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*Advocates for financial peace of mind*

### Commentary – July 15, 2008

As another financial institution fails (IndyMac), and two new ones are propped up by Uncle Sam (Freddie Mac & Fannie Mae), it seemed an appropriate time to discuss our take on the state of the economy and the markets.

Our guiding principle when it comes to forecasting short-term economic or stock market directions is simple: we don't do it. Some may question this; others may have a problem with professional investment advisers not doing "what they are paid for." The reality is we don't get paid to forecast; we get paid to inform, guide, oversee, act, and most importantly, to continually preach that patience is the solution. Act on intelligence, not emotion.

So, we all know the economy is in the tank; the news media has made sure that we are all aware that life as we know it is ending. The real estate market continues as quick an implosion downwards as was its explosion upwards. The government tells us that inflation is "tame" yet there isn't a citizen who hasn't suffered crushing increases in basic living expenses.

The question we pose at this juncture is: will this downturn fall off the cliff into territory heretofore not witnessed? Will the basic tenants of capitalism and free markets collapse to be replaced by the barter system? Or are we simply suffering the effects of yet another bubble bursting?

We believe strongly that the rumors of capitalism's death are greatly exaggerated. While sectors of the economy have clearly already fallen off the cliff and perhaps others to follow, we do not see all sectors of the economy en masse slipping into the abyss.

What does this mean in English? Our economy consists of multiple sectors – finance, service, energy, healthcare, software, etc. The media has made us well aware of the troubles in the financial services sector (as have the returns of several of our investment holdings!) However, were you aware that the agrochemical sector of our economy grew 82% over the last twelve months? That the alcoholic drink industry is enjoying earnings growth of over 24%? That Wal-Mart's sales are up 10%? That bonds have been performing superbly?

The point is that a capitalist system, by definition, has cycles. Businesses and industries are born, grow, mature, and some fail. From the failures typically come new ideas, new companies, and new investment opportunities. As always, we believe the business of business will continue.

We at FFA are cognizant of the magnitude of the real estate depression, the deteriorating economic situation, and the bear stock market. We are humbled and feel deeply when our client's statements show negative numbers, particularly when these negative numbers continue month-to-month with no seeming end.

In conclusion, these are the times where we must all collectively fight our emotional brains and embrace our intellectual brains. Armed with the understanding that the markets and the economy that we are currently experiencing are "normal" and that the business cycle is performing as advertised in our business classes, we urge you to take a deep breath and know that we are certainly closer to the "trough" (bottom) of the business cycle than we are to the "peak" (top).

For those who did not major in business, this means that sooner than later, there is no place to go but up!

On a personal note, we want to thank you and reiterate our gratefulness for your trust, confidence and especially for your patience during these volatile economic and market times.

Best Regards,

Berthann & Craig