INVESTMENT MANAGEMENT AND FINANCIAL PLANNING

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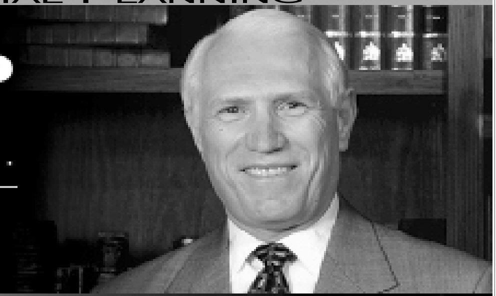

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PORPOISES IN THE PACIFIC

Once upon a time, flying from the USS Hornet in the expanse of ocean west of Hawaii and east of the Philippines, my headset crackled; "Chink 55, vector 255 degrees, 40 miles. Sonar has strong contact that location." Responding "Roger, on my way", I turned our bird to a course of 255 degrees. Several miles from the destination we (total crew of four) saw the otherwise very placid Pacific Ocean begin to churn. As far as we could see, the sea was churning with porpoises.

The ship's sonar contact was a huge convention of porpoises, not pods of a few, but thousands. Square miles of the Pacific were literally boiling with porpoises, frolicking atop the water. To this day I don't know why they had convened in such numbers or what they were doing. The scale of that awesome and wonderful panorama of life was beyond my normal comprehension. It so remains.

Our wonderful porpoise encounter was one of those statistically unlikely events. It was far, far from normal. Most of us have seen porpoises in pods of twos or threes. What we witnessed that day over the Pacific however was extraordinary. I've only spoken to one other person in my life, a merchant marine captain, who had witnessed a similar event.

What's happened in the capital markets over the past six months is also a far, far from normal event. Only four of us witnessed the porpoises. Just about everyone around the world saw and was directly affected by this financial meltdown, the worst since 1929. As I never again expect to see thousands of frolicking porpoises, the world will probably not soon again see the likes of such a vicious global meltdown. We will certainly continue to see ups and downs in the market. A global Bear Market like this one? Probably not.

Our March 11 Client Bulletin stated "Based on the oversold conditions …a rally of 25% to 30% is a near term possibility." In fact, from March 6 to March 26 the S&P 500 cycled up 24.9%. If government actions are perceived as working, the markets will likely, with some pullbacks, continue to ratchet higher.

Aside from government actions, our supply-and-demand indicators are giving us multiple buy signals. Since last Fall in fact, our supply-and-demand research has progressively provided positive signs. In spite of lower index bottoms, fewer numbers of stocks (equities) were making new lows. Since early March though, numerous positive signals have popped up and put us in a more offensive posture. In going through this multi-month bottoming process, equities, as an investable asset class, have become more and more compelling.

The odds are now in favor of increasing demand and higher prices for equities. There are no guarantees with regard to the future but the odds for stock market strength are looking better. Even so, for the time being, market indices remain in an overall downtrend. What we are seeing is a short term rally in this overall downtrend. At some point though, whether sooner or later, we'll witness a short term rally turn into a longer term uptrend. *(continued on next page)*

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S&P 500 Look back

2000	-9.11%
2001	-11.89%
2002	-22.10%
2003	+26.68%
2004	+10.87%
2005	+ 3.00%
2006	+13.62%
2007	+ 3.52%
2008	-38.5%

NASDAQ Look back

2000	-39.18%
2001	-20.78%
2002	-31.25%
2003	+50.76%
2004	+9.14%
2005	-1.4%
2006	+7.87%
2007	+ 9.27%
2008	-40.5%

YTD thru 03/31/09

S&P500	-11.66%
NASDAQ	-1.42%

10/11/2007 HI thru 03/31/09

S&P500	-41.89%

Mar 2000 HI thru 03/31/09

NASDAQ	-44.06%

*There is no risk-free investment! Investment portfolio values fluctuate and past performance is never a guarantee of future results. "Do no harm" translates into structuring and managing an investment portfolio to conform to a client's risk tolerance and time horizon. Proactive asset allocation, diversification within asset classes, and continual monitoring and risk management of each position are methods we use in structuring and managing portfolios. Our approach includes corroborating fundamental research, with capital markets supply-and-demand research, also called technical research. At times we will use conservative hedging techniques to limit downside risk.

