Let's Talk Recovery and Moving Forward
March 2nd 2009

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On a day when the markets sunk to their lowest levels in 11 years (source: Yahoo Finance) can we find any reason to be optimistic? We are going to try.

For much of the last year we have focused on the immediate economic and market crisis, and rightfully so. However, on days like these where the news seems especially bad, it is helpful to pause and to consider the longer term picture.

While it is true, in our opinion any sustainable recovery is some time off (late 2009), Lowe *fs* believes that recovery will come. When it does our view is that it could be led by Large Cap stocks and that the initial burst could be very strong.

In fact, while we cannot predict any future market movements, we would not be surprised if we saw a fairly rapid upward move in the Dow (see index disclaimer below) and other domestic markets. What do we mean by rapid? Well, in talking with our analyst we would not be surprised if the Dow moved from the current levels (or wherever the low winds up) back toward the 9,000 level in less than two years, but only once the recovery starts.

Yes, it will likely take longer than two years to revisit the levels seen in the summer of 2007. But, our goal today is to try to help you remember that there is light at the end of the tunnel.

Obviously there is no guarantee that this will happen but in our opinion it is within the realm of possibility.

Ok, ok, it may get worse before it gets better and who knows. While the Dow may recover to the 9,000 (and ultimately 10,000 and above) level but it could do so via a visit to 6,000. Clearly more pain is likely and more dismal news could be around the next bend.

Quite simply, we need to have improved economic news, steadying earnings and a consistent policy out of Washington before any recovery is likely.

More specifically, the markets need to gain confidence in the plans to deal with the bad loans of distressed banks. The "bad bank" concept is off the table. Now the current talk is a proposal of a private-public financing partnership which relies heavily on private investment. Lowe *fs* is hardly convinced that there will be adequate investment managers who are eager or able to put up the required capital. Nor are we convinced that the U.S. will find a willing stream of investors to participate in the program.

The big problem however is that many of the details remain unclear. Until the details are announced the markets will likely remain unsettled. Without question however, dealing with the issue of distressed banks is the key to starting to rebuild our economy. This needs to be done sooner than later. The challenge is how the government can provide enough confidence that private investors are not bearing too much risk while at the same time not burdening the taxpayers.

The current environment is why in many of our actively managed discretionary accounts, we have attempted to take steps to neutralize a portion of the market volatility. For these accounts we continue to focus on potential preservation while monitoring the overall situation. In our opinion proactive management is critical in this environment and will be critical going into any potential recovery phase.

Riding it out in our view was not an effective strategy for investors throughout this turmoil. Yet far too many brokers advised their clients do just that.

This brings us to our next topic. It is one that we do not address on a regular basis. However, given the times we are in we believe it is prudent to do so.

Of late, we are seeing and hearing numerous advertisements where local brokers are seeking to gain new clients by offering portfolio reviews. The fact is, your friends, family and colleagues <u>are</u> hearing from these brokers and given the staggering losses some may have seen in the past year, many people are indeed very open to a new approach and advisor.

While this may not be a topic you bring up on a regular basis, we would ask you to consider mentioning Lowe *fs* to your friends. We would welcome the opportunity to have a conversation or a meeting with them if they are worried about their situation.

Not only have some brokers simply done nothing or very little in the way of portfolio management, we are hearing that some are not regularly contacting their clients and keeping in touch with them during this difficult time.

We know people are troubled, scared and want council to help them make sense of things. And we also know that they are about to be inundated with advertisements, offers for free meals and people pushing products that they claim are the answer to everything.

Lowe *fs* is well equipped to help them make sense of this environment and we would welcome the opportunity to help your friends and colleagues. As you know, Lowe *fs*

does not do any advertising, radio or TV spots. Over the years the majority of our new clients have been introduced to us by existing clients like you.

In order to make it easy for you to provide information about Lowe *fs* we have a new brochure. If you would like a copy (or several) please send an email by clicking here and we will send them to you. Additionally, there are some very good resources on our website www.lowefs.com.

Thank you as always for thinking of us.

Harold, Greg and David

Important Disclosures

- Not all portfolios are actively managed. If you have a question about how your account is being managed please contact us.
- No diversification can completely protect against market risk or other risk factors with investing. A diversified portfolio could still lose money.
- An Index is a portfolio of specific securities (common examples are S&P, DJIA, NASDAQ), the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Indexes are unmanaged portfolios and investors cannot invest directly in an index. Past performance is not indicative of future results.