



COMMENTARY ON CURRENT MARKET TURMOIL

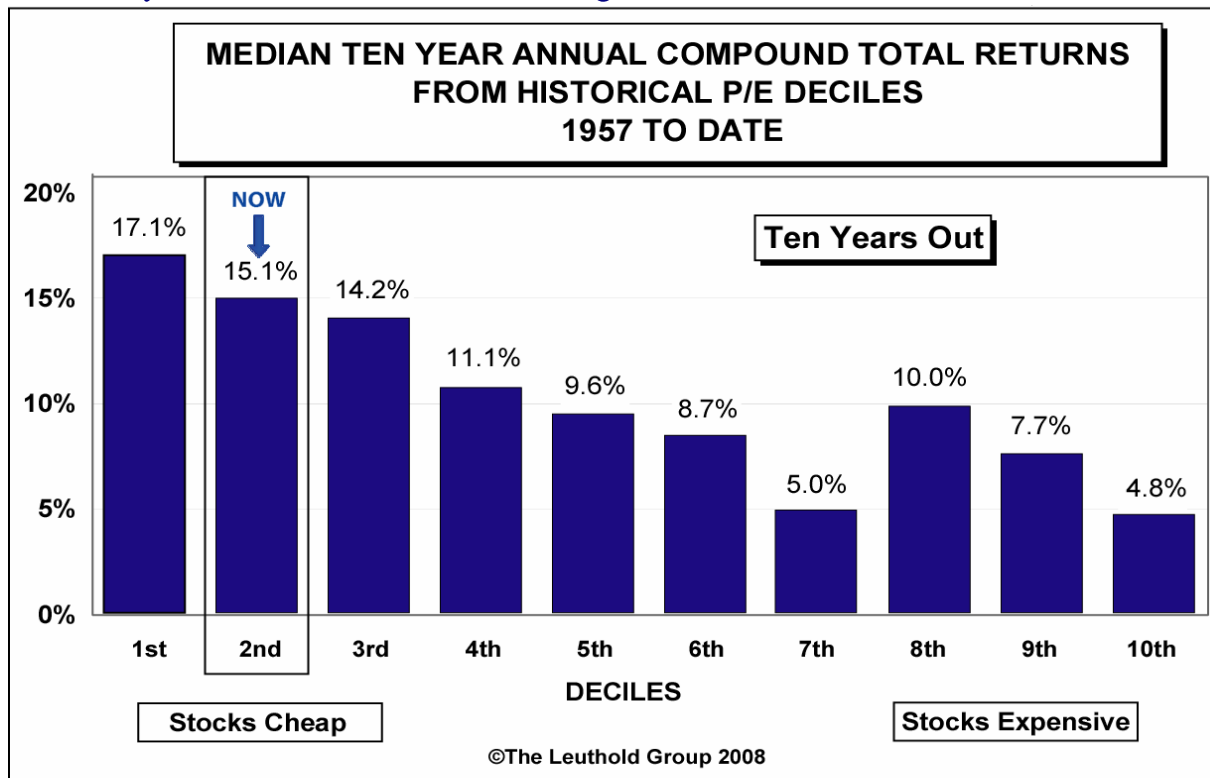
WAITING...The Government finally agreed to a plan and in fact has agreed to numerous plans in the past two weeks, but it takes time for these plans to have their desired liquidity effect. Companies who need liquidity in the meantime are struggling to find a solution that prevents them from selling assets at a tremendous discount but supplies them with the precious cash they need.

This period of uncertainty, while waiting for the planned steps to have their desired effects, has been painful. Clients are asking for guidance and a perspective on the future. While there can be no guarantee that investors will benefit going forward, history shows that this in fact **may be a better time to be in stocks, going forward, than not.**

Hanging in there and waiting for a rebound has been a painful exercise for investors, but those that exit now are not likely to benefit from a rebound when it occurs. Measuring recoveries from past market declines and performance from current valuation levels may give us some insight towards what we might expect in the future.

The median bear market decline in the past (since 1926) has been about -32% with an average duration of about 18 months. In Bear markets since 1892 the average performance 12-months out from the bottom has been over 43%. And from current valuation levels (P/E ratio) past markets have averaged a return of over 15% per year in the following 10 years. (see charts)

Historically Stocks have shown Strong Returns from Current Valuation Levels



While there can be no guarantee that the markets will perform this time as they have in the past, history does provide a substantial amount of history reinforcing the likelihood a strong recovery may occur. If this is the case, while we expect volatility and hope to transition portfolios accordingly, there is significant historical corroborating evidence that current prices, valuations and irrational behaviors point to a time to own stocks (see both charts).

The Cost of Throwing in the Towel

Period	Market Decline	DJIA Change 1 Year After Decline	DJIA Change 2 Years After Decline (Cumulative)
Dec. 1961- June 1962	-27.1%	32.3%	55.1%
Feb. 1966-May 1970	-36.6%	43.6%	53.9%
Jan. 1973-Dec. 1974	-45.1%	42.2%	66.5%
Sep. 1976-Feb. 1978	-26.9%	9.0%	15.1%
Aug. 1987-Oct. 1987	-36.1%	22.9%	54.3%
July 1990-Oct. 1990	-21.2%	26.2%	32.6%
Jan. 2000-Mar. 2003	-35.8%	34.6%	43.2%
Average	-32.7%	29.4%	45.8%
Oct. 2007-Aug. 2008	-22.6%	?	?

Avg. Post-Bottom Rally

	Average Return After 1 Year	Average Return After 2 Years (Cumulative)
3 Month T-Bills at 2.8%* * Jan. 1960-Aug. 2008	2.8%	5.7%

Sources: Dow Jones; FactSet; as of 08/31/2008

This has been a very fast paced action in the past few weeks and although we anticipated a reaction to the financial excesses we did not expect to see the impact on liquidity in all marketplaces, especially to many of the high quality companies that have no debt and are cash makers not depleters. We believe investors will be best served to not take drastic selling measures and would be happy to discuss strategies the suit you best.

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