

Investors Missing Bigger Picture: Analysts; H&R Block Financial Advisors Analysts Raise Equity Allocation Recommendation

July 13, 2006 3:15 PM ET

KANSAS CITY, Mo.--(BUSINESS WIRE)--July 13, 2006--Analysts on H&R Block Financial Advisors' (HRBFA) research team announced it is raising its equity allocation recommendation by 5% for conservative, moderate, and aggressive portfolios.

"We believe trying to pinpoint Fed activity is missing the bigger picture and that downside momentum has been overdone," said Marc Zabicki, CFA and Senior Market Strategist for HRBFA. "Because equity valuations in many cases are compelling, investors may take advantage by increasing the equity portion of their portfolio."

Tactical Asset Allocation Views

	Conservative	Moderate	Aggressive
MAJOR ASSET CLASSES			

STOCKS			
U.S. Stocks	40%	45%	45%
Developed International	10%	10%	15%
Emerging International	0%	5%	10%
	-----	-----	-----
	50%	60%	70%
BONDS	25%	20%	15%
COMMODITY FUTURES	5%	5%	10%
CASH	20%	15%	5%
% of Stock Holdings Only			

U.S. Stocks	80%	75%	64%
Developed International	20%	17%	21%
Emerging International	0%	8%	14%
	-----	-----	-----
	100%	100%	100%
% of International In Total Portfolio	10%	15%	25%

Source: H&R Block Financial Advisors

Positive Fundamentals Support Reallocation

"We believe there are positive fundamentals currently underpriced by the market," he said. The recommendation stands on the foundation of still-strong economic growth, healthy corporate balance sheets, and steady earnings growth. "In a market of easing growth expectations, we suggest increasing equity positions by focusing on the more defensive sectors, which have historically outperformed during similar points in the business cycle," Zabicki explained. According to Zabicki, the firm also "raised our opinion on the technology space, as we believe the group should provide some leadership in a market rebound."

Reduce Position in Bonds to Make Reallocation

To make room for the equity increase HRBFA analysts are recommending investors take available proceeds from their tactical bond portfolios, while leaving cash positions unchanged. Zabicki reasoned, "In the near-term we are anticipating that the bond market could come under some pressure due to asset shifts toward equities."

The firm's analysts believe when the market's risk premium normalizes, investors may be more likely to shift assets from

the bond market back to equities. In Zabicki's view, cash becomes increasingly important in this environment as a return stabilizer. Moreover, likely increases in short-term rates only bolster the importance of cash in a portfolio.

Reallocation Supports a U.S. Position

Notably, the equity allocation increase is pointed to U.S. equities, rather than international markets. "We are postulating that global monetary tightening should have a more detrimental affect on other global economies relative to the U.S.," Zabicki said. "However, we do not believe it is necessary for investors to take steps to reduce their international allocations, unless, during the market run-up, they had become oversized."

NOTE: Important disclosures below.

For information, contact Dan Grubbs at 816-932-4894 or 913-220-1305.

About H&R Block

H&R Block Inc. (NYSE: HRB) is a leading provider of tax, financial, mortgage, accounting and business consulting services and products. H&R Block is the world's largest tax services provider, having prepared more than 400 million tax returns since 1955. The company and its subsidiaries generated revenues of \$4.9 billion and net income of \$490 million in fiscal year 2006. In fiscal year 2007, it is operating in four principal business segments: Tax Services (income tax preparation and advice via in-office, online and software solutions); Mortgage Services (wholesale mortgage originations and loan servicing); Consumer Financial Services (investment and financial advisory services, retail mortgage loans, and banking products and services); and Business Services (tax, accounting and consulting services for midsized businesses). Headquartered in Kansas City, Mo., H&R Block markets its services and products under three leading brands - H&R Block, Option One and RSM McGladrey. For more information visit our Online Press Center at www.hrblock.com.

H&R Block Financial Advisors provides brokerage services and investment planning in the U.S. Services offered include traditional brokerage services, as well as annuities, insurance, fee-based accounts, online account access, equity research and focus lists, model portfolios, asset allocation strategies and other investment tools and information. H&R Block Financial Advisors, Inc. is a registered broker-dealer with the SEC and member of the NYSE, SIPC and NASD.

Disclosure Information

The views expressed regarding the company(ies) and sector(s) featured in this publication reflect the personal views of the H&R Block Financial Advisors, Inc.'s analyst(s) authoring the publication. Further, H&R Block Financial Advisors, Inc.'s analyst compensation is neither directly nor indirectly related to the specific recommendations or views contained in this publication. Please review available third-party research reports for details on securities mentioned in this analysis.

Except for the historical information contained herein, certain matters in this report are forward-looking statements or projections that are dependent upon certain risks and uncertainties, including but not limited to, such factors and considerations as general market volatility, global economic and geopolitical impacts, fiscal and monetary policy, liquidity, the level of interest rates, and historical sector performance relationships as they relate to the business and economic cycle.

This Summary is based upon financial information and statistical data obtained from sources deemed reliable, but in no way is warranted by H&R Block Financial Advisors, Inc. as to accuracy or completeness. This is not a solicitation by H&R Block Financial Advisors, Inc. of any order to buy or sell securities. This Summary is based exclusively on an analysis of general current market conditions, rather than the suitability of a specific proposed securities transaction. Past performance is no guarantee of future performance. H&R Block Financial Advisors, Inc. may make a market in, provide research for and/or execute transactions as principal for certain securities mentioned in this Summary. For those securities in which H&R Block Financial Advisors, Inc. acts as principal, the firm may derive revenue from the spread, the difference between the bid and offer prices. For SmartTrade accounts, Financial Advisors may receive additional

compensation on customer transactions in securities recommended by H&R Block Financial Advisors, Inc. or for which H&R Block Financial Advisors, Inc. provides research. We, our affiliates and any officer, director, employee, stockholder or any member of their families, may have a position in, and may from time to time, purchase or sell any of the aforementioned securities.

CONTACT: H&R Block Inc.
Dan Grubbs, 816-932-4894

SOURCE: H&R Block Inc.