Client Bulletin

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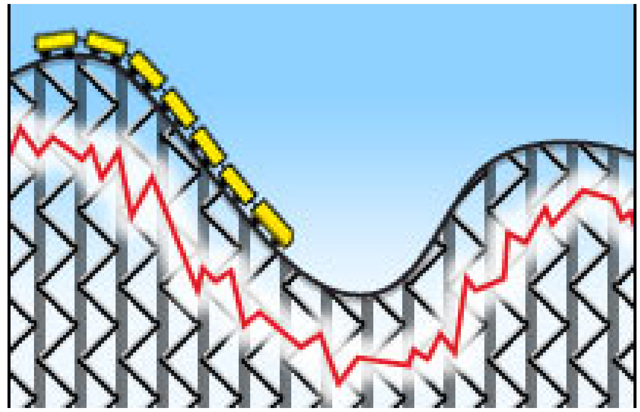
ROLLER COASTER

In recent Newsletters and Bulletins I've mentioned that our assessment of a fair value for the S&P 500 is between 1050 and 1100. Just prior to mailing our last Client bulletin, the S&P did in fact drop to our fair value range when it hit 1099. From that year-to-date low on October 3rd the S&P then spiked up throughout the month of October from that low of 1099, to 1253 on Oct 31. 1253 was still lower than where the S&P 500 started this year at 1258, and much lower than the 1363 high at the end of April.



The wild roller coaster swings this year seem to be the routine. This morning in fact the S&P has broken down below 1190 and is again heading toward that October 3rd bottom. But, there is no telling with certainty where it will be in the next hour, day, week, or any future time. These wild swings are driven by fast money, hedge funds moving rapidly into and out of a variety of asset classes and securities. Driving the moves of this fast money is evolving news and changing perceptions on the sovereign debt crisis in Europe, and our own domestic economic turbulence. Given the economic storms across and within domestic and international capital markets and asset classes (e.g. equities, fixed income, currencies, and commodities) the business of investing is a challenge and now especially requires an intermediate to longer term perspective.

On an optimistic note, looking ahead a year or two, equities will most likely, in our judgment, be recovering quite well. There are no guarantees but hundreds of years or more of history suggests that bad times come and go. Our emphasis on dividend-producing equities allow our clients to be paid during this turbulent up-and-down period in which we're living. So while bonds may look more stable in the short term, their returns are not great, and when interest rates do begin to rise their values will go down. With that time horizon, now we believe is an OK time to have, and to build our equity exposure.

Our insider buying research builds our confidence that there are good companies, selling at good values, and some are generating good dividends. Stock prices may go down further with more market deterioration. At the same time the directors and decision-makers buying their stock at market price demonstrate a belief from those very people in the know, of their own industry and company, that the price at which they are buying is a good value. They are typically looking out one or two years and I believe that is a good thumb rule for all of us in these especially chaotic political-economic times.

At this time, our technical indicators have just moved us back into a wealth preservation mode. From a relative strength standpoint, domestic equities, currencies, and commodities are the choice asset classes. That of course could change especially with our technical indicators, as of November 18th, suggesting wealth preservation over wealth accumulation. We'll make prudent adjustments in the days ahead, as necessary, in line with our investment management mantra from Hippocrates ***First do no harm and make money.**** (please read the footnote) (*continued on next page*)

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This is Thanksgiving week and the start of the Holiday Season. We are looking forward to a family reunion that will hopefully result in many great memories and not too many additional pounds. May each and every one of you have a safe and very Happy Thanksgiving.

I and our team at William Baker & Associates, Inc. appreciate all of you and look forward to doing our best in terms of both service and performance in the months and years ahead.

Very best,

Bill Baker

*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.