May 7, 2009

April was another strong month for the markets. As we mentioned in our last newsletter, we are beginning to see nuggets of positive economic news, referred to as "green shoots" by the media. April's market action has helped confirm our belief that we have entered the "bottoming" phase of this economic cycle. We feel that the portfolios are well positioned to ride out the bottoming process (high quality, defensive, current yield, etc.). Our focus now is on identifying the areas we want exposure to as the market enters the early stages of the "recovery phase".

**APRIL 2009 Market Data*:***

- The Dow Jones Industrial Average:
  - Up 7.56% for the month of April. Down -5.86 year-to-date.
- The S&P 500:
  - Up 9.39% for the month of April. Down -3.37% year-to-date.
- The sectors (financials & consumer discretionary) that have been the weakest over the past 12 months led the market higher in April. The more defensive sectors (health care, utilities & consumer staples) lagged the market during April.

**APRIL INVESTMENT ACTIVITY – *What We are Doing and Why:***

- For the most part we continue to maintain an overweight cash position.
- Since we continued to see signs that we've entered the "bottoming" phase of this cycle, during April we added to our commodities exposure (DJP). In most cases, we brought our exposure up to neutral (5%) from an underweight (2%) position. Typically, the demand for commodities increases, as economies start growing again.
- We also maintained our full exposure to investment grade corporate bonds (NEZYX, PTTRX, and VFSTX) to benefit from the historically large credit spreads. This served us well in April, as the spreads narrowed and produced significant gains.

**CURRENT OPPORTUNITIES – *Areas for Consideration:***

- Based on our belief that the economy is in the bottoming phase of this cycle, we will be gradually reducing our overweight cash position and adding to stocks. Our new equity investments will emphasize those areas that tend to do best at the early stages of a recovery (i.e.- technology, industrials, energy, etc.).
- We're also looking to gradually add positions to Small Cap Value stocks, which tend to outperform significantly coming out of a recession.
- We still favor high quality corporate bonds over treasuries. Spreads narrowed during April, but still represent significant value.

As always, please don't hesitate to contact our office if you have any questions or items to discuss.

Sincerely,

*Tony Anderson*