CENTURION
COUNSEL, INCORPORATED
Investment Management

365 S. Rancho Santa Fe Road, Suite 300
San Marcos, CA 92069-2338
(760) 471-8536 Fax (760) 471-0399
e-mail: info@centurioncounsel.com

Q4 2007 Economic Review

It seems like investors could see the potential storm clouds hovering in the horizon all year. Energy prices, the housing market and the credit crunch were all concerns that seemingly loomed over the markets before finally breaking through in the final quarter of the year. With the clouds now having moved directly overhead, investors are asking themselves if they should head for the storm cellar or do they actually see the clouds breaking and the sun ready to shine though once again.

Even with the cloudy conditions, the blue-chip Dow Jones Industrial Average finished 2007 at 13265--up 6.4% on the year. Technology stocks did better than most, helping push the Nasdaq Composite Index up 9.8% in 2007 to 2652. The broader Standard & Poor's 500-stock index, however, rose only 3.5% to 1468. Reflecting investor worries about what is to come this year, both indexes declined in the fourth quarter, a time of year when stocks usually rise. For the Dow industrials, it was the first fourth-quarter decline in 10 years, and for the S&P, the first in seven years.

The tumultuousness in the market has resulted in a tug-of-war between two worldviews. The first, held by more bullish investors, is based on robust global growth, driven by the development of China, India and other emerging economies. Proponents of this view believe that the U.S. consumer is no longer the only game in town, and that growth outside of our borders remains strong enough to amplify ample opportunity for globally oriented companies to thrive.

The second worldview, held by bearish investors, focuses on the decline in the housing market and the related mortgage credit woes, and asserts that the combination is broad and deep enough to pull the U.S. economy into recession, creating real problems for the financial markets along the way. As is usually the case, both sides of this debate present compelling arguments based on both fact and logic. Ultimately, this will be an issue of degree as opposed to a clear-cut victory by either side.

A major factor in which way the economy (and hence the stock market) turns is consumer spending. Because consumer spending accounts for more than two-thirds of the economy, the consumer's resilience has been one of the major reasons for the past few years' surprisingly strong economic growth. The optimists point out that, as long as employment levels remain robust, consumers are likely to continue spending, keeping the economy growing, and helping to support corporate profits and stock prices.

The worry is that profits for companies in the S&P 500 began a decline during the third quarter of last year, which came as a surprise to most stock analysts. Analysts believe that when fourth-quarter results are announced later this month, they will show that the

CENTURION
COUNSEL, INCORPORATED
Investment Management

365 S. Rancho Santa Fe Road, Suite 300
San Marcos, CA 92069-2338
(760) 471-8536 Fax (760) 471-0399
e-mail: info@centurioncounsel.com

decline continued and that it was a big reason for investors' unease. The analysts forecast that profits overall should pick back up this year, and stock strength could depend a lot on whether they do.

Meanwhile, consumers are seeing more and more pressure on their spending power. Home prices are falling, thus reducing both people's wealth as well as their ability to take out a home equity loan. Add to this the effect on households' budgets of rising food, energy, and health-care prices; higher state, local taxes, and transit fares; little or no savings; huge debts; and stricter borrowing requirements, and you have a consumer in distress.

Even more important, the credit markets remain frozen. This means that, besides consumers, businesses and local governments -- even banks -- can't borrow needed funds. As you can imagine, money and credit grease the wheels of economic activity. Without them, business would inevitably grind to a halt.

Adding to the mix, 2008 is a presidential-election year, and presidential elections can be tricky for stocks. Election uncertainty can put a lid on stock gains until late summer. If the incumbent party seems headed for re-election, keeping change to a minimum, investors may look past the election and bid stocks higher. If markets remain nervous about the election, stock trading can remain volatile well into the fall.

Also complicating things is the unclear future of the dollar, which ended the year down 9.6% against the euro. A weak dollar affects foreign interest in U.S. securities, as well as the ability of American companies to sell abroad. The late-year inflation uptick in 2007 also could be a problem, if it makes it harder for the Fed to keep cutting rates.

That doesn’t mean there isn’t room for optimism in the skies. There are a lot of bargains to be had in the equity markets. Housing stocks, financial firms, and retailers are trading at historically low valuations and will eventually rebound sometime this year. Global stocks are still attractive as well. Rate reductions will make a positive contribution to the markets, and a combination of cheap money and a lack of attractive income-producing investments should put a shine on the fortunes of equity investors in the long term.

Considering all the current issues clouding the market, however, the debate today is not whether thunder and lightning are coming, but, rather, how severe the storm will be and how long will it last. Clearly, a lot has to happen for the storm to pass--ranging from lower home prices to more credible bank balance sheets. The Federal Reserve needs to cut interest rates further, while Washington--did someone say, presidential election year? --must help out by cutting taxes. Central bankers are trying feverishly to inject liquidity into the system, but they won't be able to thaw out the frosty markets until lenders have confidence that borrowers can repay their loans. All this will take time. Our suggestion to investors in the interim? Keep your umbrella handy.

CENTURION
COUNSEL, INCORPORATED
Investment Management

365 S. Rancho Santa Fe Road, Suite 300
San Marcos, CA 92069-2338

(760) 471-8536 Fax (760) 471-0399
e-mail: info@centurioncounsel.com

Advance Billing Notice

This is to provide you with notice that Centurion Counsel will charge your account for the **first quarter 2008** management fee. Your management fee for this quarter will be $705.90. This was calculated by multiplying your account value as of the end of the previous quarter by 1/4 of your annual fee rate, as stated in your client agreement. If assets are deposited into your account during the quarter, a pro-rata share of the quarterly fee will be charged. If you are currently paying your management fee by check, your check should be received by **March 1, 2008**. All checks should be made payable to **Centurion Counsel**. Please direct any questions regarding this advance billing notice to your registered representative.

SEC Rule 11Ac1-6: Quarterly Report on Routing of Customer Orders

SEC Rule 11Ac1-6 requires all brokerage firms to make publicly available quarterly reports on the order routing practices. This report provides information on the routing of "non-directed orders" – any order that the customer has not specifically instructed to be routed to a particular venue for execution.

Total Centurion Institutional Orders	*Market Orders*	*Limit Orders*	*Material Aspects Relationship*
NYSE, NASDAQ, AMEX, Options	>1%	+99%	Clearing Broker/Dealer

Privacy Policy

Centurion Counsel's privacy policy is consistent with that of our clearing firm, Bear Stearns.

We do not disclose non-public, personal information to anyone, except as permitted by law. In general, the law permits us to disclose information to our affiliates, or to non-affiliates if the information is required in the ordinary course of business. Additionally, safeguards are taken within the firm to insure that access to your information is limited to those employees that are involved in administrating your account.

Administrative Update

Our updated Form ADV, as filed with the Securities and Exchange Commission, describing Centurion Counsel and its methodology will be mailed to you without charge upon receipt

365 S. Rancho Santa Fe Road, Suite 300
San Marcos, CA 92069-2338
(760) 471-8536 Fax (760) 471-0399
e-mail: info@centurioncounsel.com

of a written request. If you would like a copy, mail your request to: 365 S. Rancho Santa Fe Road, Suite 300, San Marcos, California 92078.