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Disciplined, Conservative Management Strengthens Raymond James

In view of recent announcements concerning the futures of once-stalwart financial services industry firms Merrill Lynch & Company (which is to be purchased by Bank of America for approximately \$50 billion, or \$29 a share) and Lehman Brothers Holdings (which has declared bankruptcy), it is natural to question how other financial services firms are faring during the credit crunch brought about by the turmoil in the housing industry and subprime mortgages.

None of this is good news, of course, and some of our clients have asked if this has shaken our faith in the stability of Raymond James. Raymond James is a conservatively managed firm, and we believe it should be positioned to withstand these economic and market challenges. Raymond James CEO and chairman Tom James called the developments a "tragedy for the industry" to lose two major Wall Street firms, but said both are examples of what can happen when risk management controls are not properly utilized.

Many of the problems seen in the financial world today have been the result of leverage and imprudent borrowing. Because of its steady approach and disciplined management, Raymond James has used leverage sparingly in its growth strategy. When it has been used, conservative principles and rules have been applied. In addition, the firm has almost no direct exposure to the subprime business that affected the markets and so many other financial organizations.

It can still be unsettling and worrying for investors to hear about the troubles of some of the largest firms in the industry. Many investors may be wondering if their financial advisor will even be in business tomorrow.

Because the markets are so unpredictable, we try to design portfolios to be able handle difficult situations such as we are in. Our overall strategy has been to attempt to reduce volatility and losses through diversification, while trying to keep the portfolio positioned to take advantage of good markets when they return. This has minimized direct exposure to the worst hit companies in this crisis. Of course, diversification does not eliminate the risk of investment losses. The markets have encountered difficult periods like this in the past.

What is clear is that the financial markets are changing. Credit and leverage may be tighter for some time. U.S. dominance of the economic and financial world will continue to be under pressure. We will continue to review and adjust our forward looking strategy accordingly. We encourage you to continue taking a long-term, disciplined approach with your investment portfolio.

If you have questions about the current state of the industry or would like to discuss your portfolio and your specific investments, please feel free to contact us.