

## Q4 2008 Economic Review

The last two weeks of September and the first six weeks of the fourth quarter were among the most volatile in history. This led to one of the biggest sell-offs ever, with the Dow down 32.72% and the S&P 500 down 38.49%. While no money manager likes to report negative news, WE ARE JUSTIFIABLY PROUD OF THE PERFORMANCE OF YOUR ACCOUNT AMIDST UNPRECEDENTED FINANCIAL UPHEAVAL. We believe our OUTPERFORMANCE of the market proves that our asset allocation models work in reducing market risk. It is important to be a long term investor and not overreact to short term market moves on either the upside or the downside. Please read the attached Centurion Counselor as it covers not only our predictions for this year, but also highlights the fact that the greatest market rallies occur in bear markets.

## Bailout Nation

Every day the list grows longer of companies, industries and groups who feel that they are entitled to a free meal at the Federal feedbag. The Government is now in the process of allocating capital to favored industries and groups. Communism failed for a reason: Government is a horrible capital allocator. The time horizon and time in office of a government bureaucrat is much shorter than the time horizon of most any business enterprise. America became strong not by virtue of a command economy, but through free enterprise. Of course, Washington does not call the current programs a “command economy” instead they use innocuous phrases like “outcome based” to justify meddling in private enterprise. This is no-fault capitalism. As Thomas Jefferson said *“The democracy will cease to exist when you take away from those who are willing to work and give to those who would not.”*

We hope the current Federal interventions will only be temporary and the new administration will develop a clear exit strategy to prevent a permanent power grab over the economy by the Federal government. Those who stayed away from the junk debt and kept their powder dry should be allowed to come in and take over the assets of the bankrupt companies. That is American capitalism.

