



PACIFIC ASSET MANAGEMENT

April 22, 2010

Enclosed are your 1st quarter statements for your review. The 1st quarter of 2010 marked the 4th consecutive quarter of above average overall market returns. The broad US markets were up approximately 6% with the international markets in positive territory, but lagging the US markets.

The equity markets continued their incredible recovery and are now up approximately 70% over the last 12 months. All of the increases, despite a barrage of bad news – continued high unemployment, a struggling housing market, debt problems in Greece, etc. In addition to the bad news, there has been a continuing chorus of pessimism regarding the apparent charted course of the new administration in Washington DC: bailouts, healthcare, deficits, and the “end of capitalism as we know it.”

Although many of you have heard us say it before, we are investment advisors and financial planners, not economists and market analysts. We will not attempt to predict the future direction of the stock market based on the current economic or political climate. The recent year should be a good lesson as to why that kind of prognosticating is not productive. We know that investment returns will be determined by investor behavior and asset allocation, with investor behavior being the dominate determinant. Again, last year was a good example of how investment behavior is so important. Imagine the adverse consequences on long term returns if an investor missed the recent 70% run in the market because they allowed their emotions to “rule the day” and liquidated their portfolios in the midst of the “great recession”.

Over the last decade there have been two significant financial crises: the dotcom meltdown of 2000-02 where the S&P 500 lost 48%, and the most recent market meltdown of 2007-09, during which time the S&P 500 lost 52%. It is no wonder you are hearing so much from the media about the “lost decade of equities” in which the S&P 500 actually lost money. Those of you who have been with us for the last 10 years know you have had respectable positive returns. Our investment philosophy which includes holding a diversified portfolio of large and small stocks, both US and International, made that possible. Again, an example of how the media can distort reality.

We commend all of you for making our investment philosophy your investment philosophy, and not allowing the media or your emotions to interfere with your long term financial goals. We also want to thank you for all your support and for any referrals you have sent our way. We hope you will continue to share our name with any of your family and friends whom you feel would benefit from our investment philosophy.

Best Regards,

The Pacific Asset Management Team