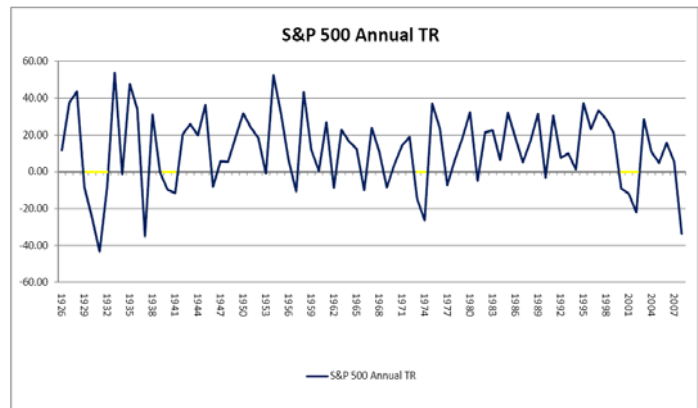


Client Communication



- **It may get worse before it gets better**
 - Reference the S&P yearly volatility chart above (S&P 500 Annual TR) - historically a down turn of this magnitude takes three to four years (including the great depression) before the stock market turns positive
 - That makes sense this time too
 - Purging of debt at the corporate level is happening as quickly as practical, but it will take time – several years?
 - Consumer debt reduction translates into less consumer spending which contributes 2/3rds of GDP
 - That's ironic – moving towards a healthier consumer means near-term economic pain. But long-term it is very positive
 - Plan for the worst and hope for something better – prepare yourself mentally by preparing yourself financially to weather the storm
 - Your stock investments need a five year investment horizon
 - That means cash needs should be funded by bonds and savings
 - If you are not sure how you are positioned you need to contact us ASAP to assess your financial situation
- **It will get better in time**
 - Reference the S&P yearly volatility chart above – it does get better
 - Note that upturns are every bit as positive as down turns are negative
 - Note that rebounds include years of 30 to 40 percent gain and trough to peak return is nearly double that
 - That is why your stocks need a five year time investment horizon
 - That makes sense this time too
 - The United States is a \$14 trillion dollar economy
 - The economy is going to contract in 2009 by one to two percent – that is not driving off the precipice (GDP forecast chart above)
 - Good companies are under-valued right now and may become more under-valued
 - There is plenty of money on the sidelines awaiting entry into the stock market
 - Much of that money is foreign money. The dollar weakened by nearly 30 percent over the last several years. For foreign money that results in an even greater under valued US stock market
 - Globalization remains a positive long-term economic trend
 - The growth in China and India's relative prosperity will continue

- While there are challenges with globalization, particularly with allocation of natural resources, the overall effect is decidedly positive
 - Energy costs - The radical increase in the cost of oil last summer remains a partial mystery but today's prices are very positive for consumers (but fill that 10 thousand gallon tank in your back yard now because the long term trend is inevitably up)
- **But if it is going to get worse before it gets better let's get out now and reenter the market when it gets better**
 - Good plan if we can determine exactly when it's going to get better
 - As noted above movements in both directions are swift and proportionate
 - The stock market is a leading economic indicator so it doesn't give much in the way of clues as to when it's going to turn
 - So if you miss the upside because you were out of the market waiting for it to turn you have locked in the losses and lessened potential for successful investing
 - Many studies over many years conclude that time, not timing (and broad diversification) substantially improve the probability of successful investing

Feel free to contact us with any questions or if you'd like an assessment of your current financial situation.

Best Regards,
Gary Premer