



October 31, 2008

Dear Friends,

As you probably are aware, October has been another very difficult month for the stock market. The Dow Jones Industrial Average fell from a closing price on September 12, 2008 of 10850.66 to October 27, 2008 close price of 8175.77. This is a drop of approximately 2675 points or 24.65%. This is in addition to the previous decline this year which brings the year to date performance since January 1 to a decline of 38.36%.

What you may not also be aware of is that during October many other asset classes have fared equally poorly. Modern portfolio theory is based on the tenets of asset allocation because history has shown that a portfolio diversified among various asset classes usually has lower risk of volatility. Unfortunately over the last month it didn't seem to matter what other asset classes you owned, whether they be municipal bonds, high quality corporate bonds, preferred stocks, international stocks, emerging markets or commodities. The only assets that basically held their value was cash and US treasuries as we saw a flight to quality as investors sold pretty much everything else.

And while well diversified portfolios didn't generally fall more than the stock market (unless they were overweight international stocks which fell more), they still fell in value over the course of the month. So, I do want you to be prepared for the upcoming delivery of your October investment statements as they will reflect a larger decline than might have been expected.

The bright side of this, if there is one, is that history also shows us that declines like this have run their course and that markets have recovered. The key is for us to continuously review your asset allocation, as well as your risk tolerance (which obviously has been sorely tested), and decide how we want to be invested going forward. In our personal opinion, the time to sell is behind us (except to do any repositioning for the upturn when it occurs) and that we should look forward to the future and as Warren Buffet recently said; "Buy America" – after all, it certainly seems to be on sale.

Program Note: Please mark your calendar for our Annual Client Breakfast Saturday, January 17 at 8:30 AM.

As always we are available to meet or speak with you. Please do not hesitate to call with any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jonathan D. Wax'.

Jonathan D. Wax, CFP
President & Chief Executive Officer
Waller & Wax Advisors Inc.

A handwritten signature in black ink, appearing to read 'Laura Waller'.

Laura Waller, CFP
Chief Investment Officer
Waller and Wax Advisors Inc.