



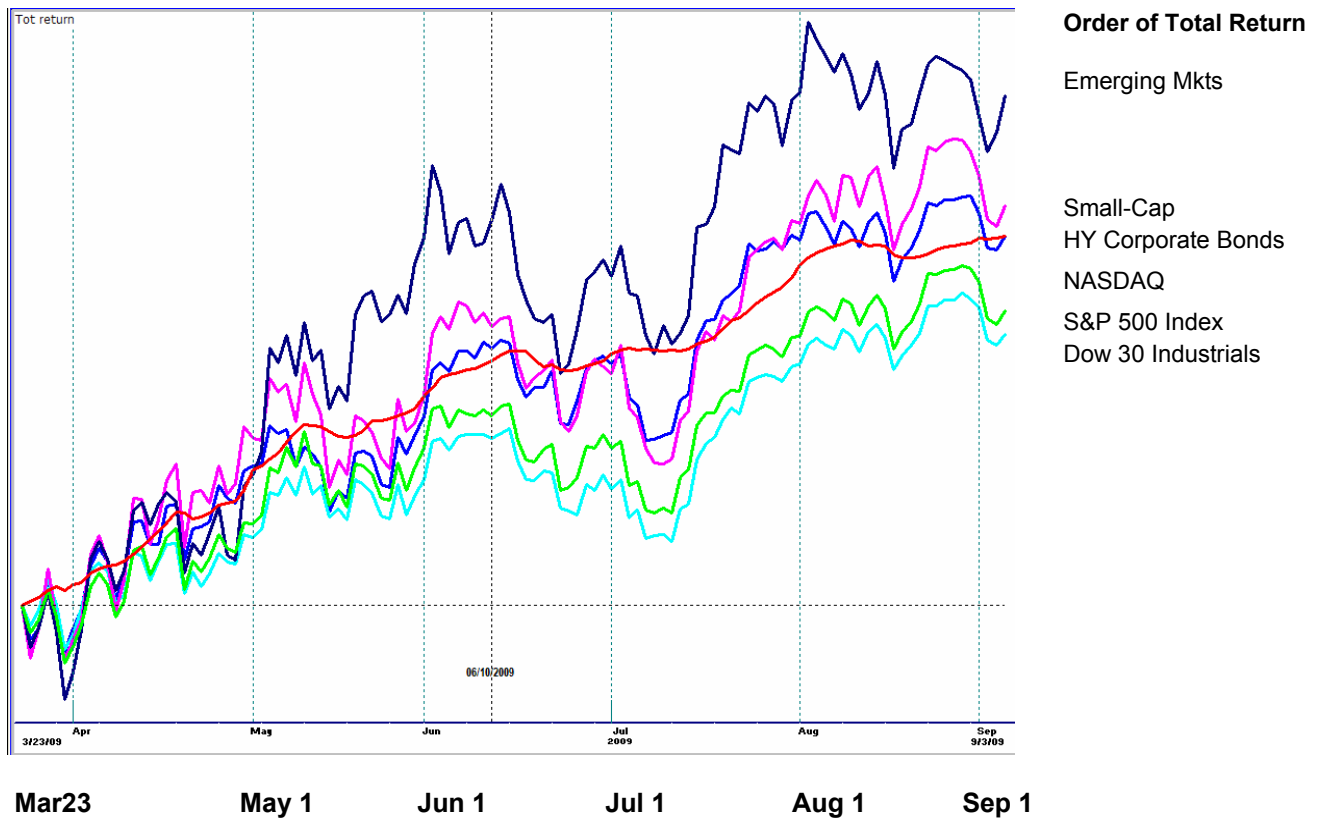
We Still Like High Yield Corporate Bonds and There Is Little Sign of Future Inflation Today

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The charts always tell the best story. In the chart below we show the major indices and an index composed of over 200 high yield corporate bond funds, equally weighted. From the chart below, which one of the below investments would you prefer? Certainly the “red line” has outperformed 3 of the five “other colored” lines. But more importantly, the red line has done so while experiencing far less risk during this period. That is what investors want – positive returns with the least amount of risk. In this case we are defining risk as volatility, the up and down jaggedness of all the lines in the below chart except the red line.

