FOCUS 360°

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REGENCY INVESTMENT ADVISORS℠

Regency at 20

It was the middle of 1993, and the local banking and finance community was about to change.

For a number of years, banks had been allowed to sell investment products to their customers. However, these sales were typically accomplished through a desk in the lobby, where a representative motivated by quotas would sell those products on commission. In that kind of relationship, it wasn't clear who if anyone was watching out for the investor.

Back then, one local bank decided to do things a different way.

Twenty years ago, Regency Bank decided that the best way to help their customers invest was not by simply selling investment products on commission, but rather by building relationships with those customers… by finding a way to be on the same side as the investors.

To accomplish this, the bank purchased a local investment advisory company, constructed a fee-based model for its advisory services built on relationships, and transformed that company into Regency Investment Advisors.

Twenty years later, the journey continues.

Timeline: A Look Back

Through two decades of astounding change, Regency Investment Advisors has been there for our clients. Here's a look back at some of those changes.

1993:

Dow Jones Industrial Average (DJIA) begins the year at 3309.20

President Bill Clinton begins first term

Regency Investment Advisors begins as wholly owned subsidiary of Regency Bank

Marci Deck joins Regency

Prince William turns 11

Regency ends the year with $27 million in assets under advisement

1994:

DJIA begins year at 3756.60

Northridge Earthquake hits LA

Nelson Mandela becomes President of South Africa

San Francisco conference introduces the World Wide Web

1995:

DJIA begins year at 3838.48

'Yahoo!' founded

Oklahoma City bombing

Dan Ray joins Regency

DVDs invented

'Toy Story,' first feature-length computer animation, hits theaters

1996:

DJIA begins year at 5177.45

'Braveheart' wins Oscar for Best Picture

Atlanta Olympics

Alan Greenspan warns of 'irrational exuberance'

Regency Market Commentary: Through July 31, 2013

Key Indexes Source: Morningstar	YTD	1 yr	3 yr	5 yr	10 yr	20 yr
			Annualized returns			
DJ Industrial Average TR USD	19.95%	22.36%	17.07%	9.43%	8.04%	10.17%
S&P 500 TR	19.62%	25.00%	17.74%	8.26%	7.64%	8.95%
Russell 2000 TR USD	23.97%	34.76%	18.72%	9.45%	9.60%	9.18%
MSCI EAFE NR USD	9.60%	23.48%	8.61%	1.05%	7.97%	5.29%
Barclays US Agg Bond TR USD	-2.31%	-1.91%	3.19%	5.23%	4.89%	5.83%
USTREAS T-Bill Sec Mkt 3 Mon	0.04%	0.10%	0.09%	0.24%	1.62%	2.92%
IA SBBI US Inflation	1.58%	1.80%	2.27%	1.18%	2.40%	2.43%

On the occasion of Regency Investment Advisors' 20th Anniversary, we wanted to take the opportunity in our Market Commentary column to illustrate how important keeping a long-term view is for investors.

Investors occasionally get placed into one of two categories. One category examines the daily headlines and looks for any reason to jump in or jump out of the market. These investors are generally reactive, perhaps lacking a true focus on investing for the long term.

The other category of investor puts money in the markets and remains focused on their goal, paying less attention to the day-to-day and week-to-week swings driven by headlines and more attention to the returns generated over the long term.

What happened in the Second Quarter of 2013 is a perfect example of this.

Second Quarter 2013

Market performance during the Second Quarter started fairly strong, but showed increased volatility in mid-June, when Federal Reserve Chairman Ben Bernanke announced that the Fed may begin to taper its program of "quantitative easing" (QE). QE is the practice by which the Fed purchases longer-term government bonds and mortgage securities in order to keep interest rates low, theoretically easing the availability of credit for banks and other businesses to help stimulate the economy.

In his June announcement, Bernanke made it clear that certain conditions had to exist before the Fed would begin to taper its bond purchases. First, the unemployment rate had to decrease to a certain level, and second, there had to be an increase from today's very low inflation rates. Both of these measures would indicate improvements in the economy's strength.

However, with many investors focusing only on the headline, markets across the board -- equities, fixed income investments, and more -- fell in the wake of Bernanke's announcement. The markets simply *reacted*, even though Bernanke's announcement was simply a recognition that the Fed cannot continue to keep interest rates at essentially zero and ease credit in this way indefinitely.

Despite that volatility, the markets bounced back quickly. In July, the Dow Jones Industrial Average rose 4.12 percent, the S&P 500 rose 5.07 percent, the Russell 2000 rose 7 percent, the MCSI EAFE rose 5.28 percent, and bonds rose 0.14 percent. Those returns would be considered respectable performance for an entire quarter, let alone for a single month.