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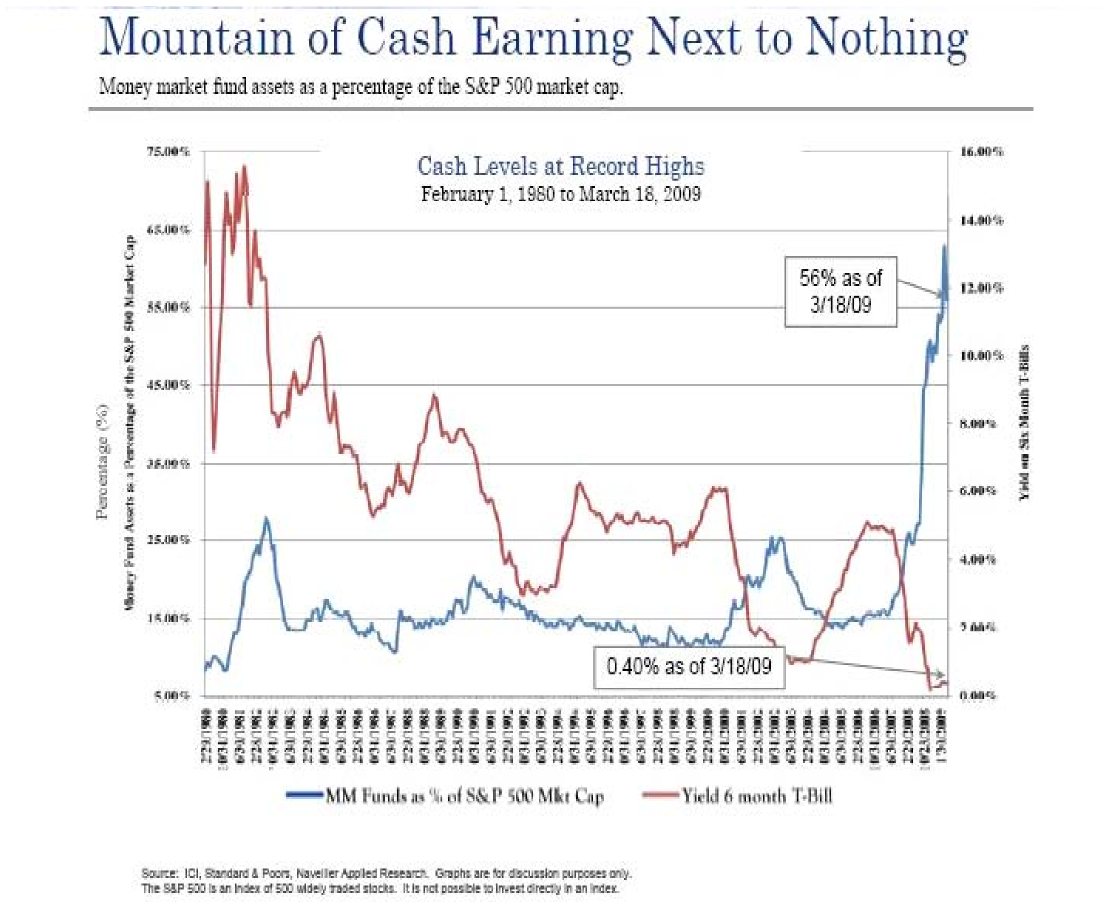
Below is a figure that depicts graphically an underlying reality that I expect will eventually contribute to a significant turnaround in the capital markets.



courtesy of Dorsey, Wright & Associates

Whatever the market's short term gyrations, we deal with what is in the market. Corroborating fundamental research with supply-and-demand research goes far in giving us an edge in portfolio management and in outperforming market benchmarks. Those research tools and our methodology also help take the emotion out of the investment process.

