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President

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Yesterday, the turmoil in the capital markets reached a new level in response to the Congressional rejection of the Economic Recovery Plan. The financial markets did not hesitate to let Washington know the consequences of their inaction as the Dow Jones proceeded to have its worst ever point decline even though the percentage decline of 7% did not rank among the top 10. The day's loss knocked out approximately \$1.2 trillion in value from the equity market - a very difficult day.

I want to convey to you that in the face of these challenging conditions, we continue to adhere to our long term investment disciplines and our investment programs remain prudently invested consistent with their objectives. Many of our investment programs continue to hold a significant percentage of cash and are preserving capital. The amount of cash within our portfolios is at record levels as we estimate that over 40% of our assets under management are in money markets. Our level of cash across our investment programs is as follows:

<u>Program</u>	<u>% in Money Market</u>
Diversified Program	100%
High Yield Bond	100%
Municipal Bond	100%
Tactical Allocation	75%
Strategic Portfolio	12%

While we wait for a better investment climate, clients should know that their accounts with us are well diversified, actively managed and have a good deal of liquidity as illustrated above. As you know, our Asset Allocation portfolios do not hold cash as they remain fully invested with a long term outlook. However, they are prudently diversified across multiple asset classes that include fixed income and alternative vehicles such as commodities. In a rapidly declining marketplace, we cannot avoid all of the market downside but we continue to manage the environment with a high degree of quality investments, liquidity and stability relative to the marketplace. The conservative structure, diversification, discipline and high quality nature of our portfolios will carry us through the emotions of the moment.

Over time, long term fundamentals of good businesses with strong balance sheets, sound business practices and intelligent decision making will combine with reasonable prices in the marketplace to form an equilibrium value. In a free capitalistic society, market participants gather all actual and expected information and determine fair values for asset prices. When good valuations are present and opportunities are available, intelligent investors will assume the market risk and buy good long term businesses that are priced low. The strong firms will survive and the weak firms will fail. We are well along the

path of this occurring within our banking and financial system. The strong such as JP Morgan, Bank of America and Wells Fargo are prospering and taking advantage of these opportunities while the weak are failing. Government intervention will help to make the process more orderly.

While yesterday's market reaction sent a strong message to Washington that help is needed to shore up our financial system, it also went a long way to helping restore more rational 'value' in the financial markets. According to our research, this current market cycle has led to a fall of nearly 31% for the S&P 500 Index from the peak of the market in October of 2007. Research from Goldman Sachs illustrates that of the nine bear markets since 1957, the average cycle has seen a market decline of 32% and persists on average for 13 months. After yesterday's decline, we are right on that average for percentage decline and just a month shy of the average duration. At some level investors will realize good value opportunities and begin to buy strong businesses with the expectations of an eventual recovery. A well devised assistance program from the government may very well instill a greater level of confidence to spur more passionate buying. As stated in Forbes, "American households have \$7.4 trillion in checking, savings and other bank accounts and money market funds. They have another \$4.1 trillion stashed in Treasuries and other bonds. That \$11.5 trillion, up from \$8.9 trillion (in constant dollars) in 2000, is nearly enough to buy every company in the Wilshire 5000. It's more than enough to pay off every home mortgage."

We have had corrections in the past and this is an unfortunate reminder that market corrections can be a painful process. Throughout history when all seemed as dark as one could imagine, the clouds have parted and the markets have recovered. We have significant short term and long term problems throughout the global economies. In a dynamic economy and with history as our guide, our financial system will work through these problems. Our economy will stabilize and eventually recover and the financial markets will follow or even lead the way. History shows clearly that the stock market is no stranger to turmoil resulting in excellent opportunities for long term investors. ***Your long term investment plan was carefully customized around your objectives and risk tolerance and for the most part, you should stay the course. If sleep is being lost and the volatility and prospects for further loss are completely intolerable, prudent changes within the portfolio should be made. We are here to discuss this information.***

In the meantime, our solution has rested within the disciplines of our investment programs along with prudent long term investment plans for each client. We encourage you to continue to work closely with us to resist counter-productive temptations while at the same time ensuring that your long term investment plan remains prudently structured. Our investment programs continue to adhere to their disciplines and we will be ready to take advantage of these opportunities when our quantitative indicators turn more positive.

As always, we encourage you to call any of us with questions and concerns that you have or even to just simply check in.