



LONGBOW
ASSET MANAGEMENT

October 10, 2008

I wanted to share my thoughts with you as a valued client and as someone I care about as I realize we are all suffering greatly given what has transpired in the stock market not only yesterday and over the past week but, ultimately, over the past year since the U.S. financial crisis began. While I have met with (and/or spoken with) most clients at least a few times over the past year and/or communicate with many clients on a fairly regular basis, I felt it was important to send you my thoughts on the markets given what has transpired recently.

I would imagine that the past several months and, particularly, the last week has caused you, like me, great anxiety and much discomfort about the investment arena. There is no doubt that we are experiencing an unprecedented amount of negativity, pessimism, and volatility within the U.S. and global financial markets whether for equities or fixed income securities (some have compared it to the Great Depression while others suggest it is much worse).

Case in point, the 1929-1937 period of the Great Depression was a very uncomfortable eight year period particularly for common stock investors. From 1929 through 1931, common stocks fell 8.5 percent, 24.9 percent, and 43.34 percent, respectively. Assuming an investor took positions in common stocks in 1929, he/she would not have recovered his/her original investment until 1937. For an eight year period which produced a non-inflation adjusted return of zero, the investor would have suffered a lot of anxiety and discomfort and watched his/her portfolio incur a tremendous amount of volatility. There is no doubt that we are experiencing a similar, yet, I believe, a far different set of circumstances (given how today's resilient U.S. economy is now part of a dynamic global economy).

Nonetheless, over the past year, the S&P 500 Index has declined by nearly 40 percent (note: your portfolio may or may not have declined as much but regardless it has suffered in line with the overall downturn and is no doubt of great concern to you as well as to me). Incidentally, ½ of the past year's total percentage decline occurred over the last 51 weeks and, shockingly, the other ½ of the total percentage decline occurred in the past week which is a sobering reminder of how bad the past week has been for the U.S. equity markets.

Despite the tremendous amount of bad news in the U.S. and global marketplace, there are many reasons, I believe, to have a lot of hope in the near term and, especially, in the long term. As you know, none of us invest in common stocks because it is a relaxing and

stress-free pastime. We face the challenge daily because over the past 90 years or so it has proven to be an effective way to achieve a return many multiples greater than the rate of inflation to create wealth for one's investment portfolio versus holding cash, fixed income, and many other investment types over an average 7-to-10 year time horizon.

According to The Wall Street Journal this morning, "*Stocks, world-wide, stopped being expensive by any serious measure earlier this year. Now, many of them are downright cheap. World-wide, the equity bubble that first inflated in 1998-2000 and then re-inflated in 2005-2007 has now thoroughly been burst.*

It's easy to forget how high share prices went back then, and just how far they have fallen now. Compared to annual sales, or net assets, or annual earnings, or dividends, global stocks are at or near the lowest levels seen in maybe 30 years. History is pretty clear. Buying good stocks when they are cheap, and holding on for a long time, has been very good business. The further prices fall, the truer that is.

The above commentary reminds us that there are often great opportunities even in the most bleak and seemingly dire times. I, like many, believe there are some highly compelling values in the market now and the types of publicly traded companies that we historically seek for our managed client portfolios are still of great value and possess even more of a viable long-term outlook.

In turn, I do not believe this is a time to panic and sell stocks. While it is impossible to call a "market bottom", it would seem that we are much closer to one now than we had been when the crisis began. I feel that the composition and diversification of your portfolio gives us a good chance to take advantage of higher equity prices at some point.

Also, while the economy may take 1-3 years (or longer) to fully recover from the U.S. financial crisis, I do not believe that the stock market will have to wait that long to come back, particularly with lower energy prices, low interest rates, and a concerted global effort (led by the U.S.) to do anything and everything possible to remedy the situation. As long as you do not foresee needing to live off of the funds which are dedicated to common stocks in your portfolio for at least 5-7 years then I believe it is prudent to consider staying invested in equities (in addition to taking into consideration your own level of comfort and risk aversion).

At the same time, we are a huge proponent of holding cash and investing in fixed income for any investor that does not wish to be exposed to the stock market for any reason during these (or any other) uncertain times whether they wish to reduce their exposure to equities or get completely out.

If you would like to sit down with me (or simply check-in and review your situation by phone) to discuss your investment portfolio, review asset allocation (particularly, your exposure to equity investments), and collaborate about the future, please contact me

anytime. This would be a wonderful time to get together as we enter the fourth quarter of the year and it would be a pleasure to see you.

Whether or not we get together in the near term, please know that I am available to discuss your situation anytime (morning, noon or night, including weekends). I am as energetic and ready as ever to assist you in helping meet your short-term and long-term investment needs despite the challenges we currently face. I am honored to serve as your investment advisor, I appreciate your trust and confidence, and I welcome your call or e-mail message anytime.

Kindest regards,

A handwritten signature in black ink, appearing to read 'M. Jake Dollarhide', with a long horizontal stroke extending to the right.

M. Jake Dollarhide
Chief Executive Officer