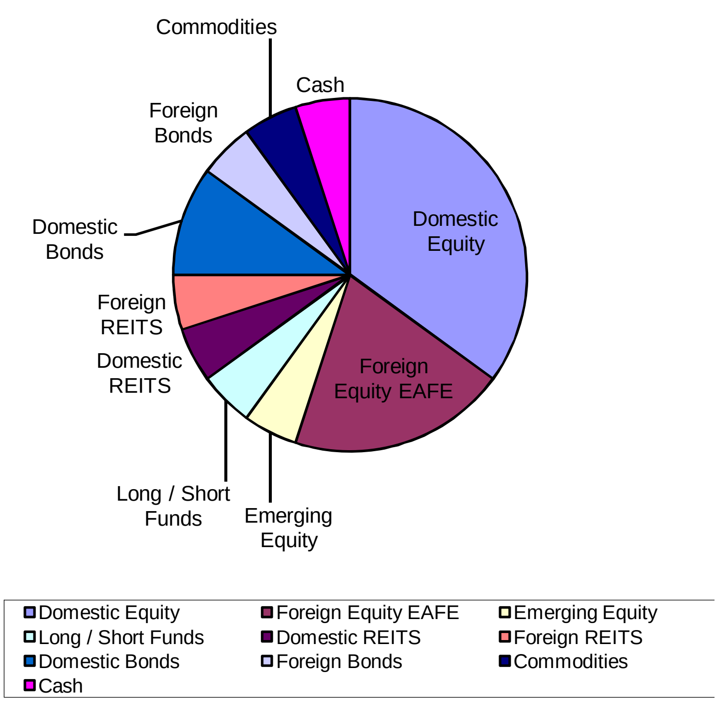
Cojo Bay Advisors
Strategic vs. Tactical Asset Allocation
December 2009

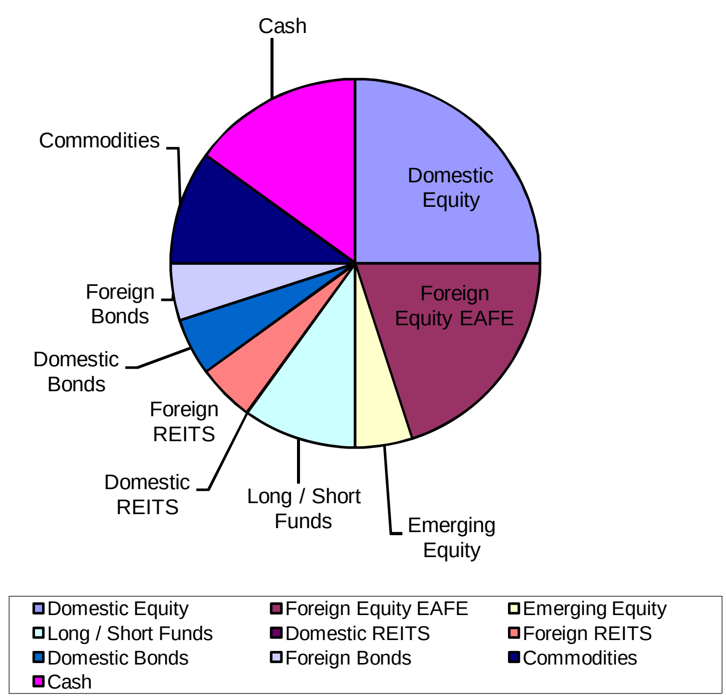
Cojo Bay Advisors Market Review

	Asset Class	Long-Term Strategic Allocation	Short-Term Tactical Allocation	Overweight Underweight
1	**Domestic Equity**	**35%**	**25%**	**-10.0%**
2	**Foreign Equity EAFE**	**20%**	**20%**	**0.0%**
3	**Emerging Equity**	**5%**	**5%**	**0.0%**
4	**Long / Short Funds**	**5%**	**10%**	**5.0%**
5	**Domestic REITS**	**5%**	**0%**	**-5.0%**
6	**Foreign REITS**	**5%**	**5%**	**0.0%**
7	**Domestic Bonds**	**10%**	**5%**	**-5.0%**
8	**Foreign Bonds**	**5%**	**5%**	**0.0%**
9	**Commodities**	**5%**	**10%**	**5.0%**
10	**Cash**	**5%**	**15%**	**10.0%**
		100%	**100%**	

