



# Pacific Asset Management

April 25, 2009

Enclosed are your 1<sup>st</sup> quarter statements to review.

To summarize what you have been hearing on the nightly news, the last three months have generated an unprecedented level of volatility in common stocks, and marks a record sixth consecutive quarter of declines in the S & P 500 stock index.

On a more positive note, over the last 30 days global equity markets have produced impressive returns from the lows reached in early March, with several asset classes including U.S. Small Value and Emerging Markets posting returns in excess of 30 percent.

Clearly, capital markets are trying to sort out the direction of the economy – whether or not the recession will bottom anytime soon, or whether we are in the midst of a prolonged economic contraction brought on by the deleveraging of financial assets around the globe.

Will the recent upward trend continue in common stocks, or is it the classic “bear market rally” so often discussed in the financial press? Popular opinion seems to be split evenly, not only on this subject, but on inflation, the price of gold, oil, and almost any other financial topic one cares to debate.

In the end, no one knows for sure what the near-term outcome will be. One of America’s preeminent financial writers, Peter Bernstein, said it best: *“Even the most brilliant of mathematical geniuses will never be able to tell us what the immediate future holds. In the end, what matters is the quality of our decisions in the face of uncertainty.”*

Pacific Asset Management is steadfast in its belief that no one can accurately predict the near-term movement of various asset classes around the world, despite the chatter of “financial talking heads” who relentlessly hawk their predictive powers.

As a result, the quality of our decisions remains the same: allocate portfolios according to one’s need and ability to take risk in a diversified global portfolio of low-cost index funds and high-quality fixed income (bond) investments.

Despite the enormous amount of attention garnered by so-called “financial experts” over the past two years, there is no compelling evidence of a superior alternative investing strategy. On the contrary, we feel our philosophy maximizes one’s chances of achieving their long-term financial goals amid these challenging and uncertain times.

Sincerely,

**PACIFIC ASSET MANAGEMENT, LLC**