

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



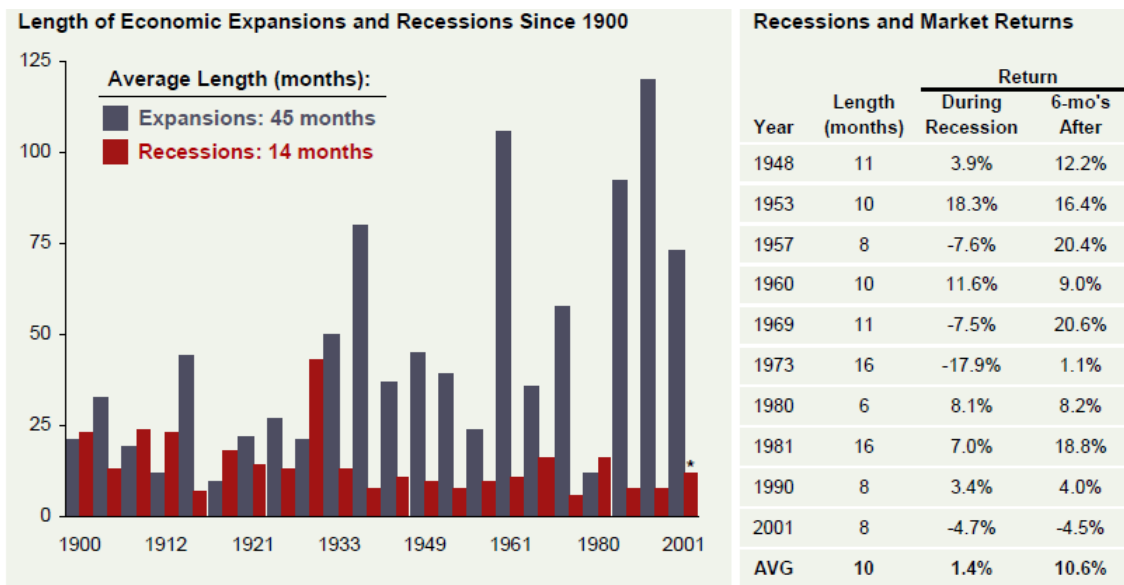
Stanton & Castleton, Inc.

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Let's Review: Our Monthly Newsletter.....02/01/09

This month:

Already one month into 2009 and we are still in the grips of a bear market. The recession officially began in December 2007 according to the U.S. Government, so we are currently beginning the 15th month of this recession. As the graph below shows the average length of a recession has been 14 months, however we have had longer contractions since 1900.



Source: NBER, Standard & Poor's, JPMorgan Asset Management.

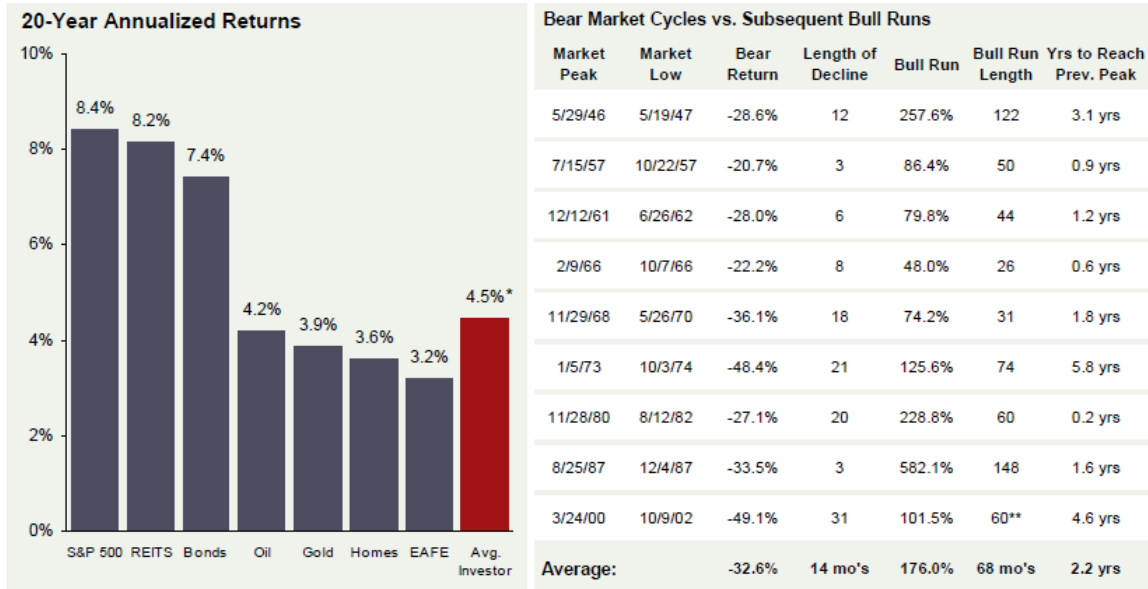
We are often asked when it will end and what should we do. Predicting the exact end of a recession is an art form at best, so we rely on looking at past economic behavior to try and assess the greatest near term risks. With the majority of the market losses occurring since September of 2008, a full ten months into the recession, we have to start to look at how recoveries begin. Since the markets are forward looking, often investment values begin to recover well before the clear end to a recession is known. In our view this now becomes one of the major risks we have to consider going forward: not how much lower will things go, rather can I afford to miss the turn in the