Even with June's volatility, markets still generated good results over the second quarter; not as outstanding as those generated during first quarter, but still strong. The S&P500 still rose 2.9 percent for the quarter, and other indices showed results that were well within expectations for long-term investing. Because of this, some market analysts characterized June's volatility as "a sharp turn on the roller coaster," merely a bump in the road; in any event, those bumps are certainly "part of the ride" when it comes to investing for the long term.

Looking Back 20 Years

Here's why we at Regency remain focused on the long term. Take a look at cumulative market performance over the last 20 years:

- The Dow Jones Industrial Average increased 594 percent.
- The S&P 500 increased 455 percent.
- The Russell 2000 increased 478 percent.
- The MCSI European and Asia increased 180 percent.
- The Barclays U.S. Aggregate Bond increased 210 percent.
- U.S. Treasury Bills increased 78 percent.

Over the last 20 years, every one of those market measures was up significantly. Each was well ahead of inflation, which itself rose 62 percent cumulatively over the same 20 years. And each includes not only the day-to-day and week-to-week volatility that can make many investors nervous, but the two historically significant bear markets investors experienced from 2000-2002 and in 2008.

In our view, while short-term volatility like that experienced in June can be uncomfortable, that volatility tends to level out over time. Those uncomfortable "roller coaster" drops of 3-4 percent tend to become far less significant when compared with the gains experienced over a 10-15-20 year period. The last 20 years of market performance cited above certainly demonstrate this.

At Regency, it remains our conviction that investors in a properly allocated portfolio suited to their risk tolerance are more likely to generate the gains needed to reach their goals. If you have questions about your portfolio or want additional guidance, contact your Regency advisor at (559) 438-2640.

Past performance is no guarantee of future results.

The Regency Story:

A look back at 20 Years of Regency Investment Advisors

In the Beginning

Steve Hertel, then President and CEO of Regency Bank, was there at the beginning. “It’s hard to believe that it has been 20 years since Regency Investment Advisors was formed,” he said.

Back then, many banks provided a commission-based broker in the lobby who was affiliated with an outside investment-services firm. Hertel recalled that while deposits at Regency Bank were growing at a very respectable rate, the bank was “far from capturing our customer’s full relationship.”

“We concluded that we wanted to move into the investment services arena, but we wanted to do it in a way that was different from what other financial institutions were doing,” he said. “We specifically wanted to avoid a commission-based program.”

Bob Longatti, then Executive Vice President of Regency Bank and also there at the beginning, had the same thoughts about the sales-and-commission method other banks utilized in offering investment services. He saw that in many banks, those investment advisors were simply salespeople. “They would get paid like a stockbroker for what they sold. Because of that, we felt that perhaps such advice on investments wasn’t going to be that great in the first place, and we felt that would not work for our bank’s client base,” Longatti said. “When it came to investing, we wanted expertise, and we felt our customers would need a higher level of sophistication than a sales-and-commission model could ensure.”

Hertel added that when it came to a model for the advisory service, the bank “especially liked the fee-based relationship approach versus the commission-based transactional approach.” Why? Hertel and the other founders recognized that in a fee-based model, the bank’s objectives would be more in line with those of the investors; the bank’s income would grow only if the investors’ portfolios grew. It removed sales quotas and commissions as motivation, putting the company and its investors on the same side.

With those goals in mind, the bank found a way to bring that vision into fruition. And with that, Regency Investment Advisors came to be.

Regency Investment Advisors’ first headquarters,
at 7060 North Fresno Street.

A Fresh Approach

Dan Ray

Regency Principal Dan Ray, who joined the then-fledgling Regency Investment Advisors in 1995, cited how the Regency model was an emerging concept in Fresno. “Investment advisors that did not work for Wall Street brokerage houses like Merrill Lynch and Smith Barney were few and far between back then,” Dan recalled. “The whole notion of being fee-based instead of commission-based was really a fresh approach that you had to explain to people.”

Looking back, Dan cited how the benefits of fee-based advisory services have been seen by consumers and clients over the ensuing two decades. “There are many more firms and much more in terms of assets being managed by independent firms now than there ever were back then,” he said.

1997:

DJIA begins year at 6442.49
President Bill Clinton begins second term
Comet Hale-Bopp
Steve Jobs returns to Apple
MCI/WorldCom merger
Toyota introduces the first Prius

1998:

DJIA begins year at 7965.00
‘Titanic’ wins Oscar for Best Picture
Steve Guinn joins Regency
Microsoft introduces Windows 98
Apple introduces the first iMac
Two entrepreneurs launch a startup called ‘Google’

1999:

‘Euro’ established as international currency in Europe
DJIA begins year at 9184.27
Regency becomes subsidiary of California Bank & Trust
ExxonMobil merger

2000:

‘Y2K Crisis’ fails to materialize
DJIA begins year at 11,357.51
AOL buys Time Warner
Final ‘Peanuts’ comic strip published
The ‘DotCom Bubble’ bursts

2001:

DJIA begins year at 10,646.15
President George W. Bush begins first term
Windows XP
9/11
Afghanistan War begins
Apple introduces the first iPod

But that doesn't mean it was all smooth sailing. At the time, the banking industry was moving through a wave of acquisitions and consolidations, and as a result Regency Investment Advisors encountered its share of obstacles. As a wholly owned subsidiary, Regency spent its first years being acquired and resold by several banks.

