



Client Bulletin

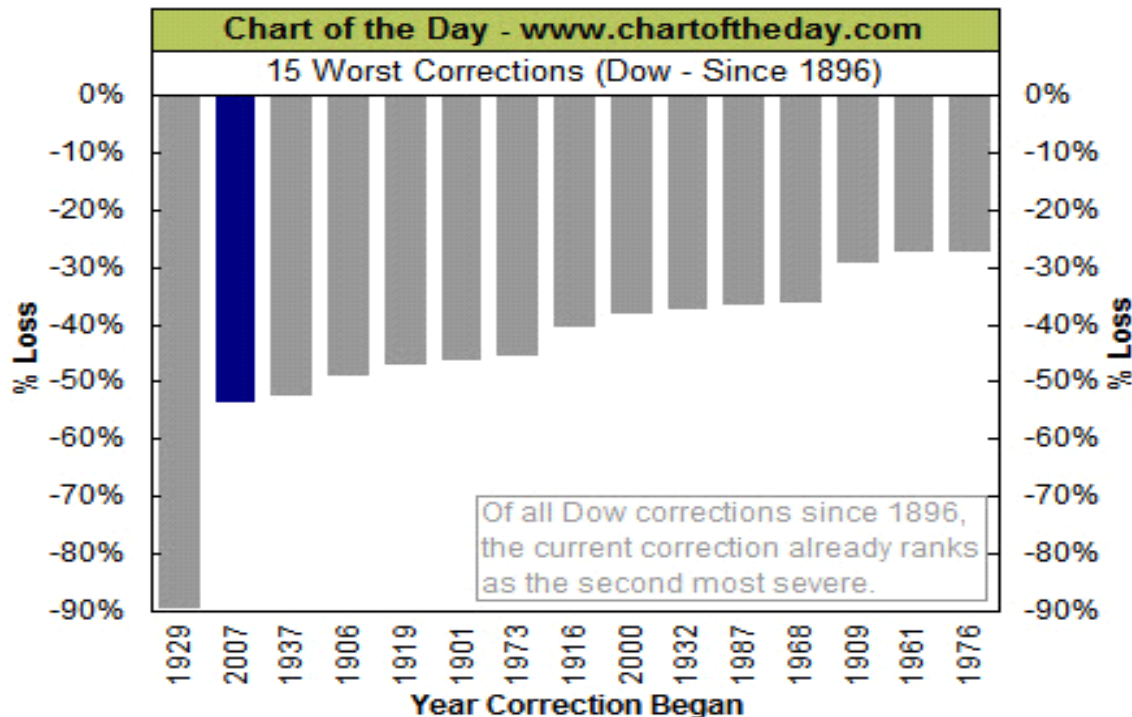
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BEAR MARKET PERFORMANCE

The below graph shows the Dow's downturn of 54 % only beaten by 1929's market crash in which the Dow went down 90 %.



Source - Dow Jones

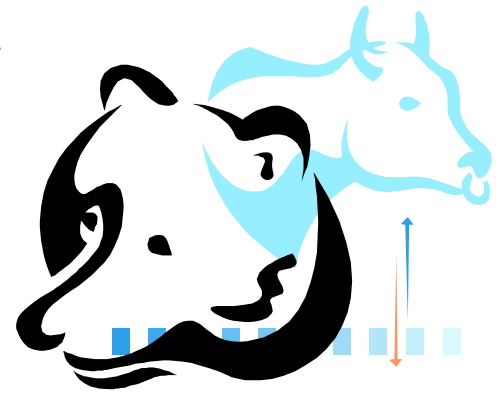
As you can see, this has been one of the most severe Bear Markets in our history. Last October the fear factor index or volatility index (VIX), introduced in 1993 by the Chicago Board of Exchange, hit an all time high. Many investors have been scared out of their wits by the meltdown across most asset classes which for months has rippled directly into monthly statement values. There's an old saying that the reason that people might make money in real estate is that there are no daily quotes. It's not that way with securities – those prices are in your face daily.

Part of the purpose of our newsletters and bulletins is to educate our readers as well as to provide current perspective on the capital markets. We believe strongly that the better a person understands how markets work and why prices fluctuate (in one fundamental sense it boils down to supply and demand), the better that they can deal with the ups and downs. *(continued on next page)*

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As I write this, the S&P 500 is down 56 % from its 2007 high. Conservative asset allocation and balanced funds (both are a conservative mix of cash, fixed income, and stocks) were down respectively 29% and 28% in 2008. Year to date they are down minus 16 % and minus 15% from January 1st thru March 9th.

According to Wilshire Associates consulting firm, conservatively managed pension fund performance for 2008 follows: 1. Corporate retirement plans were down 25.8%, and, 2. Public pension plans were down 24.9%.



On a relative basis we are generally doing much better than the just-mentioned figures. We will do our best to use our tools and methodology wisely to continue doing well and to convert that head start into a more rapid recovery as the market turns and begins trending up. At this time however, the downtrend continues.

Our current assessment is that stocks are undervalued and along with some other beaten down asset classes including commodities and basic materials, represent a good buying opportunity longer term. The caveat would be that governments will screw things up badly and worsen the global economic crisis. I don't believe that will happen but there is that possibility. Based on the oversold conditions, I believe that a rally of 25% to 30% is a near term possibility. The fact remains though that the downtrend continues and until that turns around, further deterioration could also occur.

As supply finally dries up which it has been doing since last October, and demand retakes control we'll see it. We also have the tools to scan across all asset classes and determine those having the best relative strength (potential for gain). Many positive fundamental changes are in process. New industries are being created, a global regulatory system is being developed, and behavior is changing for the better regarding savings. Finally, globally-coordinated solutions to address the many current crises and in particular the bank crisis have and continue to be developed and implemented.

We continue to work every day to be the best in our industry in protecting and growing our clients' assets. We appreciate and take very seriously the trust that our clients place with us and especially appreciate the patience being shown through this very rough patch in the marketplace.