Not long ago, I spoke with the owner of a Porpoise Research Center in the Florida Keys. Being the daughter of the founders, she literally grew up from childhood swimming with porpoises. She told me that porpoises were extremely advanced in sensing and reacting to human beings who were working or swimming with them. She said that porpoises, like us, could be very emotional creatures. My guess is that the average porpoise, like the average person, would probably be a lousy investor. Why? Because emotion can be dangerous when mixed in with the investment decision process. Well-documented research on investor psychology indicates that investment decisions driven by emotion usually result in doing the wrong thing at the wrong time and result in losing money.

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In this storm of multiple crises, extreme negativism, a herky-jerky Congress, and widespread uncertainty, emotion has been running rampant. Last Fall market volatility skyrocketed. The market headed down. Through all the market chaos though, we could hang our hat on a few basics. First, we knew that this Bear Market was already long-in-the-tooth and would end. We set floors which if broken were a trigger to reduce market exposure. We had with confidence calculated that a reasonable fair market value for the S&P 500 is between 900 and 1,000. Also, we saw that government was being proactive and our economic leaders were well aware of dos-and-don'ts learned from the Great Depression, the more recent Japanese malaise, and from other historic meltdowns.

Nevertheless, price deterioration continued with a vengeance during January, February (S&P 500 down 25%) and into the first week of March. Much of the public looked at their February statements with shock in early March. That became a low point in terms of prices and emotional sentiment. Classically and predictably, that trough in prices and sentiment became the launch platform for the 25% rally in the S&P 500.

Is the worst over? Have we finished witnessing this "Porpoises in the Pacific" very rare but, in this case, unpleasant event? I sure hope so but no one really knows. We do see many signs that the odds are building in favor of capital market and economic recovery. At the same time, there's always a chance the odds can go against us. So we will continue to deal with what is and do the best we can to position your portfolio assets wisely, to manage the risk, and to keep the odds in your favor. Fortunately, we have some of the best tools and experience in the industry to help us do that.

Our current investments include commodities including gold, basic materials, technology, telecommunications, emerging markets, cash and certain fixed income securities. The future direction of the dollar is extremely important to investment strategy. We monitor the dollar and world currencies, and are looking for a clear direction in the dollar. We also monitor other asset classes (e.g. real estate, commodities, bonds, stocks, money markets) on a continual basis. The volatility (fear factor) index still remains high though much lower than it was last Fall. Also, stocks (equities) continue to gain strength as evidenced by the S&P 500's 25% run-up over a three week period. Our portfolio values are moving up, we are on the offensive, and we hope that some of that money on the sidelines (see graph above) moves in to drive prices even higher.

Interpreting and acting on well-documented fundamental and technical investment research will usually see us through to doing better than standard market benchmarks such as the S&P 500. One of our continual goals is to be among the best in the industry in protecting and growing assets, or in other words, to adhere to our mantra of **Do no harm and make money.** * (please read the sidebar)

It'll take some patience to achieve recovery, but hopefully it will turn in to a wealth-creating recovery in a much-cleansed system. Instead of financial engineers aggrandizing wealth for themselves and their cronies, we may get back to making cars that we want to buy, and building new industries that create goods and services of value to everyone. We need to save more, consume less, and export more. We need to make those things happen!

I'll always remember with pleasure the Porpoises in the Pacific. You will always remember one or more very rare moments of pleasure in your lives. We together will always remember with greater wisdom this ferocious Bear Market that started in October 2007 and may end sometime in 2009.

Let's also remember to all pull together for happy, healthy, and prosperous days ahead!

Our business success is partially measured by referrals from our clients. Please contact us if you can think of someone who would appreciate working with us.