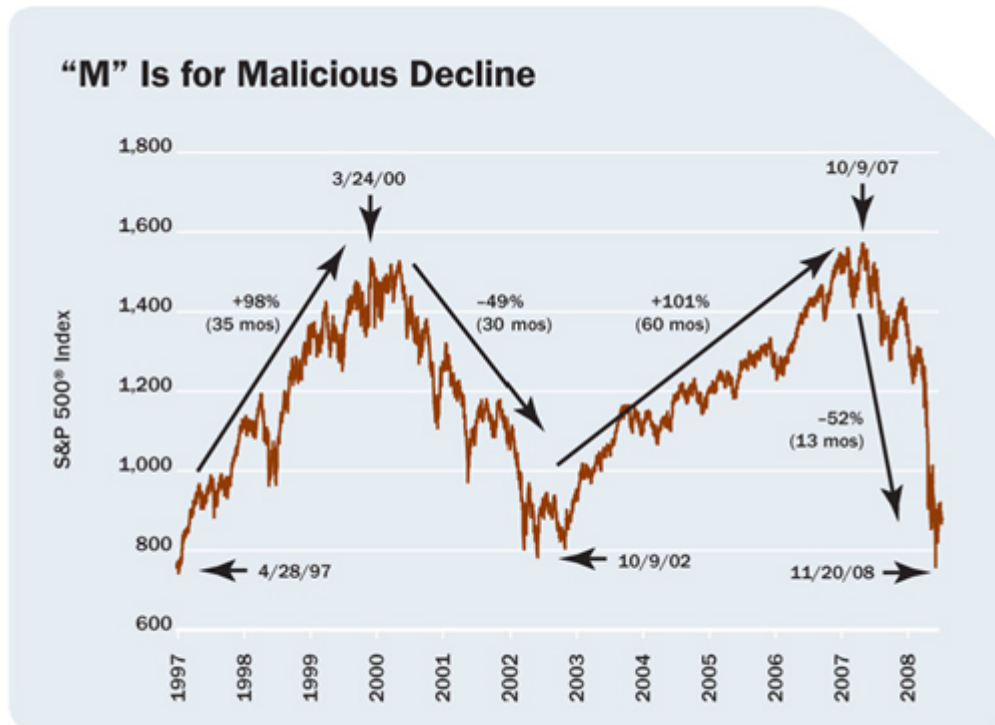


Quarterly Commentary – January, 2009

“Be greedy when others are fearful and fearful when others are greedy”
– Warren Buffett

We have survived the worst worldwide stock market declines since 1931.

The chart below illustrates the full extent of the liquidation of asset values reflected in the equities markets as our financial institutions endured their forced restructuring.



Source: FactSet, as of December 26, 2008.

The market loss for the 10 years preceding November 20, 2008 nearly matches the worst 10-year performance in U.S. history. 2008 was a year where the average price of a stock on the New York Stock Exchange declined 45% and the S&P 500 suffered an exceptional three straight months of declines with a 30% loss in value. Four of the five prior cases where returns were this weak occurred during the Great Depression, but historically, when 10-year annualized total returns have fallen to 1% or less, the next 10 years produced an average cumulative return of 175%, which equates to 10.4%/year. We believe it is important to recognize that we're actually looking for two recoveries; the recovery in the investment markets and the recovery in the economy.

The stock market is a leading indicator of economic well-being, tending to adjust six to nine months in advance of the economy. With hindsight, the stock markets started to decline in October 2007, but it wasn't until the spring/summer of 2008 that people began to take an economic downturn seriously -- that's at least six months lag time. We believe that the economy will start to improve in late 2009. We would expect the stock market to begin its recovery toward the beginning of 2009 – six to nine months prior to the recovery of the economy.

We expect some continued volatility, but the investment markets are already beginning to stabilize. We will not know for some months whether the market low was Nov. 20th.