Strategic Portfolio Allocation
Long Term Structure



Tactical Portfolio Allocation
Short Term



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Portfolio Discussion

1 Domestic Equity - UNDERWEIGHT

The S&P 500 index gained 26.46% in 2009 but the rate of ascent slowed in the last two months of the year with trading volumes evaporating and complacency high among traders. This combination is very unsettling as it indicates that the large institutions are not "buying the hype" and, as such, staying on the sidelines. The market is, once again, priced for perfection. As we know, consumption is the key to recovery and consumer spending will only recover when unemployment stabilizes and the key to employment is small business. However, with corporate taxes on the rise, threats of the cost of a public health plan put on their shoulders, and an enhanced feeling of empowerment coming from the workers' unions, small business feels like they are the enemy of the state! It is our belief that small business will do almost anything to avoid hiring full time employees. This leads us to the conclusion that technology will be the industry of choice for the foreseeable future. However, we still believe that Wall Street is way ahead of Main Street at this time and we cannot justify adding to our U.S. stocks at these levels.

2 Foreign Equity - Neutral

The MSCI EAFE index actually outperformed the S&P 500 in 2009. But we still like it better than our domestic market. We believe that developed foreign markets still have some significant advantages relative to US stocks but country selection is still the key. Many countries have a lot going for them but there are some real bad apples that need to be avoided. In Europe, Ireland, Italy, and Spain top the list of bad apples. And Greece is in a league of its own! In Asia, Japan still tops our list of avoidance. So where to invest? In Europe we still like the big manufacturing countries such as Germany & France. In Asia, we are focused on developed countries with plenty of natural resources such as Australia.

3 Emerging Markets Equity - Neutral

We are maintaining our neutral weighting on the Emerging Markets based on valuation. We still believe in the growth stories taking place in HALF of the BRIC countries. Their domestic consumption will benefit the rest of the world and particularly the developed countries that export to them. In particular, we like Brazil. Lula Da Silva's government seems to be doing all the right things. According to Sam Zell, founder and chairman of Equity Group Investments, Brazil is politically stable, has a growing and educated population, and they are energy self-sufficient. We also like India for many of the same reasons but we are concerned about India's sovereign debt level.
We do not believe in Russia nor China.

4 Long / Short Funds - OVERWEIGHT

We believe that there is a major disconnect between the U.S. stock market and the economy. In addition, volatility (as measured by the VIX) is very low. This makes us believe the road ahead will be more like a roller coaster and, hence, we believe that an over allocation to Long / Short funds is justified.

5 Domestic Real Estate - UNDERWEIGHT

We have come to believe that there is another shoe to drop in the US housing market and a very dicey situation has developed in the commercial real estate market. This will be particularly hard on REITs! Vacancies are on the rise and financing is pretty much non-existent. There are MUCH better places to invest your cash!

6 Foreign Real Estate - Neutral

Foreign real estate has taken it on the chin along with their US counterparts but may not have the same challenges ahead. The value of this sector is enticing and the rents paid by foreign firms (in Euros) are enhanced by a weak dollar.

7 Domestic Bonds - UNDERWEIGHT

Our investment philosophy continues to dictate a focus on closed-end mutual funds and an emphasis on corporate paper when investing in bonds. We continue to fear US Treasuries due to the massive supply of government paper hitting the market although TIPS may be a viable option considering our inflation expectations. High Yield bonds are moderately attractive but the risks are high! Moody's Investors Services recently increased it forecast for global corporate defaults to more than 10% within the next 12 months!

8 Foreign Bonds - Neutral

Most foreign bond exposure is realized via government bonds and most governments in Europe have followed the U.S. lead by spending billions on stabilizing their economies. This spending will need to be financed through debt, flooding the market with bonds and, hence, lowering the value for fixed income securities. However, yields may be supported by a continued weakness in the US Dollar.

9 Commodities - OVERWEIGHT

Demand for commodities is strong once again due to continued relative strength in Asia and the weakness of the Greenback. Oil is still trading near $80 per barrel which reinforces our fear of future inflation. As always, we consider an investment in this sector an important part of all investment portfolios. Although we realize that the recent run up may be of concern, we believe that the long term outlook for hard assets is bullish!

10 Cash - OVERWEIGHT

As stated above, equity markets are NOT undervalued anymore and this is not the time to be aggressively buying stocks. We have returned to the days of keeping some of your powder dry!