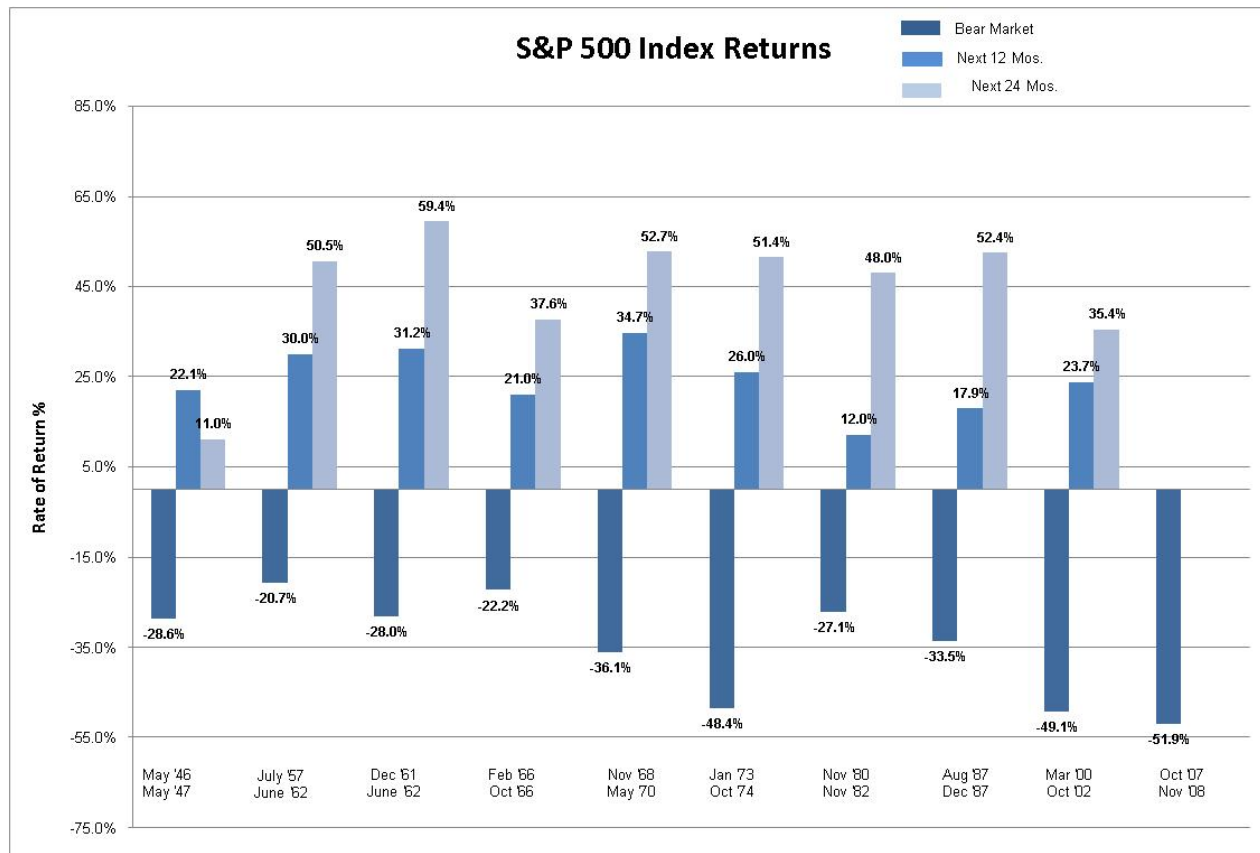


November 20, 2008

Stocks are now flirting with levels not seen since December 1996 (no, this not a typo). We are currently experiencing unprecedented levels of volatility and stock price declines. As of November 20th, stocks (as measured by the S&P 500 index) have fallen 51.9% from their October 2007 highs. The current bear market just became the worst bear market since World War II. Fear is so prevalent that Treasury bond yields have reached all time lows as investors have run to safety.

We do not expect economic indicators to improve any time soon. Job losses will likely deepen, housing prices may fall farther, and companies will struggle to adjust to a global economic slowdown. However, financial markets have historically been reasonably good at discounting poor economic news before it occurs. Arguably, much of the current bad economic news has already been priced into stocks. Stock prices have generally bottomed and started rising about 9 months before the economic indicators improved during bear markets. In the last 10 bear markets, stocks started to rally an average of 7 months before the unemployment rate stopped rising.

The graph below provides a historical perspective for the last 10 bear markets. In every case, stocks were higher in the 12 month and 24 month periods following the end of the bear markets. The average return over the trailing 12 and 24 months was 24.3% and 44.3%, respectively. Although we may not have hit the end of the bear market, history indicates that further losses are not highly likely.



Source: Russell Investments, JP Morgan Asset Management, and S&P 500 Index

The current market is extremely challenging and any additional declines in stock prices would rival periods we haven't experienced since the 1930s. Our efforts to diversify across asset classes, styles, market capitalizations, and geographic regions have not provided insulation from losses. As difficult and frustrating as this period has been, we are comforted by the fact that stocks have historically rallied following difficult periods.

Although it is a tough decision, we strongly recommend holding steady and not reacting to the market's intense volatility. Betting against a stock market rally following bear markets has been a losing proposition. Selling stocks and locking in losses and missing the opportunity to participate when stock prices rise has been the downfall of many investors. It is very difficult to predict when stock prices will bottom and prices have historically jumped quickly once a bottom was established.

Respectfully,

AKT Wealth Advisors, LP Investment Committee