

MARKET RESEARCH INSIGHTS

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Written By: Peter J. Altman, President

TODAY'S CLOSING PRICES: Standard and Poor's 500: 1,267.79 (+25.48)
 Dow Jones Industrial Average: 11,510.74 (+289.78)

MARKET RECAP

The equity market appears to have passed its final capitulation phase, signaled by broad based liquidation and extreme pessimism. The nationalization of the GSEs is a necessary pre-condition to break the credit logjam and support a cyclical upswing in equities. We believe that current market valuations suggest that a number of companies are substantially underpriced. From a sector point of view we believe that the 40 week moving averages should resume their established trends and assume their prior leadership role in this market phase. We conclude that deep cyclicals will likely resume their market dominance before yearend, while the upside for interest rate sensitive sectors will remain capped by de-leveraging and the negative wealth effect of housing. The global beneficiaries/industrial conglomerates have most notably improved their valuation characteristics against the broad market in the past several months in our investment portfolios.

The energy, technology and healthcare industries also look very attractive at current levels. Businesses have been aggressively streamlining productivity and restricting wage costs which should continue to support improving margins. The majority of our sector profit margin proxy indicators have improved reflecting lower wage gains. Below I have attached coincident industry specific results for the second quarter for our industrial investment holdings in Table I & II.

