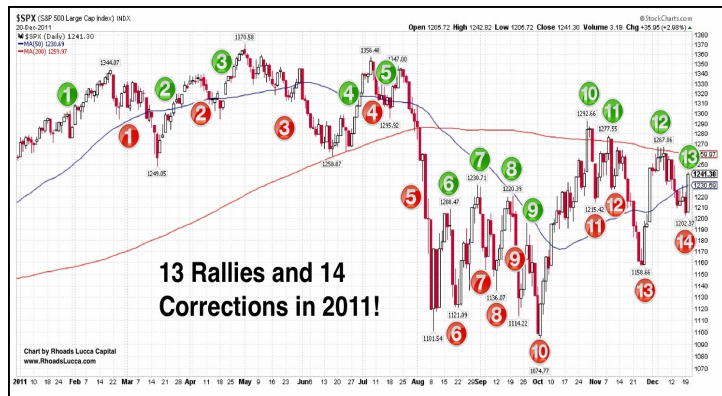
(Continued from page 1)

views, we follow our system. The system is objective. Following the system is our version of "the first priority is to fly the plane."

### One Last Look at 2011

Before we spit on 2011 and move joyfully ahead to 2012, let's take a look at what actually happened last year. It is instructive.

First up, a chart to show the overwhelming amount of volatility the market faced last year. I only counted the "major" rallies or corrections greater than a couple percent. This was definitely the "barf bag" market.

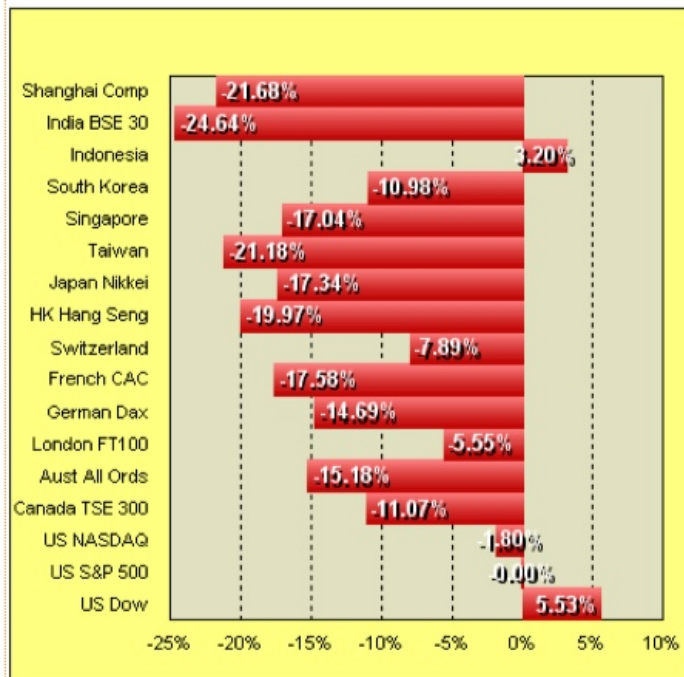


I secured the table below from the-privateer.com, a newsletter for those who deeply appreciate the historic and philosophical backing to the events unfolding today. It is an investment newsletter and a great read, but somewhat heavy slogging for those without a background in history and economics and philosophy. It is certainly in my A-Pile of reading and it gets my

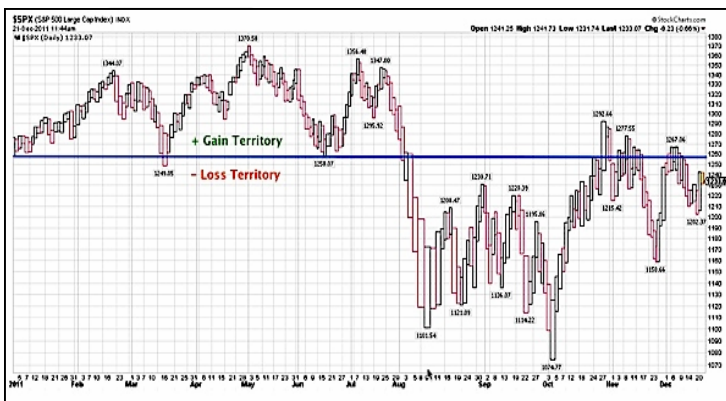
STOCK MARKETS	Start 2011	Latest Dec 30	2011 Gain/Loss
US Dow	11577.51	12217.56	5.53%
US S&P 500	1257.64	1257.60	-0.00%
US NASDAQ	2652.87	2605.15	-1.80%
Canada TSE 300	13443.22	11955.09	-11.07%
Aust All Ords	4846.90	4111.00	-15.18%
London FT100	5899.94	5572.28	-5.55%
German Dax	6914.19	5898.35	-14.69%
French CAC	3804.78	3136.02	-17.58%
Switzerland	6436.04	5928.29	-7.89%
HK Hang Seng	23035.45	18434.39	-19.97%
Japan Nikkei	10228.92	8455.35	-17.34%
Taiwan	8972.50	7072.08	-21.18%
Singapore	3190.04	2646.35	-17.04%
South Korea	2051.00	1825.74	-10.98%
Indonesia	3703.51	3821.99	3.20%
India BSE 30	20509.09	15454.92	-24.64%
Shanghai Comp	2808.08	2199.42	-21.68%

absolute recommendation. Please notice that while it wasn't a happy year in the US markets, it was more dour everywhere else. Not much holiday cheer there.

