CAUBLE & HARRE WEALTH MANAGEMENT

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The first quarter ended on a stronger note after reaching new, multi-year lows at the beginning of the month. For the quarter, the S&P500 was still down 11.7%. Up until the second week of March, it seemed that the market was in a free fall, responding to the stream of almost all negative news from the economy and Washington. Since that time, we have received some good news from both. While there is still plenty of bad news around, the small stream of positive news has suggested that the pace of decline has slowed.

Indeed, this slowing pace of decline has motivated some to put money back in the markets by taking the worst case scenario off the table. Light vehicle sales increased to a 9.8 million unit annual rate in March which was better than expectations of a 9.1 million rate. Unfortunately, this rate is still not sufficient to allow the car companies to survive in their current form. Factory orders increased 1.8% in February, but are off 19.6% from a year ago. Pending home sales rebounded 2.1% in February, but were still down year over year.

I have enclosed a chart from Ned Davis showing an ABC News Economic Expectations Survey. 27% of respondents said that the economy was improving, the most since December of 2004. The percentage of respondents stating that the economy's direction was worse was the smallest in two years.

Again, these numbers do not suggest that all is clear and that it is off to the races. They do suggest that perhaps the pace of decline has lessened, and that mitigates the worst scenario. There is still plenty that I worry about regarding the problems that we face. While it is usually the lower quality companies that rally strongly in these types of markets, our bias towards the higher quality, dividend paying companies remains in place.

In the year end letter, I commented on how much worse 2008 was from 1974 from a performance standpoint. During the month of April, I will be communicating how this might change our approach to asset allocation. While it would be hard to imagine another 2008 occurring anytime soon, in establishing allocation targets for portfolios, we cannot completely ignore 2008 results as it relates to investor risk tolerance.

Please call with any questions you might have about your portfolios.

Regards,

Peter. B. Harre, CFA

Enclosure