

From the laptop of John Rhoads

December 2006

Dave and I really believe in the Christmas story, and for us, this is an exciting time of the year. There are a number of reasons for this – our families, clients, associates, and our Christian faith. Have you ever asked yourself “what does Christmas really mean?” Regardless of your religious preference I would like to ask you to consider the person the Holiday was named after. He had a remarkable impact on our world. In 1928 Dr. James Allen Francis wrote a famous sermon that has been used every year since to tell the story of the impact of his life.



“ One Solitary Life

Here is a man who was born in an obscure village, the child of a peasant woman. He grew up in another village. He worked in a carpenter shop until He was thirty. Then for three years He was an itinerant preacher.

He never owned a home. He never wrote a book. He never held an office. He never had a family. He never went to college. He never put His foot inside a big city. He never traveled two hundred miles from the place He was born. He never did one of the things that usually accompany greatness. He had no credentials but Himself.

While still a young man, the tide of popular opinion turned against Him. His friends ran away. One of them denied Him. He was turned over to His enemies.

He went through the mockery of a trial. He was nailed upon a cross between two thieves. While He was dying, His executioners gambled for the only piece of property He had on earth – His coat. When He was dead, He was laid in a borrowed grave through the pity of a friend.

Nineteen long centuries have come and gone, and today He is a centerpiece of the human race and leader of the column of progress.

I am far within the mark when I say that all the armies that ever marched, all the navys that were ever built; all the parliaments that ever sat and all the kings that ever reigned, put together, have not affected the life of man upon this earth as powerfully as has that

**MERRY
CHRISTMAS**

ONE SOLITARY LIFE! “

Next time some politically correct person tells you not to say “Merry Christmas”, remember the story of the person the Holiday honors and his impact on the world. If you’re interested the entire Christmas story can be found in the 2nd chapter of the Gospel of Luke in the Holy Bible.

John Rhoads

Rhoads Lucca Capital Management, Inc.

14911 Quorum Dr., Suite 380

Dallas, Texas 75254

(214) 373-9771 or (888) 895-1212

120 North Pointe Blvd., Suite 302 Lancaster, Pennsylvania 17601

(717) 569-8500 or (888) 254-1727



Market Insights - A VIEW FROM WITHIN

By Peter Mauthe

The press frequently refers to the market using one of the popular stock market averages. This is understandable since the press tends to use averages to measure pretty much everything it seems. Averages are used to express life spans, incomes, rainfall and even our weight. The fact is, these averages are okay as guides but it is important to understand the limitation of averages. Besides, the objective of ambitious people is not to be average, but it is to be better than average.

The popular stock market averages are biased to the largest companies. So these averages do well when the largest companies do well and they do not do well when the largest companies do poorly. The past 5 months have been one of those times when the largest companies have done well.

Professional managers within the industry have a different view of the market. One of the averages we like to follow is the average composed by Investor's Business Daily. This average measures the performance of many of the best professional portfolio managers who manage mutual funds. This to us is the representative "brain trust" index showing the return and volatility of a group of pros with large research budgets and staffs of research analysts.

Investor's Business Daily Mutual Fund Index
with 50 Day Moving Average



It is not hard to see that this index clearly represents the volatility that has been present this year and the battle that these managers (us included) are waging to keep up with the press's view of the market. There may be a reason for this which is a short term structural shift going on in the markets this year. With the advent of index based Exchange Traded Funds, there is a lot of capital flowing into these unmanaged, index based funds. When capital goes into those funds the underlying indexes get driven up.

The catch is, in the short term, these indexes may outperform the professional managers, but on the way down, these index based funds will remain unmanaged, and almost certainly will greatly under perform the professional managers.

We remain your professional managers working to achieve attractive returns with risk controls providing reduced volatility.

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