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markets? As the chart below shows, the period following a bear market can be even more dramatic than the decline. This makes perfect sense if you consider it. The long term average return for the S&P 500 (1-31-1950 to 12-31-2008) was 10.76% (Thomson Reuters, InvestmentView). Since we know this has been true and we have seen how dramatic the recent market decline can be, it follows that for the long term return to be 10.76% then the recovery periods must have been even more dramatic:



Source: Standard & Poor's, FTSE, MSCI Inc., Nymex, Barclays Capital Inc., NAR, EcoWin, JPMorgan Asset Management. The above charts are shown for illustrative purposes only. Past returns are no guarantee of future results.

The U.S. Economy is still huge relative to all others. With our GDP nearly twice that of China and 3.5 times the third largest economy, Japan, we still have the resources few others do to weather a severe recession.

Economics				
	GDP USD (B\$)	GDP Per Capita	GDP Growth	Unempl. Rate
U.S.	\$13,840	\$45,800	-0.5%	6.7%
Canada	1,271	38,600	0.3	6.3
Japan	4,272	33,500	-1.8	3.9
France	2,075	32,600	0.5	7.3
Germany	2,807	34,100	-2.1	7.5
U.K.	2,130	35,000	-2.6	6.0
Italy	1,800	30,900	-2.1	6.7
China	7,099	5,400	9.9	4.0
India	2,966	2,600	7.6	7.2
Mexico	1,353	12,400	-0.8	3.7

Source: JPMorgan Asset Management, EcoWin, CIA.

Any recovery that begins will be fueled by an increasing confidence by consumers and investors. The consumer still accounts for 70% of our GDP

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so without confidence it is hard to envision an increase in consumer spending. This is where all the action taken by the U.S. Government to lower interest rates, absorb “Toxic” debt, shore up the banking system and stimulate lending, investment and most importantly spending can have its greatest impact. Many of us have to face the hard realities of this recession: lower account values which may force us to cut the income taken on our portfolios work more, spend less or retire later. The temptation is to remove all risk and go to cash; however this implies you know for certain the markets will fall further. We need to ask if we can afford to miss a recovery.

This is why we continually look at our portfolios and annually rebalance. We moved to rebalance all the taxable accounts before year end for tax reasons and now need to move forward with the tax deferred accounts. This is our opportunity to make any changes to portfolios that reflect the current market conditions. We will be calling to do this work in February. The current environment is a difficult period but we can not allow fear to distort our perspective and dictate our actions.

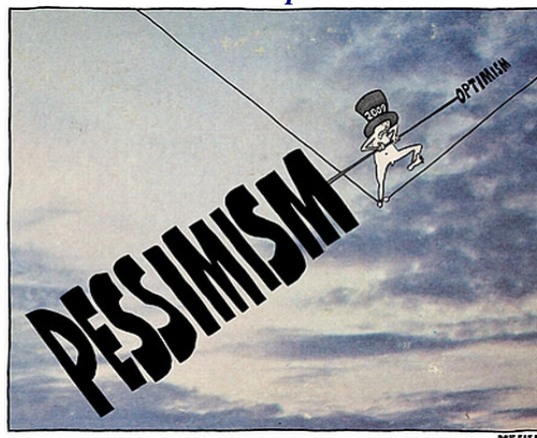
Bob Stanton, Branch manager / Registered Principal:

With work so hectic recently, Joyce and I have to remind ourselves to enjoy the great moments: Jordan is healthy, Ryan was hired recently by Disney, Ethan has gone over a year without breaking a bone and Cole will still hang out with his Pop (that will not last, he turns 13 in March)!

Ron Castleton, Branch manager / Registered Principal:

Now that the kids are gone we are getting an early jump on spring cleaning. Sunny has made a long list of projects we would like to get done around the house...so you can see me at the local Home Depot!

This month “Financial Topic”: One more cartoon!



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**Benjamin Graham
The Intelligent Investor**

The Numbers:

Closing Values – monthly change / 01-30-2009

DOLLAR	stronger	NASDAQ	1,474.82	-102.21
10-YR YIELD	2.81%	S&P 500	825.91	-77.31
VOLUME	1,853,826,048	DJIA	8,000.86	-775.53

Numbers Provided by Standard & Poor's

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

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