"When Regency Bank was sold, it really created an interesting set of circumstances for Regency Investment Advisors," Dan recalled. From there, the story gets complicated:

- In 1999, Regency Bancorp (which owned both Regency Bank and Regency Investment Advisors) was sold to Zions Bancorp.
- New owner Zions Bancorp transferred Regency Investment Advisors to its California subsidiary, California Bank & Trust (CB&T). Regency Bank was no more.
- After three years with CB&T, Regency Investment Advisors was sold again to Cap Corp of the West, becoming a sister company to County Bank for two years.

"We sometimes say we were like Moses and the children of Israel; we spent our five years in the wilderness," Dan added. So how did Regency Investment Advisors survive the journey? "We kept our focus on what we were doing all along -- serving our clients, one client at a time," he said.

But with ownership changes becoming a distraction, Regency Investment Advisors quickly realized it was in the best interests of its clients to become independently owned. Its then-parent company agreed, and after a sale Regency found itself owned by three of its long-term employees: Dan Ray, Marci Deck and Steve Guinn. Regency Investment Advisors has been a stand-alone company ever since.

"Our ultimate buyout of Regency Investment Advisors was huge," said Steve Guinn, Principal of Regency Investment Advisors. "Our experience with banks and ownership changes raised our level of awareness about working with banks from a corporate culture standpoint. The challenging part was that we changed owners a few times, but ultimately it was a good experience because it set it up for us to buy out the company."

Our second headquarters, in Suite 115 at 970 West Alluvial Ave.

Growth and Challenge

Since the day of its independence, Regency Investment Advisors has grown. But unlike many other companies in the financial-services industry, Regency's growth has not come through mergers or acquisitions. Instead, Regency has grown organically -- through hard work and attention to detail, to keep its clients satisfied. Those satisfied clients in turn refer others to Regency.

While keeping clients satisfied always requires hard work, there are times when circumstances make that work all the more challenging. For investment advisory firms, those more-challenging times often arrive in the form of a "bear market." And over time, Regency Investment Advisors helped its clients weather not one, but *two* bear markets.

"The significant events were the market run-up in the late 1990s, the 2000-2002 market downturn, and then the difficult bear market of 2008," Steve Guinn said. "2008 was the second most significant downturn in modern history going back to the Great Depression."

Dan Ray agreed. "The fact that we've lived through two historic bear markets -- 2000-2002 and 2008 are big events in our history. You look back and wonder, 'How did we handle that?'" Dan said. "But we did. It's a matter of focusing on one client at a time, with an added intensity."

Steve Guinn

Steve cited how many investment firms can lose clients because of the stresses of a bear market. "People can become disillusioned with their old stockbroker when the market goes down. But they look into Regency and

2002:

DJIA begins year at 10,073.40

WorldCom bankruptcy

Regency sold to County Bank's parent company

2003:

DJIA begins year at 8607.52

Space Shuttle Columbia lost

Iraq War begins

Last commercial flight of the Concorde

2004:

DJIA begins year at 10,409.85

Spirit and Opportunity land on Mars

Facebook launches

Regency moves to 970 W. Alluvial

Regency becomes independently owned

Indian Ocean tsunami

2005:

DJIA begins year at 10,729.43

President George W. Bush begins second term

YouTube launches

Hurricane Katrina

Disneyland's 50th Anniversary

2006:

DJIA begins year at 10,847.41

Paul McCartney turns 64, is still needed

Twitter launches

2007:

DJIA begins year at 12,474.52

Apple introduces the first iPhone

Judson Myers joins Regency

Subprime mortgage crisis

find that they like our process, because it makes more sense for them in the long term," he said.

By helping clients to remain focused on the long term, both Regency and its clients emerged from those bear markets stronger than ever before. "I can now say that each time we came out on the other side, we had grown by an order of magnitude, and I feel like we've earned the success we've experienced," Dan added. "We didn't lose a lot of clients, and we did that because clients see credibility in what we're doing, they kept adding to their investments, and they kept focused on the long term.

"If you live with people through these things and help them do the right thing and show them the benefits, that's what I would call earning the success," Dan added.

