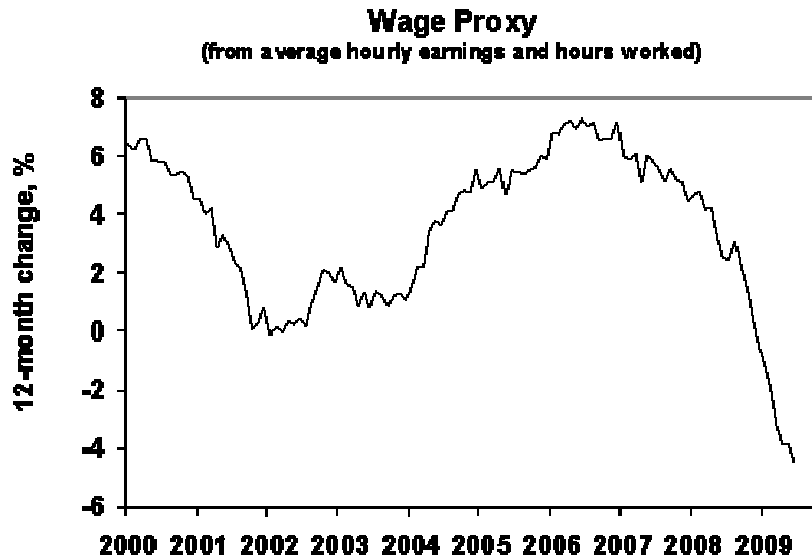


July 8, 2009

## Renewed worries about a Recovery

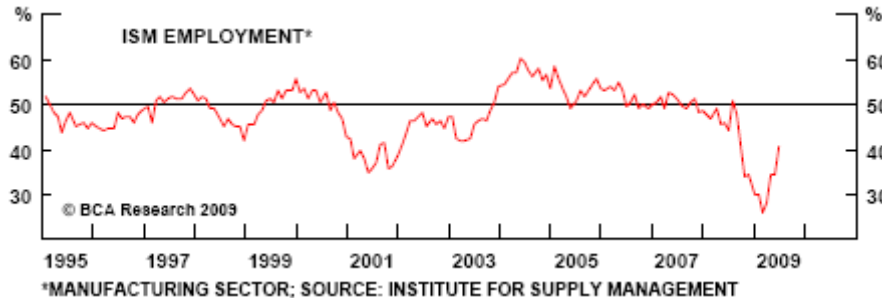
*Weak employment frightens investors*

Since last week's disappointing jobs report the US stock market has fallen 5% and hopes for a second half of 2009 recovery are in doubt. The following chart tells most of the story:



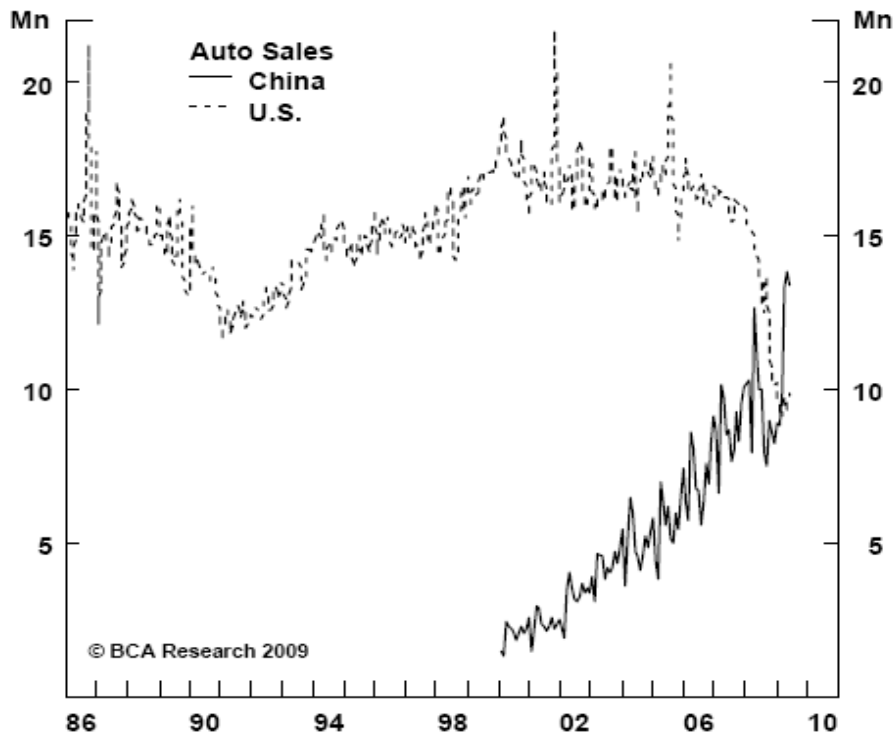
This combines hours worked with hourly earnings to give us a 12 month change in wages paid--no bounce or signs of stabilization here. And that's what US investors are worried about. Falling wages mean weak consumer spending.

However, the next chart shows why there is reason to think things might improve:



This is a survey of manufacturing employers and it shows a big improvement in hiring plans. Of course, until this line reaches the 50% level, hiring will remain weak. It is this realization that has hit the market this month: while things are getting slightly better they still aren't good.

Meanwhile in China:



The Chinese auto market in total annual units sold is now bigger than the US market and the potential is enormous: only 5% of Chinese families own a car. Consumer spending in China is growing quickly and shows no signs of weakening.

Here's what we take from all this: The US economy is limping, while showing early signs of recovery. We need to be very careful about where we invest in the US. Asia is growing and we need to find additional intelligent ways to invest in that part of the world.

The current correction should provide us with the opportunity to increase the quality and growth potential of our portfolios.

Best regards,

Daniel A. Ogden

P.S. We think patience is a virtue, but we are watching new purchases very closely in this environment and those that disappoint are being culled quickly. We aren't trading for the heck of it---we are recognizing errors quickly and making room for better ideas. More on this next week.