



## Stanton & Castleton, Inc.

An independent firm

*Let's Review: Our Monthly Newsletter.....10/01/08*

This month:

While almost all of our clients know us pretty well there are still some things you may not be aware of. For instance, we are both big film fans. Bob loves all the older movies and has a weakness for westerns while Ron is more contemporary with a love of foreign films. We mention this to illustrate a point and tell an amusing story: Most of you have probably seen the movie Animal House at some time. There is a great scene where Tim Matheson's character, Otter, is in a court room. He stands up and delivers an impassioned rant ending with him marching out of the court room with his fraternity brothers behind him humming patriotically. A movie classic!

Well in the office we will refer to Bob having an "Otter" moment...this is when he starts to comment on something that turns into an office pacing speech where he passionately "goes off". It will usually have to do with the economy and markets, and during these moments we all just stand aside and let the wave of enthusiasm break on the shores of our ears! This is the topic of our news letter because we had an "Otter" moment this month, and it was one where our collective professional opinion was expressed.....what was this epiphany?

During what has been a volatile and nerve-racking period in our economy that has spilled into the stock, bond, cash, real estate and now financial infrastructure of our economic system, we observed something about emotion and our behavior. As we have tried to illustrate the past few months this bear market looks a lot like past bear markets...just a different set of factors causing the decline in the economy. We also have noted that as in past periods of economic fear and uncertainty, people and institutions "take shelter". Investing often becomes selling equity to raise cash. This action in of itself contributes to the decline, however sometimes our fear dictates behavior. We address this by making portfolio design and risk management

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through diversification the cornerstone to our management process. Now...What was the "Otter" moment?

Essentially, he observed that the greatest strength of our U.S. economy and "system" is that, as a people, we can recognize when things are at an important and significant moment AND then we take action. The action is quick and decisive and is often modified along the way when we see any flaws in our decisions. However, the main point is we **DO SOMETHING** and don't let the fear collectively grip us into inaction. This is the strength of our American system, markets and people.

This was most aptly demonstrated when during the height of the market panic we saw; the man thought to be the greatest investor of the last 50 years, Warren Buffett, invest 10 Billion Dollars of his company's money into the market! He took a 5 Billion Dollar stake in Goldman Sachs Group (on of the "troubled" financial firms) and another 5 Billion Dollars into Constellation Energy. That is putting you money to work!

A long time ago we observed that if the road to investment success is to buy low and sell high...why is it that investors often are selling at the low (bear markets) and buying at the high? Our answer is simple: For all of us managing our emotions is the most difficult thing to do. Often when things are at their worst we are hearing the worst possible outcomes and lack the confidence in our ability to understand what is going on. Conversely, when things are going great it is easy to join the crowd and tag along with the wave of optimism and confidence.

This is why you all have hired us...in large part to have some trusted and knowledgeable intermediary between you and the reactive emotional decisions we all can make. It helps that we have an approach to asset management that focuses on risk management...it helps that this approach has proven its worth in the performance of our client portfolios...however we are all still subject to the extremes of market volatility. In the end we have to stay focused and do the hard work, this is what we do for you.

Every month we quote Warren Buffett's mentor, **Benjamin Graham:**

**"In the end, how your investments behave is much less important than how you behave."**

We do not know where the market bottom is just like we (along with everyone else) did not know the market top. What we believe is that over time a well designed and managed portfolio will weather these corrections and participate in the recovery. We help you to navigate the bad times so you are around to benefit when times are good.

Clearly we see this as a potentially great opportunity for investing. The details on how this crisis will all play out will be apparent after it is over. Right now, we are confident in our economic system, political structure and the people in this country. In the end we believe it will not matter the party leading the way...only that someone leads and that all parties work together. This is, after all, one country and we are in it together. Once again we say be aware, be smart, manage your risk, manage your emotions, do your homework so you can have confidence and conviction going forward.

***Bob Stanton***, Branch manager / Registered Principal, RJFS:

Well our son Jordan is off this Month to the USMC...good luck and thanks. Joyce and I are now taking turns on the homework front. We are using the "good cop / bad cop" approach. The problem is our boys have seen this act on to many TV shows and know what is going on! If anyone out there has a sure fire way to get kids to listen to their parents...please call ASAP. On the plus side...Joyce and I are learning to relax and take advantage of the quiet views sitting in the back yard together. I still can not believe how lucky I am, great kids, beautiful wife.....and she has bad eye sight!

***Ron Castleton***, Branch manager / Registered Principal, RJFS:

My oldest son, Adam, and I got to go to the Charger vs. Jets game seen on Monday Night Football! We had a great time, and it was not just because the Chargers thrashed the Jets, or that Bob had to eat crow for trash talking my Bolts, it was just neat to hang out with Adam...father son, man to man. Sunny has done some good work raising our boys!

***Charity Van Horn***, Client Service Manager, RJFS:

This has been my month to be sick...no fun. The good thing is this means I should be OK for the coming holidays!

Bye

*This month “Financial Topic”: One more cartoon!*



**“In the end, how your investments behave is much less important than how you behave.”**

**Benjamin Graham  
The Intelligent Investor**

*The Numbers:*

**Closing Values – monthly change / 09-30-2008**

<b>DOLLAR</b>	Neutral	<b>NASDAQ</b>	2,082.33	-285.19
<b>10-YR YIELD</b>	3.82 %	<b>S&amp;P 500</b>	1,164.74	-118.09
<b>VOLUME</b>	2,429,837,000	<b>DJIA</b>	10,850.70	-692.85

*Numbers Provided by Standard & Poor’s*

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**M<sup>3</sup>** Manage.....Monitor.....Maintain

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