

William Baker

& ASSOCIATES, INC.

Securities offered and supervised by
 Wilbanks Securities, Inc.
 Member FINRA/SIPC

4334 NW Expwy, Suite 222
 Oklahoma City, OK 76113
 405-842-0202



William H. Baker, CIMA/CIMC
 President & CEO

400 Galleria Parkway • Suite 1500 • Atlanta, Georgia 30339
 770-956-4073 • bbaker@wmbaker.com
 www.wmbakerinvest.com

Investment Insights

January 2008

BRINGING IN THE NEW YEAR – 2008 - WHAT'S AHEAD?

First - our very basic premise – it relates to our investment management mantra borrowed from Hippocrates “**First and above all, do no harm!*** (& our add-on) **And make money!**”* Hippocrates was referring to medicine, health care and health management, but his words equally apply to money, wealth care and wealth management. Please read the sidebar on page 2.

Our premise is this. Investment wealth is built not by pursuing big gains in high risk investments or in high risk markets. Rather, wealth is built by consistent, prudent, diversified investing over time, and, by the avoidance of large losses. To do this requires continual due diligence and risk management. Sure you can put all of your money in one investment or investment category and it may pay off in spades. But, if the risk goes against you, your financial security could be devastated. Many investors who were sucked into the technology growth stocks in the late 90's, and who had inadequate risk management mechanisms in place, have still not recovered nine years later.

Now let's do a quick review and discuss the year ahead! Since the end of the 2000-2003 Bear Market, the markets have been in an uptrend. There have only been a few corrections—shallow and short-lived. At this writing (1/12/2008), we have witnessed a downward correction from October 2007 highs of about 10%.

Our proactively managed portfolios have fared very well in terms of 2007 overall performance. Up for the full year, they also retraced 2-3% (vs 10%) , from the October highs. In January, in spite of the major indices being down more than 5%, our portfolios are up. The reason, in part, for this is that we proactively assess risk on a continual basis, manage that risk, and make adjustments as we go along. That was the reason we were cushioned during the Summer 2007 correction, and why our managed portfolios minimized the effect of the recent 10% pullback since October.

Since October, the stock market has come off of its highs by about ten percent. No one is able to predict whether the market will go up or down tomorrow or next week or next

month. The fact is that while some of the risk has gotten washed out, there is no reason the stock market could not get more washed out. Corrections of twenty per cent or more, are routine historical events.

Certain sectors such as the real estate and banking sectors have already corrected at least that much. And, yes, they could go down more from here. No one knows.

Where do we see strength at the present. Money markets, certain foreign currencies such as the yen, commodities including agricultural commodities, and certain fixed income securities (bonds) are some areas of strength. We are also using a fund that moves inversely to the Russell 2000 index as a hedge. This risk-management tool tends to immunize a portion of our portfolios, against the stock market getting a worse case of cold or flu than it already has. The trends of some basic indices like the S&P500 and the Russell 2000 have recently flopped over from positive to negative trends. Trend changes are of concern and suggest added caution.

This period requires planning the changes we will make as the market regains its health. We have no idea when that will be, but we do have great tools, experience, and perhaps some wisdom, to help us make judgments on where the strength is now and where it will likely be in the future. Right now the relative strength lies partly in those areas mentioned above where we are presently invested. Going forward, demand will continue for a broad spectrum of basic commodities, as many emerging countries build up a middle class and build out there infrastructures (the U.S. infrastructure itself needs significant attention). Many technology, and medical and health-care sectors, will continue to be great investment opportunities at the right valuations. Gold is in a secular uptrend that will probably continue for some years. Also, the battered financial, real estate, and building sectors will again have their day. So while we're in wealth preservation mode for the moment, we'll be prepared to adjust as the market climate changes. (continued on next page)

January 2008

William Baker & Associates, Inc.
CIMA/CIMC
Investment Management and
Financial Planning Specialists
400 Galleria Parkway, Suite 1500
Atlanta, GA 30339

Phone: 770-956-4073
Email: bbaker@wmbaker.com

www.wmbakerinvest.com

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%

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%

Oct 2007 High to 12/31/2007
S&P - 3.96%

Mar 2000 High to 12/31/2007
NASDAQ - 47.48%

*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, that is technical research. At times we will use conservative hedging techniques to limit downside risk.

(continued) At the moment the market is short-term oversold and may have an upward rally. However, given the serious signs of market, sector, and stock deterioration that we have seen since October, we will remain cautious. Caution may cause us to lose some opportunity, but in high risk times, it's easier to make up lost opportunity, than it is to make up lost money.

Or, to quote from the classic NBC, Hill Street Blues police drama, that aired from 1981 to 1987 – "Be careful out there."

We wish all of you, our client friends, our colleague friends, and our at-large friends, a very happy, healthy, and prosperous year ahead!

Protect Yourself Against Identity Theft

Simply by stealing your mail, hacking into your computer, or snatching your purse, identity thieves can empty your bank account, max out your credit cards, open new accounts in your name and purchase cars, furniture, and even homes on the basis of your credit history. And what will you get for their efforts? You'll get the headache and expense of cleaning up the mess they leave behind.

There are two types of identity theft, account takeover and application fraud. Account takeover is what happens when a thief gets your existing credit or debit cards (or even just the account dates) and goes on a shopping spree at your expense. Application fraud is what happens when a thief gets your Social Security number and uses it to obtain new credit in your name.

You may never be able to completely prevent your identity from being stolen, but here are some steps you can take to help protect yourself from becoming a victim.

Check yourself out

It's important to review your credit report periodically. Check to make sure that all the information contained in it is correct, and be on the lookout for any fraudulent activity. You may get your credit report for free once a year. To do so, contact the Annual Credit Report Request Service online at www.annualcreditreport.com or call (877) 322-8228.

Secure your number

Your most important personal identifier is your Social Security number (SSN). Guard it carefully. Never carry your Social Security card with you unless you'll need it. The same goes for other forms of identification (for example, health insurance cards) that display your SSN.

Don't leave home with it

Most of us carry our checkbooks and all of our credit cards, debit cards, and telephone cards with us all the time. That's a bad idea; if your wallet or purse is stolen, the thief will have a treasure chest of new toys to play with. Carry only the cards and/or checks you'll need for any one trip.

Keep your receipts

When you make a purchase with a credit or debit card don't throw away your receipt; it may contain your credit or debit card number. Save your receipts until you can check them against your monthly credit card and bank statements, and watch your statements for purchases you didn't make.

When you toss it, shred it

Before you throw out any financial records such as credit or debit card receipts and statements, cancelled checks, or even offers for credit you receive in the mail, shred the documents, preferably with a cross-cut shredder.