Table I

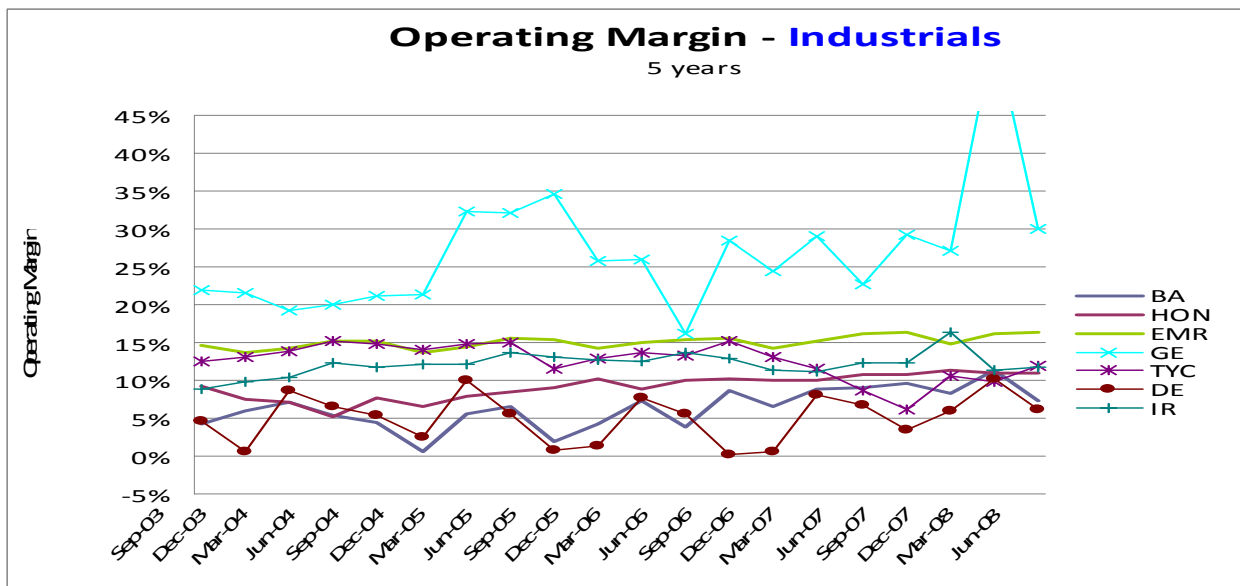
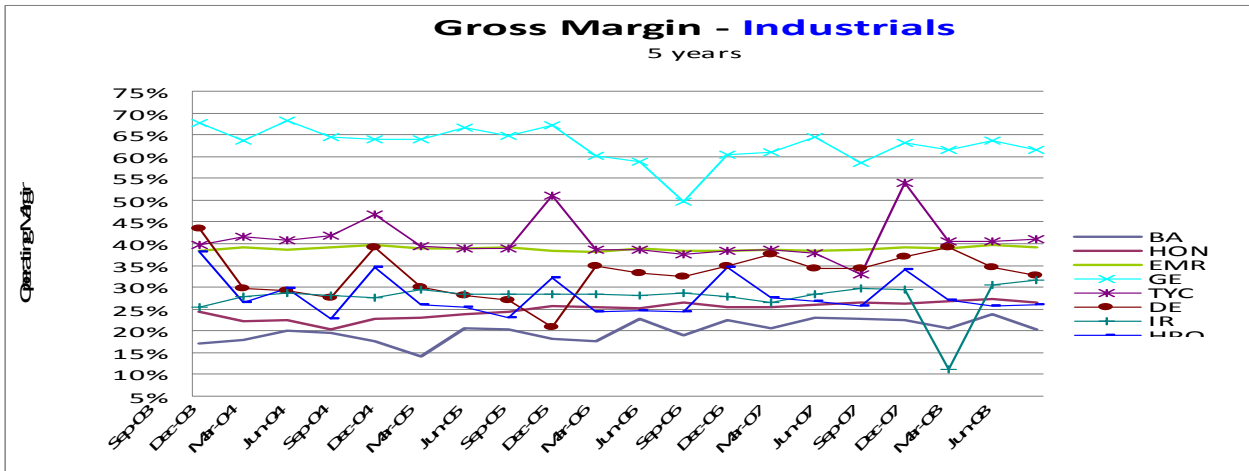
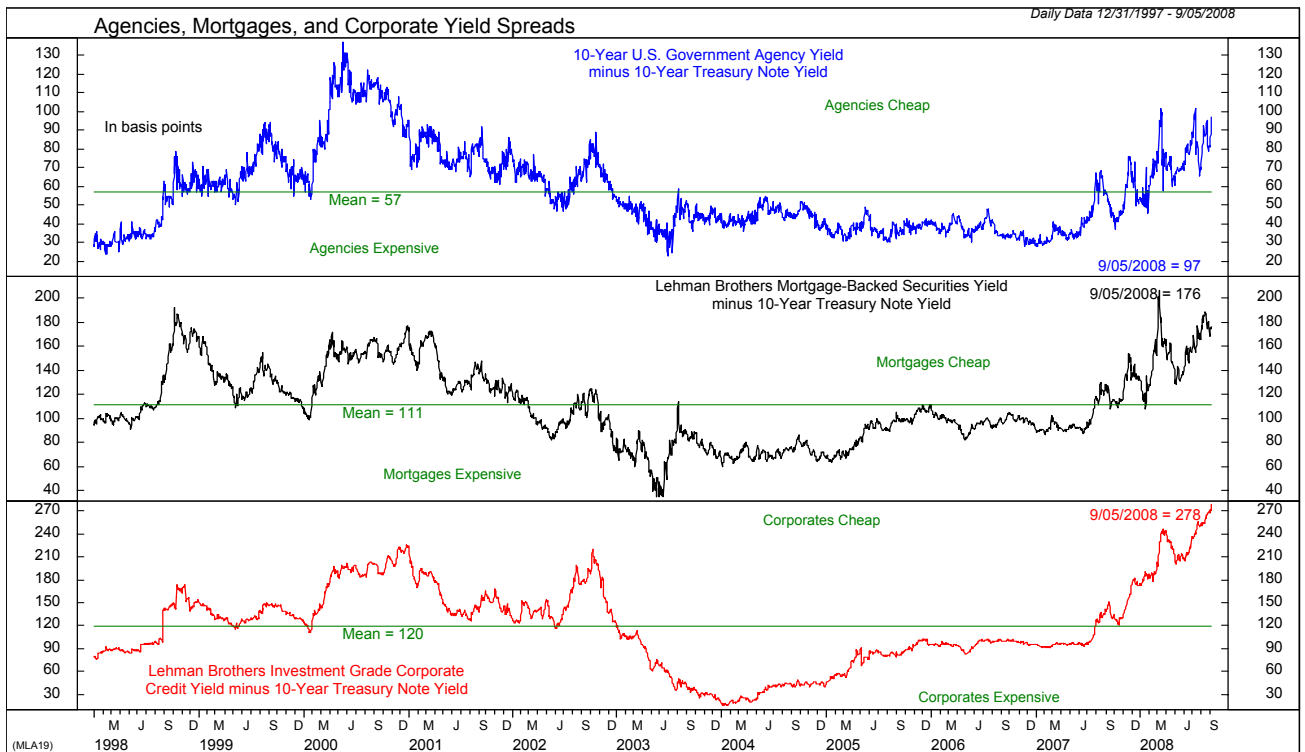


Table II



We have recently adjusted our cash position in portfolios up slightly reflecting a slight defensive hedge in this expected recovery phase. With respect to the financial sector, monitoring our credit breadth indicators will be an important gauge as to the overall success of the nationalization of the GSE's which will be a determining factor in increased sector participation. See [Table III](#) to see the change for Agency, Mortgages and Corporate yield spreads historically. Today the biggest contraction in corporate spreads occurred in Fannie Mae and Freddie Mac debt, moving up as much as 50 basis points. The Mortgage backed securities moved up as much as 70 basis points for 30 year paper.