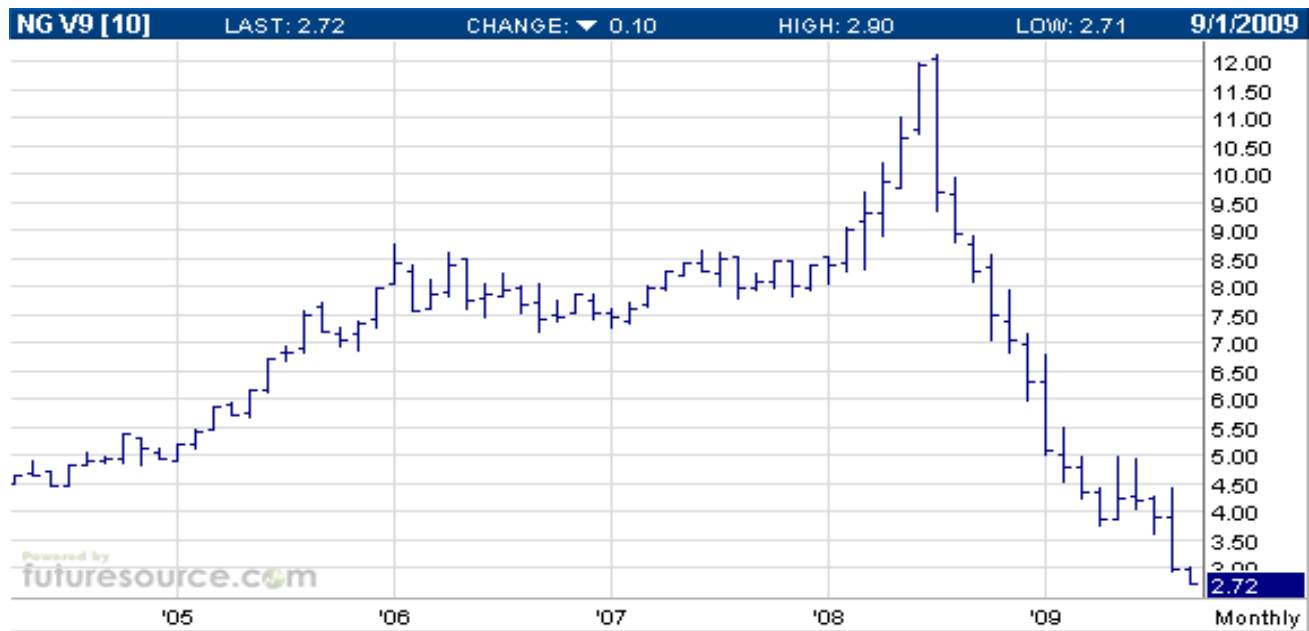
March 23 – Sep 3, listed in total return order down the right hand side of the chart.



When compared to equities, clearly high yield corporate bonds have had a superior risk-adjusted return since March 23, the approximate date we invested in high yield corporate bond funds in our client accounts and allocations. Equities have appreciated considerably since those lows of March. But our research has identified high yield corporate bonds to have a far greater risk reward potential and we have invested our client accounts accordingly.

Continuing along the theme of “the charts always tell the best story”, now let’s discuss inflation. Below you will see a chart of Natural Gas, which is used in manufacturing, electricity generation and to heat our homes and hot water. Note how it has been plummeting in price. Certainly there is no sign of inflation in that omnipresent commodity.

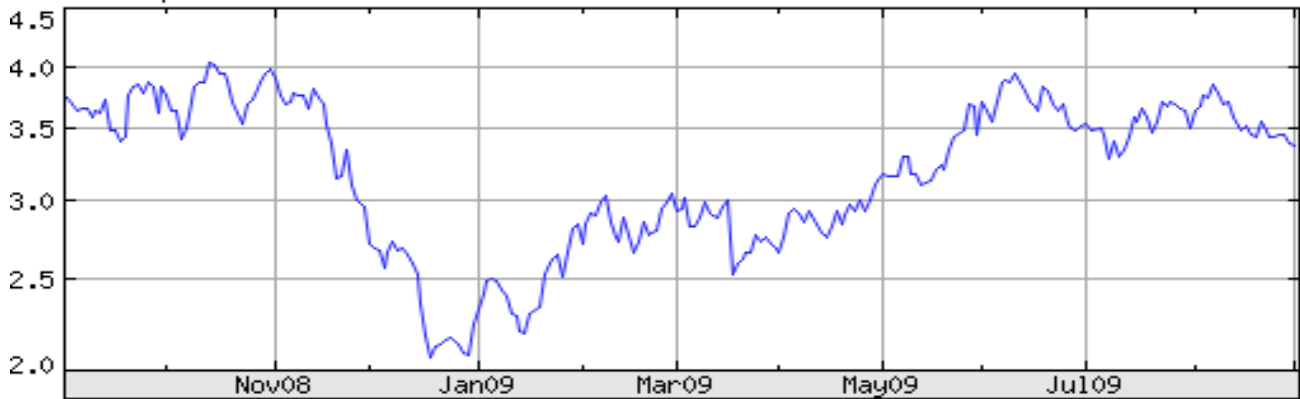
NYMEX Natural Gas



Many other areas of our economy continue to show lackluster prospects for inflation. These include manufacturing capacity utilization rates at less than 67%, which are post World War II lows and unemployment rates approaching 10% which have the perverse effect of keeping labor rates down.

Likewise, interest rates have fallen quite a bit in the last 3 months. This past week it was reported that mortgage rates are back to all-time low interest rate levels.

CBOE 10-YEAR YIELD
as of 1-Sep-2009



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There just is not any perceptible sign of inflation at this time, which bodes well for our current investment in high yield corporate bond funds.

Thank you,



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