



# M.K. BROWN AND ASSOCIATES

A Registered Investment Advisor



April 20, 2009

## Office News

Now you can access your accounts, read newsletters, access market resources and more – all through our Web site: [www.mkbrown.com](http://www.mkbrown.com)

Created to offer you greater convenience, our Web site is easy to navigate and also gives you details about the services we offer through Raymond James. Your feedback is welcomed, so please share our Web site with your family and friends and let us know what you think. We look forward to speaking with you soon!



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## Quarterly Update

Stocks saw their best one-month gain in March in more than six years, but while it was a welcome respite from the battering in January and February, the first quarter still ended with a double-digit loss for equities. Our portfolios did well in the first quarter as both our active managers' performance and our tactical allocations added value, which was not the case in 2008.

The list of issues affecting today's investment landscape is dizzying; at the top is the dismal state of the global economy. The fundamental problem is that over the past several economic cycles U.S. households and financial service businesses took an increasing amount of debt in order to fund consumption and investments. This trend was self-reinforcing as purchases with borrowed money drove up asset prices (such as homes and financial stocks) and profits, which supported even more borrowing. Ultimately this upward spiral was unsustainable, and its unwinding has created an adverse feedback loop of falling asset prices and lower spending and profits. As the economy deteriorates, contributing factors (such as rising unemployment, mortgage defaults, loan write-offs, reduced lending, and overall fear) all fuel one another.

## Upcoming Events

**May 7:** Educational Workshop: "Investment Outlook Symposium"

**May 12:** Conference Call with Alliance Bernstein: "Capital Market Outlook" (Details will be sent separately or call the office.)

## Quarterly Update- Continued

In such a situation, most experts agree that government needs to step in as a consumer and lender as last resort to try to stop or mitigate the effects of the adverse feedback loop. In effect, the public sector (the government) must take on more leverage and spend more in order to try to plug the gap created by the deleveraging in the private sector. The \$800 billion fiscal stimulus package and the monetary and credit policy actions undertaken by the Federal Reserve and the Treasury to support the financial and credit markets are the results so far.

We agree that stopping a debit-deflation spiral from taking hold is very important, but there remains a lot of uncertainty as to how the government's efforts will play out. Generally speaking, we think that the policies and programs recently announced are likely to help move the economy towards recovery, but they may not alone solve the serious problems we are facing and we expect more government action in the months ahead. In our opinion, no matter what policies are introduced, the impact of consumer and financial system deleveraging will almost certainly be a significant drag on economic growth over the next several years, as savings and paying down debt replaces borrowing and spending. We also believe that there will be a price to pay down the road for the current policy actions in the form of a weaker U.S. dollar, higher inflation, higher interest rates and tax rates and consequently, subpar economic growth and corporate profits, with lower than normal stock market valuations (P/E multiples).

We have considered four broad economic scenarios that we believe are reasonably possible in assessing valuations and potential returns for equities and

other asset classes. We are giving weight to our more negative scenarios when making investment decisions, but even in those scenarios, returns from current asset price levels are likely to be positive over our five year horizons. As we extend our investment time horizon out towards 10 years, our expectations for equity returns move toward more optimistic end of our range, in the upper single-digit to lower double-digit to return range. This is because earnings and P/E multiples are more likely to revert to their long-term trend averages as the global economy improves but in spite of the strong rally we are experiencing as we write this, the path from here to there is likely to be bumpy and there could still be some big dips along the way. It's important that investors try to make an honest assessment now about how they would react to another painful short-term downturn.

When stocks do once again, become a strong buy, we will look to opportunistically add to our equity exposure in order to generate higher long-term returns for our clients' portfolios. Meanwhile, our tactical asset allocation moves (primarily a significant weighting to corporate bonds and an increase to our alternative investment holdings) have added values, resulting in some encouraging performance for our client's portfolios in the first quarter 2009 (we lost significantly less).

Though uncertainty is high, we want to emphasize that we are focused on meeting the challenges of navigating this environment and taking advantage of the opportunities that is present. As always, we appreciate your confidence and please feel free to contact me to discuss any questions you may have on your own individual situation.