To post that in graphic form, take a look at this chart of worldwide stock market returns in 2011 (also from the-privateer.com). To make money last year, you had to invest in the Indonesia stock exchange of the 30 stocks in the Dow.



Finally, in this look at the S&P 500, I drew a line from where the market started 2011 so that you could see how much time it spent "under water" (meaning negative losses). If you are wondering why you didn't make a lot of money in 2011, this is the answer. The Dow Jones Industrial Average Index is made up of just 30 stocks. If you didn't own those 30 stocks, there wasn't much opportunity for gain last year. We fought the bear to a



draw in 2011.

Time to wipe 2011 away and turn our attention to 2012 and the new opportunities ahead. May this be a great year for us all.

To a better 2012,  
Dave Lucca



... from the desk of Dave Lucca at RLC

## Open Letter to Pilots Who Want to Retire Comfortably Someday

A brief new year message to pilots who know they've played by the rules, done things just like they were supposed to, but who saw their investments take a huge hit back in 2000, saw their home equity disappear and now are witnessing a lousy economy that they plan to retire into soon. And frankly, they are deeply concerned about how it is looking out there.

I've personally talked to hundreds of pilots (probably close to a thousand or more since 2000) - by phone, email and in person. I've also sat with grown men who flew to Lancaster, PA to ask me for advice that would help them pull off a solid retirement as they try to balance college for their kids, taking care of parents and coping with the huge pressure to have everything lined up for a solid "final approach" to retirement. All that while the world is falling apart!

Now, I never reveal a confidence here or anywhere else and I'm not going to start now. But I can tell you that after all these conversations, I want to assure you that it is still possible to pull all the chaos and pieces into a unified picture and make retirement work. *Without a doubt.*

It starts with making the most of your 401k. For some of you, the newsletter works great. I'm glad.

That's why I've spent thousands of hours to write twice a month and personally funded the association.

For others, who do not have the time or inclination or consistency to follow the system exactly, the **401k Autopilot Program®** is their First Class ticket to maximizing their 401k. By the way, *following the system exactly takes all three of those things* - time, inclination and consistency - to pull this off. Hundreds of pilots in the 401k Autopilot Program® realize that.

Steady growth, keeping your money in the best investments and keeping your losses small ALL depend on actions—either yours or someone else's.

If you miss a move in the model portfolios—or if you fail to make it in a timely way— you've reduced

your chances of a great result significantly.

Having the 401k Autopilot® on your side takes the burden off you to do two jobs at once by automating the investment management for you.

The 401k Autopilot® also has the ability to take the whole thing offline, if a catastrophic event happens, like 9-11. Defense is **DAILY** instead of monthly. Huge advantage. Also, "first day buy" advantage.

You can take the first step by requesting the 401k Autopilot® Fast Start Kit at:  
<http://www.rhoadslucca.com/pilots>

### Are You Retiring Soon?

I also want to talk briefly about Retirement. Our main focus has always been about successful retirement. We spend the majority of our time helping pilots who are ready to make the last flight and start enjoying the fruit of an entire career.

There is a process for you to walk through. Much of what you read in the financial press is silly, wrong or even dangerous to your financial security. If you followed their advice since 2000, your retirement would be tense, threatened and frustrating. We take a different approach and as the poem says, "that has made all the difference."

Take a look at the January '12 issue of Forbes magazine - on the news stand now. Their cover story lists 20 rules that tell you what we've told our clients for more than 18 years. We welcome them to our side—finally! Think of how they could have helped people, if they'd seen the light before the bear market started in 2000. Since the bear isn't gone yet, and won't be for another 7-9 years, better late than never.

If you are approaching retirement, it is not too early to have a conversation and get prepared. As you know, going down a checklist before a flight often shows you things you might have forgotten.

In either case—401k Autopilot or Retirement, there is a \$250,000 minimum to establish an investment management relationship. That minimum will likely increase in 2012.

Call one of our offices to schedule a conversation, or take a look at our firm's website: [www.rhoadslucca.com](http://www.rhoadslucca.com) or 888-895-1212.

#### Tentative Publication

1/4/12	1/17/12
2/2/12	2/16/12
3/2/12	3/15/12
4/3/12	4/16/12
5/2/12	5/15/12
6/4/12	6/15/12
7/3/12	7/16/12
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9/5/12	9/17/12
10/2/12	10/16/12
11/2/12	11/15/12
12/4/12	12/17/12
1/3/13	1/15/13



Hey, take a look here before you call to ask about when a newsletter will be published—it will save us all time