

RECOVERING FROM NEAR-DEATH

Of the 500 component companies that comprise the Standard & Poors 500, 486 have now reported their earnings for the fourth quarter of 2008. For the first time in the history of this index, aggregate earnings were not only negative, but staggeringly so. So far, these 486 companies have posted losses totaling a sobering \$23.16 per share of common stock. By comparison, these companies earned an aggregate per-share *profit* of \$9.73 during the previous quarter. Even without grasping the exact manner in which per-share earnings are calculated or aggregated, this drastic swing succinctly captures the economic deterioration that took place during the second half of 2008.

Due to the growth that occurred during the first half of 2008, aggregate per-share earnings for 2008 as a whole may still come in as a positive number as can be seen below. More importantly, however, Standard & Poors thinks corporate earnings could rebound significantly during 2009 and 2010. Now that investors seem to be of the mind that there actually could be a recovery, the capital markets are behaving accordingly and asset prices are rebounding in advance. As the policy moves that have been put in place over the past 18 months continue to exert their influence, a further brightening of the overall economic mood is plausible.



Source: Standard and Poors

Notes: (1) Historical and 2008 estimated earnings are on a bottom-up basis (company by company)
 (2) Final 4th quarter and full-year 2008 combined earnings per share may change when the remaining 14 companies provide final numbers
 (3) 2009 and 2010 earnings forecasts are based on S&P's top-down macro-economic forecasts for all companies in the index

WHAT DO OUR RESEARCHERS LIKE?

Clients occasionally want to know what investments appear attractive. Over the course of a given 13-week period, we review the securities that fall under our purview as well as about 100 industries. A number of industries appear to have prospects that are at least decent:

Biotech companies may benefit from solid drug demand and, unlike pharmaceutical manufacturers, limited generic alternatives. Integrated oil majors' earnings could rebound some 50% during 2010 as energy prices recover and volumes increase. Construction and engineering firms stand to benefit from the \$787 billion economic stimulus bill which is likely to spur demand for all sorts of infrastructure projects. Pharmacy services companies should continue to benefit from an aging population and the relatively inelastic demand for pharmaceutical products. Integrated telecom operators may be expected to support or increase their dividend payouts through continued broadband growth and expense reductions. Although tobacco companies are likely to continue to be targets for excise taxes, they do stand to benefit from a more benign litigation environment. Waste haulers should benefit from lower fuel costs and from contracts that include price escalation clauses. Certain master limited partnerships now sport well-covered dividend yields that compare very favorably to Treasury securities.

LEARN MORE ABOUT YOUR PORTFOLIO HOLDINGS

In an effort to increase the transparency with which we operate, we've simplified the research portal within our website to make it easier to use. To learn more about any of the common stocks or funds held in your portfolio, simply do the following:

1. Bookmark our website (www.wesselinvestment.com),
2. Click the "Client Login" link at the top of any page,
3. Enter your username (your complete email address),
4. Enter the password (it's "research"), then
5. Click "Yes" to accept our terms of use.

Note that you may access your accounts from our website, as well.

Once you're in our research portal, refer to a recent account statement to find the "ticker" symbols associated with your stock and fund holdings. Enter one ticker symbol at a time into the "Search By Ticker" box and press enter. If you've entered the symbol for a stock, you'll be presented with up to three independent research opinions. If you've entered a symbol for any type of fund, you'll receive a link to the fund's website.

Using the research portal within our website to satisfy a curiosity about your portfolio holdings is far more efficient than trying to find similar information through an ad hoc Internet search. First, the common stock research available on our website is not otherwise available on the Internet. Second, the fund links we provide to you in our portal will take you directly to relevant information for the *particular* share class of the *actual* fund you own.

A FEW CONSUMER PROTECTION TIPS

Scams, fraud, and unfair business practices are nothing new, but the recession adds to the incentive for unscrupulous behavior. With that in mind, we've compiled a bit of information you may find helpful.

PLACE A "SECURITY FREEZE" ON YOUR CREDIT FILE TO PREVENT IDENTITY THEFT

Credit monitoring services may help thwart the likelihood of ID theft, but there's a simpler way to accomplish this. Consider placing a separate "security freeze" on your credit file with each of the three major credit agencies. Unless you've already been victimized by ID theft, you'll pay a nominal fee to place each freeze, but once they're placed it's permanent. And, it's less costly than a monthly monitoring service.

A security freeze prevents the information in your credit file from being reviewed by those with whom you do not already do business. In those cases where you actually are seeking new credit, you direct each credit agency (as needed) to lift the freeze temporarily. You may freeze and unfreeze your credit file by referring to a pre-arranged password. Modest fees apply to unfreeze and re-freeze credit files, but if you're like most people who apply for new credit only occasionally, freezing your credit files can provide cost effective peace of mind.

Contact numbers: **Equifax** (800) 525-6285; **Experian** (888)397-3742; **Trans Union** (800)680-7289

REMOVE YOUR NAME FROM PRE-APPROVED INSURANCE OFFERS AND CREDIT CARD LISTS

Call (888) 567-8688 to remove your name from oft-used mailing lists for 5 years — or even permanently if you wish. To permanently remove your name, provide the requisite information over the phone, receive a form by mail, sign it, and mail it back. Your name will then be permanently removed from mailing lists that are compiled by the major credit agencies. You may still receive offers from those companies that obtain their mailing lists by other means, but this move could significantly reduce the volume of unwanted offers you receive. You should still be able to apply for credit and insurance just as you otherwise would.

REDUCE OTHER JUNK MAIL

Visit the Direct Marketing Association at www.dmachoice.org to remove your name from the mailing lists that are often used to mail catalogs, magazine offers, and a host of other solicitations. Not only can you quickly remove yourself from various lists, you can also control the types of junk mail you would like to receive.

PUT THE KIBOSH ON TELEPHONE SOLICITATIONS

Add your phone number to the national Do-Not-Call registry by calling (888) 382-1222 or by visiting www.donotcall.gov. If calling, call from the line you wish to register. While this registry generally makes it illegal for phone solicitors to call personal numbers appearing on the list, there are no rules prohibiting the registration of business lines. Therefore, consider registering those lines, as well.

If you have any concerns regarding your portfolio or other financial matters, please call. We'll try to help you however we can.

— Glenn Wessel