First Quarter 2009 Summary

Your quarterly performance report including relevant benchmarks and current position statement are enclosed. Please call us at any time with questions or to schedule a net worth review. Our normal economic and financial market analysis will be mailed separately after 1Q GDP is released.

In this uncertain world, we want to be communicating on a regular basis with our clients and their advisors to share market updates and insights regarding issues impacting the economy and financial markets. In addition, we want to conduct periodic meetings to talk about your net worth and financial plan. These net worth reviews are the equivalent of a financial "check-up" and help us verify the stability and sources of your cash flow. This ensures that we are maintaining a properly diversified portfolio relative to your net worth and balance sheet structure. This process helps identify issues you may have where adjustments are needed and often answers your concerns. For example, the recent financial crisis has pushed 30-year fixed rate mortgages below 5% and created refinancing opportunities for those in higher rate mortgages or ARMS. Additionally, 2006 tax law changes have created the opportunity for Roth IRA Conversions in 2010 for some large IRA account holders.

Our investment approach is highly dependent on the overall growth of the global economy and the financial markets' ability to fairly value financial assets. Clearly the last seven months has led every long-term investor to question those underlying and very important investment principles. The ability of capitalism to prevent individuals and businesses from making bad investments with inappropriate financial structures is being questioned in Washington D.C. and on Main Street. Alternative ownership and control structures are being debated and implemented across the globe that will likely penalize the owners of capital by reducing the rate of return that they would otherwise earn from a productive entity functioning to maximize shareholder value and repay all debt obligations according to the terms for the underlying contracts. Such extreme policies require investment managers to question each and every principle and to be flexible enough to develop an evolutionary response to the new investment landscape.

In doing so, investment managers must make valuation assumptions relative to the underlying asset being purchased and thus, not to assume that the market price on any given trading day is the best estimate of the security's actual fair value. This work will become increasingly important because it should help investors execute a disciplined strategy when either adding money to their accounts each month, known as the "accumulation" phase of your net worth lifecycle or withdrawing money on a regular basis for living expenses during the "consumption" phase of your net worth lifecycle. Optimally, we want to execute a disciplined buy strategy below fair value for those in the accumulation phase and a disciplined sell strategy above fair value for those requiring withdrawals. In a volatile market environment this approach is preferable to simply reacting to market swings as stress builds.

So what happens next and how will my portfolio and net worth grow in a no growth or slow growth environment? The owners of capital especially risk-capital have not been treated well in recent years. Our advice is to objectively recognize what is occurring in your specific circumstance and continuously take steps to manage your balance sheet and cash flows with the very best analytical techniques available. We can help test different scenarios as part of your net worth review.

Moreover, work is going to be part of most Americans' life-style much longer than has been the conventional wisdom including finding new ways to monetize one's skill-set and knowledge base. The retirement age will likely increase to perhaps 70 years-old because many pension and health care trusts have sharply lower valuations today due to lower expected growth rates in the foreseeable future. You should adjust and test your assumptions and determine if changes are appropriate in your financial plan and goals. Are your assumptions still reasonable in the near term?

We want to be methodical and avoid making big asset allocation changes because risky assets like stocks and real property prices have moved up or down sharply. Today, cash vehicles and U.S. Treasury prices likely have more risk than any other asset class because their yields will not maintain investor purchasing power in a world where most of the large central banks currently favor money printing rather than real economic growth. We are maintaining below market-duration fixed income portfolios and are placing more emphasis on non-U.S. Treasury securities.

Price volatility is much greater than can be rationally explained by changes in underlying supply and demand and more government intervention will likely make predicting value that much more important in the short run **so avoid overreacting to price volatility.** Recognize that you are not alone and don't let the herd mentality sweeping from one asset class to another shake your confidence and push you to make decisions that will produce long-term negative outcomes to your balance sheet and net worth.

The Federal Reserve's zero-interest rate plus quantitative easing monetary policy and the Federal government's fiscal policy are clearly extreme by almost any historical standard. Their stated plans to quickly reverse these extreme positions should be viewed with great caution given the relative complexity of their numerous programs including TARP, TALF, and the PPIP. Concurrent extreme positions by Wall Street, Washington and Main Street alike create inflation risk that will likely require more repositioning moving forward.

Thank you for your continued confidence and trust and please call anytime.

Sincerely,

Yolles-Samrah Wealth Management
April 28, 2009