Table III



CORPORATE EARNINGS

The chart below illustrates the percentage of investment holdings within our value portfolio that exceeded street estimates during the 2nd calendar quarter of 2008. Most notably, 68% of our investments exceeded street estimates with 10% meeting estimates. The US market trades at 15 times a forward earnings estimate of \$83.78 for the Standard and Poor's 500, according to Bloomberg, and doesn't appear overvalued at current levels. Corporate balance sheets are in good condition and don't support the case to be overly defensive at this juncture. Table IV illustrates the sector results during the quarter for the broad market.

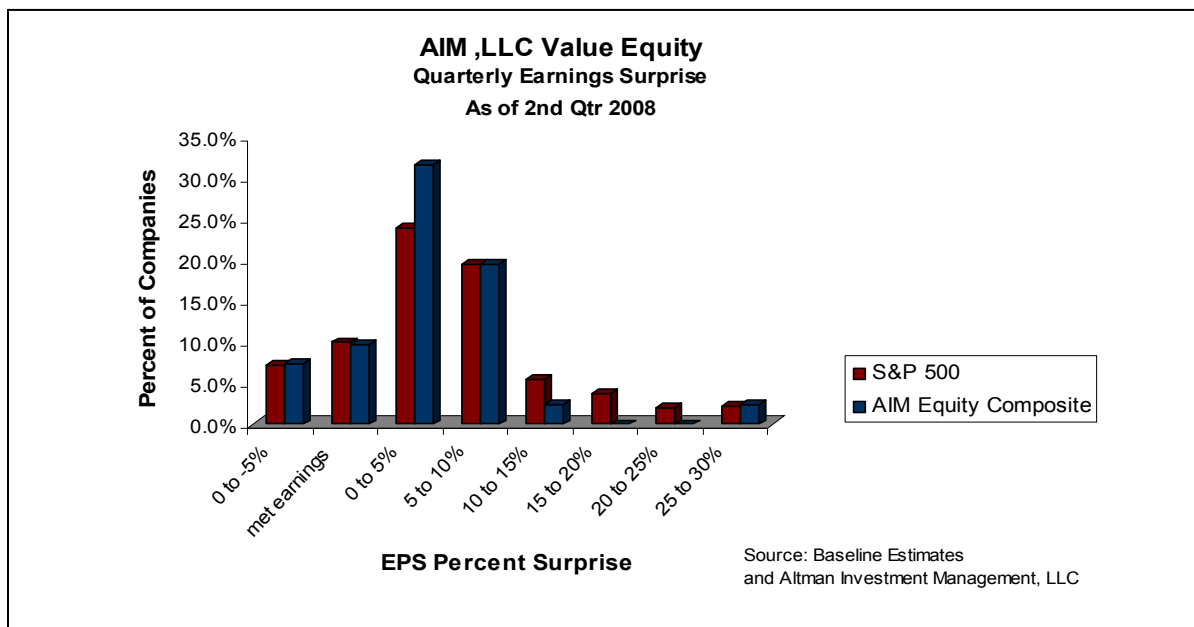


Table IV

Re-sort by Name	Qtr 2 2008 Median Reported Growth %	Qtr 2 2008 Median Surprise %	% Reporting Earnings	% Positive Surprise	% Negative Surprise	% In-Line	Qtr 3 2008 Median Expected Growth %	Fiscal Year 2008 Median Expected Growth %	Fiscal Year 2009 Median Expected Growth %
Energy	27.4	2.6	100	66.7	28.2	5.1	62.3	39.3	19.8
Materials	6.7	4.3	100	66.7	23.3	10	7.5	7.3	14.1
Industrials	13.9	5	96.4	81.1	13.2	5.7	10.4	13.8	11.7
Consumer Discretionary	-4.2	3.4	95.1	64.9	24.7	10.4	-6.4	2.2	11.2
Consumer Staples	11.4	2.6	95.1	65.8	21.1	13.2	9.2	10.6	10.5
Health Care	14.3	4.4	100	71.7	11.3	17	7.3	15.5	13.4
Financials	-17.4	0	100	48.9	46.6	4.5	-7.6	-5.6	14.1
Information Technology	20.6	3.6	100	56.3	29.6	14.1	13.6	18.9	17.2
Telecomm Services	15.5	3.9	100	66.7	11.1	22.2	4	10.2	9.1
Utilities	8.1	4.9	100	58.1	35.5	6.5	5.8	7.4	8.3
S&P 500	9.4	3.1	98.4	63.2	27	9.8	7.2	10.1	12.3

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