## Personal

Writing this while viewing the Masters Golf Tournament, for me, the beginning of spring and the start of a new and better golf season (hopefully). Winter was quick, Steffen and Anne back to school, grand kids in Orlando. Traveled to Ft. Lauderdale with our good friends celebrating St. Patrick's Day (lasted three days). Also spent time in Las Vegas, no not to party, but was a guest speaker for The Raymond James Financial Conference, a nice honor!

Best Regards,



Martin K. "Bo" Brown, CFP®, CIMA®

## Financial Consultant

*Alternative investments are available only to those who meet specific suitability requirements, including minimum net worth tests. Please review any offering materials carefully, and consult with your tax advisor or accountant prior to investing. There are special risks involved with alternative investments, including investment strategies, and different regulatory and reporting requirements. There can be no assurance that any investment will meet its performance objective. Futures trading is speculative, leveraged, and involves substantial risks.*

*The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material.*

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*Any opinions are those of Martin K. "Bo" Brown and not necessarily those of RJFS or Raymond James.*

*Past performance may not be indicative of future results.*



Like the new newsletter design?? It was created by Kyra and

Ralph, our UD interns!

## The Wisdom of Great Investors

“Individuals who cannot master their emotions are ill-suited to profit from the investment process.”  
*Benjamin Graham*

“History provides a crucial insight regarding market crises: They are inevitable painful and ultimately surmountable.”  
*Shelby Davis*

“Far more money has been lost by investors preparing for corrections or trying to anticipate corrections than has been lost in the corrections themselves.”  
*Peter Lynch*

“The function of economic forecasting is to make astrology look respectable.”  
*John Kenneth Galbraith*

Happy, Happy Birthday!

April 2009 Birthdays

Amy Carter	04/01
Joyce Smith	04/02
Winola Wheeler	04/03
Mary Bockhorn	04/08
Bob Aufderheide	04/07
Joyce Cology	04/09
Ralph Arenz	04/10
Nancy Vogel	04/10
Rosemary Dillon	04/11
Connie McKale	04/12
Ruth Nathanson	04/13
Elizabeth Lopez	04/16
Chuck Ryan	04/17
Rodney Smith	04/18
Alma Fisher	04/18
Brenda Wilken	04/19
Mary Aufderheide	04/20
Maurita Bergman	04/22
Dave Russell	04/26
Karen Tinney	04/26
Betty Fox	04/27
James Unum	04/28
Carol Orłowski	04/30

May 2009 Birthdays

Brian Larkin	05/04
Tori Bergman	05/06
Kathy Lyons	05/06
Bill Lyons	05/07
Nancy Nadolny	05/07
Tammy Wright	05/08
Jane Pidgeon	05/08
Peter Kuntz	05/08
Norm Orłowski	05/09
James Long	05/10
Tina Cruder	05/10
Martha Snyder	05/11
Merle Stewart	05/12
Karl Bame	05/13
Rick Vogel	05/14
Edward Knight	05/17
Ron Gordon	05/17
Paul Walter	05/18
Eleanor Fariello	05/19
James Adams	05/20
Wanda Patterson	05/20
Diane Harris	05/21
Juliann Vann	05/22
James Matteson	05/22
Jane Meyer	05/24
Sarah Hesselgesser	05/24
Sandee Long	05/28
Cynthia Gillespie	05/30

June 2009 Birthdays

David Deutsch	06/01	Ginny Mannix	06/01
Rad Gore	06/01	Margaret Holmes	06/03
Jane Burnand	06/04	Blair Jackson	06/04
Judy Wenzler	06/04	Mary Sauer	06/05
Zachary Vann	06/06	Cheryl Best	06/06
Pam Eyring	06/06	Dave Bockhorn	06/07
Dick Luthman	06/08	Lewis Scarborough	06/11
Lillian Nantz	06/12	John Hesselgesser	06/14
Mary Snyder	06/15	Michael Good	06/17
Carolyn Gore	06/19	Scott Hayes	06/21
Doug Morrow	06/21	Jennifer Sydor	06/23
Martha Greenwood	06/27	Mary Ann Black	06/28
Jim McKale	06/29		





