

FORWARD THINKING

"We continue to believe that the slowing residential housing market could likely push the economy into recession, and that eventually the stock market will discount this risk. Our focus, going forward, will soon shift towards reducing the risk in our portfolios given the looming correction in stock prices....The performance of the capital markets over the past four years has left many investors complacent about the possibility of losses. It is precisely when others are complacent that our contrarian approach leads us to be more aware of the risk to our portfolios." (4/17/2007)

"Looking forward to this year, we believe that the stock market has not fully discounted the slowing economy. If we are not already in a recession, then we will likely be in one soon. Assuming this is the case, stocks could fall further..." (1/16/2008)

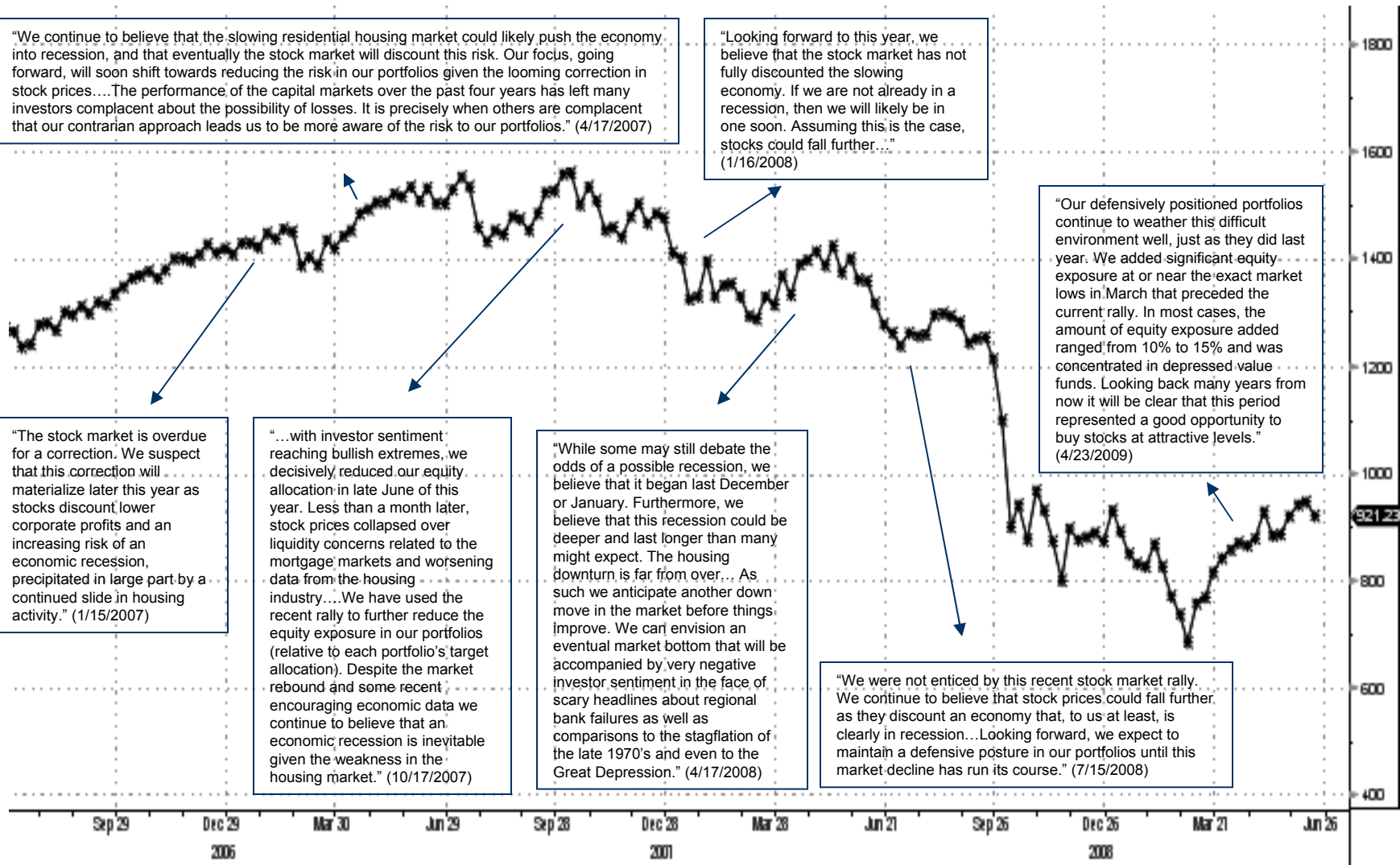
"Our defensively positioned portfolios continue to weather this difficult environment well, just as they did last year. We added significant equity exposure at or near the exact market lows in March that preceded the current rally. In most cases, the amount of equity exposure added ranged from 10% to 15% and was concentrated in depressed value funds. Looking back many years from now it will be clear that this period represented a good opportunity to buy stocks at attractive levels." (4/23/2009)

"The stock market is overdue for a correction. We suspect that this correction will materialize later this year as stocks discount lower corporate profits and an increasing risk of an economic recession, precipitated in large part by a continued slide in housing activity." (1/15/2007)

"...with investor sentiment reaching bullish extremes, we decisively reduced our equity allocation in late June of this year. Less than a month later, stock prices collapsed over liquidity concerns related to the mortgage markets and worsening data from the housing industry....We have used the recent rally to further reduce the equity exposure in our portfolios (relative to each portfolio's target allocation). Despite the market rebound and some recent encouraging economic data we continue to believe that an economic recession is inevitable given the weakness in the housing market." (10/17/2007)

"While some may still debate the odds of a possible recession, we believe that it began last December or January. Furthermore, we believe that this recession could be deeper and last longer than many might expect. The housing downturn is far from over... As such we anticipate another down move in the market before things improve. We can envision an eventual market bottom that will be accompanied by very negative investor sentiment in the face of scary headlines about regional bank failures as well as comparisons to the stagflation of the late 1970's and even to the Great Depression." (4/17/2008)

"We were not enticed by this recent stock market rally. We continue to believe that stock prices could fall further as they discount an economy that, to us at least, is clearly in recession...Looking forward, we expect to maintain a defensive posture in our portfolios until this market decline has run its course." (7/15/2008)



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