20 Years of Change

Plenty has changed over the last two decades, both in the investment industry and in the world at large. Among the biggest changes over the last 20 years is the rise and influence of technology.

"We used to purchase a database of information about investments that came to us in the mail and was updated monthly," Dan recalled. "Now we use the same company -- Morningstar -- but the information we receive is updated to the minute and daily, in real time."

Regency invests a lot into tools and data that give Regency's clients an edge in choosing the best investments for their goals. "As we've grown, we're able to invest in better tools that make a difference to our clients," Dan added. But those investments in technology, such as Regency's new Tamarac Portfolio Management Software, are not taken lightly. "We've always been frugal in terms of adding cost, and we really have worked to operate efficiently. Armed with technology, we've been able to grow Regency substantially without growing proportionally in expense," Dan added.

Marci Deck, Regency Principal and Compliance Officer, cited the increase in regulations and requirements as a major industry change. "Regulations, requirements of logs and reports, and compliance have all grown over time," Marci said, adding that meeting those increased requirements benefits clients in the end. "It helps us to be a better firm, and to find ways to further improve our processes. Nobody's perfect, but we want to strive for perfection... so when those requirements help us to examine and improve processes, it makes Regency a better firm overall for the client," she said.

Marci Deck

Steve Guinn said that one of the biggest changes in the last 20 years has to do with the rise of the "do-it-yourself" investor -- the ones who go it alone, conducting their own research and using online tools to trade stocks, bonds and mutual funds. "That may appeal to someone's sense of independence, but a lot of those people aren't having as good of an experience doing that as they intended," Steve said.

According to Steve, although anybody can buy or sell a stock, with so much more information available, it's actually more difficult for people to make informed decisions. "When you're at home shopping for investments on your own, it's easy for one person to make a mistake. But it's harder for two people to make a mistake, and even harder for three," Steve said. "People really need to work with somebody that has a good investment mind that can offer financial planning, retirement planning, college planning, and more. For the folks looking for more of a complete package, with better tools and guidance, that guidance is more available and less expensive than it was years ago."

2008:

DJIA begins year at 13,043.96, but retreats to 7552 by late November

Oil hits $100/barrel for the first time

Bill Gates leaves Microsoft

Chris Comstock joins Regency

Lehman Brothers bankruptcy

2009:

DJIA begins year at 9034.69

President Barack Obama begins first term

H1N1 'swine flu' epidemic

Regency's present home, at 1312 West Herndon Ave.

2010:

DJIA begins year at 10,583.96

Deepwater Horizon oil spill in Gulf of Mexico

Regency moves to 1312 W. Herndon

2011:

DJIA begins year at 11,670.75

'Arab Spring' revolutions begin

9.1 earthquake and tsunami hit Japan

Final flight of Space Shuttle

2012:

DJIA begins year at 12,397.38

London Summer Olympics

Brittany Gonzalez joins Regency

Andrew McFadden joins Regency

2013:

DJIA begins year at 13,412.55

President Barack Obama begins second term

Prince William welcomes son Prince George

Regency celebrates its 20th Anniversary

Regency hits a quarter-billion dollars in assets under advisement

The Regency Story

Standing the Test of Time

Despite all of the changes in the investment industry and in the world at large over the last two decades, the most important things -- Regency's values and Regency's commitments to its clients and its community -- have not changed.

"Our tools and technologies may have changed over time, but our values haven't," Steve Guinn said. "We designed the company with commitments and values for our clients, we created the business using that kind of care and dedication, and virtually every one of our values and commitments has been that way since the beginning."

"I think that our original parent company really instilled values in us; a sense of professionalism, and a sense of being very service-oriented," Marci Deck added. "The fact that we've been able to be part of two additional banks and then independent while keeping our focus, integrity, and values in place is pretty amazing. We want to set the bar high, and we're very proud of our name."

Dan Ray summed up the Regency story thusly: "In terms of what we do, we've had a lot of evolution but not any revolution. Since the day we were formed, we would have said we're going to provide investment management and financial planning," he said. "Those were our two services then, and those are still our two services today."

"In a way, my Regency experience has been like a family -- a family in terms of our Regency team, and the family of clients Regency has helped over time," Dan added. "To work with people who've aspired to get to a certain place financially, to take that journey with them as they make the decisions necessary to reach their goals, and to be there when they reach those goals... to have that role in people's lives is incredibly gratifying, and a true privilege."

"The Regency Story" is based on opinions of people who helped to start Regency Investment Advisors, or who are associated with it today.

Client Corner:

- For clients who have reached age 70 1/2 and who have yet to take their Required Minimum Distributions from their IRAs and 403(b) accounts, Regency will be in touch within the next few months to co-ordinate.
- Join us in December to celebrate our 20th year anniversary at our annual Christmas Party. Stay tuned for the details.