

Investment Advisory Newsletter

January 31, 2009

As we all know the stock market meltdown of 2008 continued into 2009. In the past 15 months the average equity fund has lost a hair over 50% of its value, with almost half of that coming in the first 10 days of October 2008! Making the situation worse is that this loss is about equally spread over all equity classes and nearly all equity funds. Even bonds other than government bonds, have been decimated.

About the only saving news that I can see is that the bottom appears to be being tested and appears to be holding. In the face of horrible economic reports continuously coming, the market indices are merely falling, not getting crushed. The average equity fund in the past three months lost 11%. However that does not show the true volatility. A loss in November of 8% was followed by a rise in December of 4%, capped by a loss in January of 7%. Leading the way in losses were Real Estate and the Financials, losing a quarter of their value in the past three months. On the other hand, natural resources, gold and healthcare funds maintained steady or even gained a bit.

Again, the question is what do we do going forward? For most portfolios we are selling a few equity positions and moving some positions into either government bond funds or cash. In general we are still holding a substantial equity position, counting on the market eventually making a significant rebound. This rebound should be coming in the second half of 2009 and on into 2010. Of course this is heavily driven by the government attempts to stem this economic downturn.

In looking at performances of your individual mutual funds on the attached schedule, please bear in mind that in December, most funds pay out 2-4% in dividend distributions. As a matter of practice, I take all of these dividends to cash. For this reason the return on these funds will appear 2-4% worse than they actually are.

In the middle of this economic gloom the giant Madoff Ponsi scheme was uncovered. Several clients and friends have asked how to be sure that their investments are not in a similar scam. Attached is a letter from ABC News identifying why your investments are not a similar scam and what to look for to ensure that you are not caught up in such a scam.



These are most troubling times and ones in which communication between you and I is more important than ever. I have tried to contact all clients in the past quarter, and will continue to do so in the future. I encourage you to call me at any time with your financial concerns. I may be an incurable optimist, but I do believe that after every dark night comes an ever-brightening sunrise.

~ Roger D. Werner