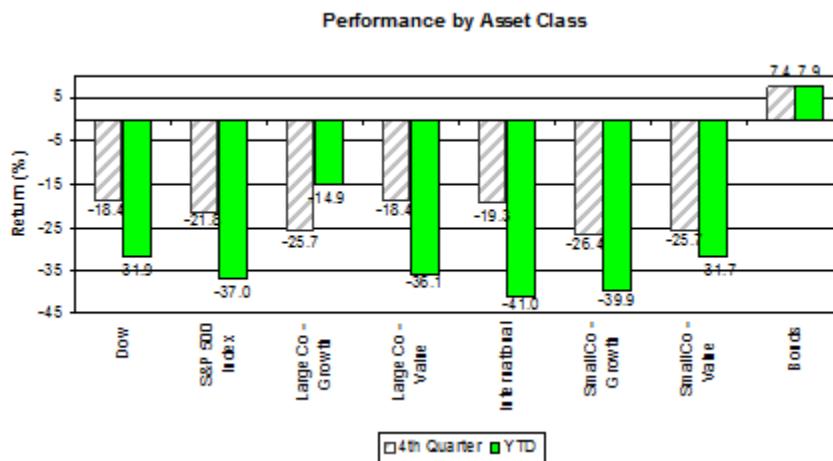
The media will focus on any bad economic news as the economy continues to struggle. Residential foreclosures nationwide will be joined by commercial real estate losses and certainly more job losses as companies downsize or close.

Unemployment figures are the lagging indicator of economic health, peaking when the worst is already past. For example, the November 2008 jobs report (released in December) showed a drop in payrolls of 533,000. Much has been made of the fact that it was the single worst month since December 1974. The December 1974 jobs report was announced in January 1975. That recession officially ended three months later, but the stock market had bottomed the previous October, from which it rose 53% over the following nine months. A similar effect was seen in the brutal 1981-1982 recession.

It will probably take 6-9 months for the billions of dollars that the government has poured into the banking system to trickle through the economy and help restore confidence. The foundation of our lending system must be rebuilt by directing money to select institutions and businesses. Furthermore, consumer spending, which was disproportionately high and has now slumped, must be re-started. This will only happen once consumers begin to trust the economy, feel more secure about jobs and see homes in their neighborhood begin to sell. As consumer and business spending increases, the economy will shift to a growth mode.

Warren Buffett is an astute investor and he suggests it's time to be greedy. The normal reaction to a market decline of this magnitude is to run for cover in cash or Treasuries or even a sock under the mattress – at exactly the wrong time! Again, with perfect hindsight, the only time to make that choice was before October 2007. It is not an option now. Although history suggests similar conditions will recur at some future date, it is not likely to be soon. Buffett and others insist that this is the time of least risk for almost all investments, as the majority of the market recovery occurs over the next two years, providing the opportunity to regain what portfolios have lost. We recommend that you maintain your long-term investment focus.

The chart below illustrates how all equity asset classes were affected by the severe market downturn, manifested mainly in the 4th quarter of 2008. The positive annual return for bonds is misleading, disguising the many defaults and losses experienced in the credit markets in the first three quarters of the year. Bonds staged a rally in the fourth quarter.



TAX ALERT:

Around the middle of January, we will send a separate mailing clearly marked in red, "TAX INFORMATION ENCLOSED" for those taxable accounts that had capital gains or losses. Please look for

and save this report for your tax preparation. Occasionally mutual funds send out statements in February or March to revise their original tax information. We recommend that you meet with your preparer and prepare your tax return completely as usual, but consider not filing it until early April. This strategy should eliminate the need to file an amended return if the information changes.

AND, FINALLY, HAPPY NEW YEAR TO YOU AND ALL YOUR FAMILY AND FRIENDS.

We look forward to working with you through what promises to be an interesting year, both economically and politically. We are, in a word, optimistic, as we go into 2009!

Sharkey, Howes & Javer Inc.