

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



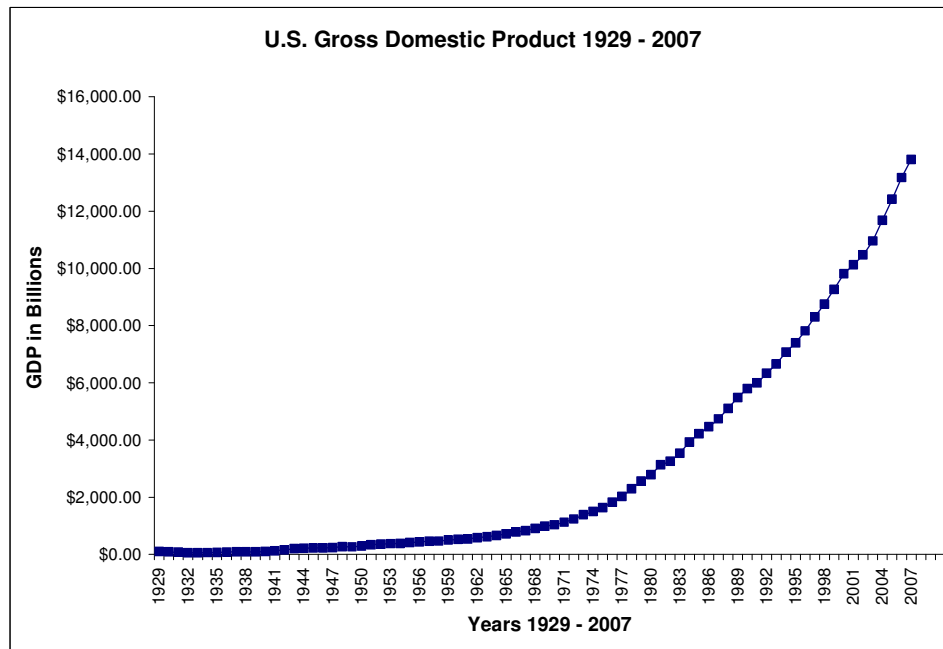
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Let's Review: Our Monthly Newsletter.....11/01/08

This month:

OK, where do we go from here? We get this question a lot lately. We were told once by a very wise rocket scientist that “sure we could design and build a plane that would never fall from the sky” “a plane that took into account all the potential risks and had redundant fail safe features for all these variables” However, the cost to construct this plane would render it unaffordable to build. His point is that in the real world it is not reasonable to insure ourselves against the highly improbable, even though we know that in certain extremes we do have “outliner” events. This is true in science, engineering, medicine, nature and investing. That’s why we diversify when investing. Which brings us back to what now? Let’s look at the big picture:



Source: <http://www.bea.gov/national/>

The chart above shows our U.S. Gross Domestic Product (GDP) since 1929. As you can see this has been a very steady long upward move to where we are currently producing almost \$14 Trillion in GDP per year! Why is this

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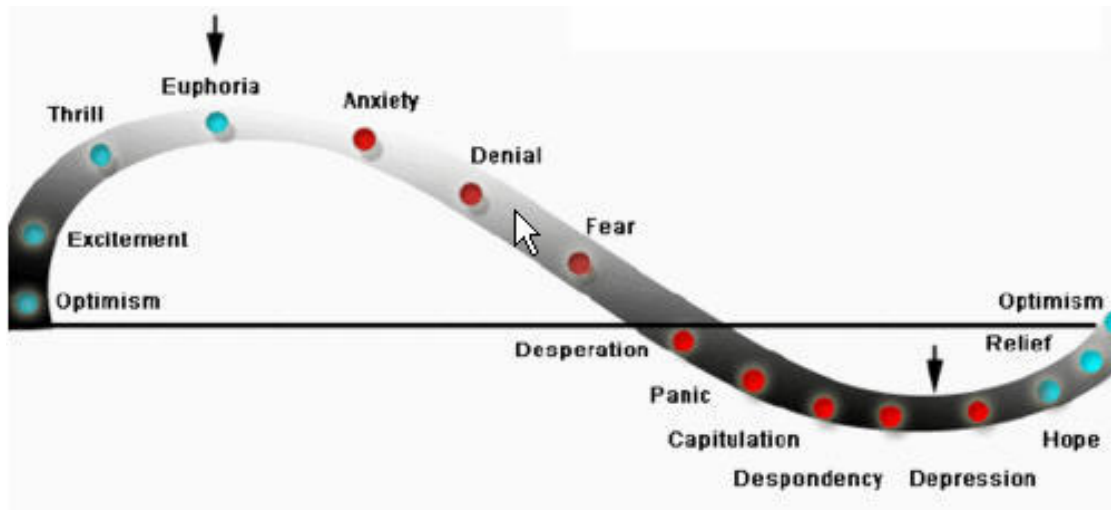
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important? This long steady increase in production and economic expansion drives the growth of our economy and markets. It is also what fuels the recovery of markets during turbulent times. During this same period we have seen many critical world events, from depressions to World Wars, historic scientific achievements like the space program and great social advances. The world and the markets have been much more volatile than our GDP chart would suggest but we still continue to grow.

Will this continue? Can we recover yet again? Our answer is that as long as the world has some combination of Democracy and Capitalism where people are free to grow both socially and economically our markets can prosper.

Now an observation on how we handle fear and uncertainty. During periods like this recent global financial upheaval or any period where great uncertainty and stress exist people tend to have the same behavior. There are thousands of books and many professions that deal with how we cope with fear, anxiety and any other emotion. Let’s look at how we tend to behave:



We think we are somewhere past “Fear” and but before “Hope”. Our intellectual side understands the inherent value but our emotional side wants it all too just go away...just sell it all. When we are actually living through periods like this we can not let our judgment to be clouded. Right now we are looking at a period that is unnerving but filled with great bargains. If the grocery store suddenly marked down everything 40% would we buy or wait? The collective global actions taken are both working and remarkable in how swiftly governments have moved. This recession will be over and the

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recovery well underway by the time we hear about it in the news, or see it in a chart...right between “Excitement” and “Euphoria”.

Bob Stanton, Branch manager / Registered Principal:

I am really enjoying the diversion watching the boys sports provide these days! Ethan is half way through the football season at THHS. He plays in on both the JV and Varsity teams, so we get two games a week! Cole is playing winter baseball and really enjoys the lower key nature of the games (so do I). Just so you know, other than giving “advice” (can’t stop myself...and the boys have learned to tune me out) I am not coaching...so Joyce and I are “dating” again!

Ron Castleton, Branch manager / Registered Principal:

I recently went to a friend’s house to watch the Charger game and “brew beer”...well let’s just say that I came to work that Monday to inform Bob that we will be Brewing and Bottling some S&C beer in the very near future! If all goes well maybe we can have a “sampling party” Ahhh Beer!

Charity Van Horn, Client Service Manager:

Halloween! My favorite holiday was a blast. I was a chocolate cupcake with pink frosting...I have a picture on my desk if anyone stops in!

Bye

This month “Financial Topic”: One more cartoon!



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**Benjamin Graham
The Intelligent Investor**

The Numbers:

Closing Values – monthly change / 10-31-2008

DOLLAR	stronger	NASDAQ	1,720.95	-476.96
10-YR YIELD	3.97 %	S&P 500	968.75	-223.95
VOLUME	1,573,109,900	DJIA	9,325.01	-1592.50

Numbers Provided by Standard & Poor's

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Manage.....Monitor.....Maintain

For a more in depth discussion on our services and approach to asset management...or if you would like to read past issues of our newsletter just click this link:

<http://tinyurl.com/65vypu>

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