

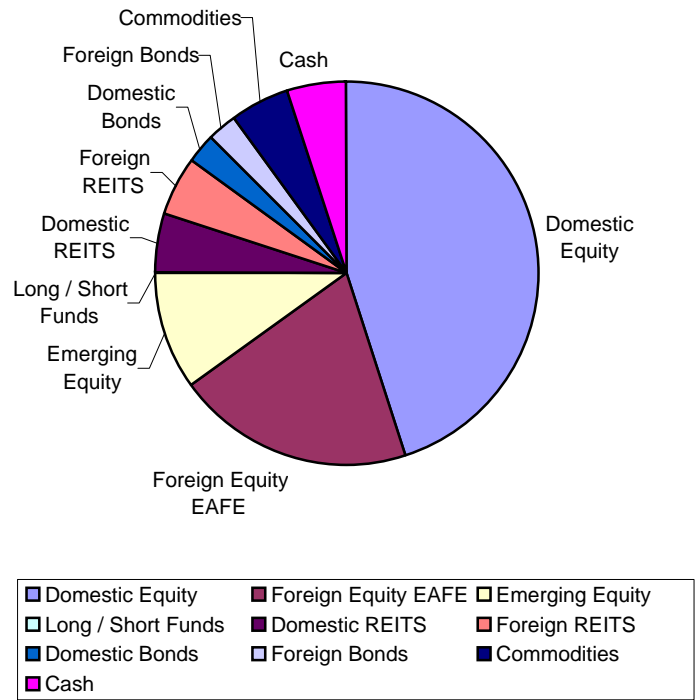
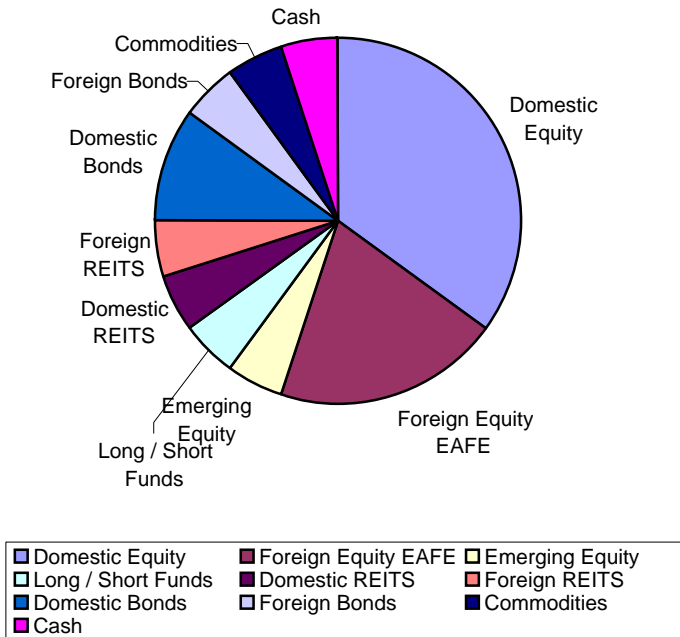
Cojo Bay Advisors
Strategic vs. Tactical Asset Allocation
March 2009

Cojo Bay Advisors Market Review

<u>Asset Class</u>	Long-Term Strategic <u>Allocation</u>	Short-Term Tactical <u>Allocation</u>	<u>Overweight</u> <u>Underweight</u>
1 Domestic Equity	35%	45%	10.0%
2 Foreign Equity EAFE	20%	20%	0.0%
3 Emerging Equity	5%	10%	5.0%
4 Long / Short Funds	5%	0%	-5.0%
5 Domestic REITS	5%	5%	0.0%
6 Foreign REITS	5%	5%	0.0%
7 Domestic Bonds	10%	2.5%	-7.5%
8 Foreign Bonds	5%	2.5%	-2.5%
9 Commodities	5%	5%	0.0%
10 Cash	5%	5%	0.0%
	100%	100%	

Strategic Portfolio Allocation

Tactical Portfolio Allocation



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Portfolio Discussion

1 Domestic Equity - OVERWEIGHT

Stating that the market is undervalued is like noting that oxygen is good for mammals. For the first time in 10 years the market is priced to return an attractive long-term real return. The challenge is finding the courage to get involved. Is there a chance that the economy is even worse than people think? Yes. But sitting on the sidelines during this opportunity is still the bigger risk which assures locking in the poor performance experienced over the last 9 months.

2 Foreign Equity - OVERWEIGHT

Europe has faced the credit crises and recession along side the US. Their poor stock market performance demonstrates that when panic takes over the market, diversification doesn't help. At this point, Europe is cheap and the appreciation potential is great.

We have given up on Japan. The world's second largest economy continues to languish in self pity, fiscal incompetence, and poor leadership. We will focus on Europe in the Developed World.

3 Emerging Markets Equity - OVERWEIGHT

We still believe in the developing markets around the world although their volatility and their exposure to the US slowdown keeps us concerned. China and India will drive global growth even though their specific growth rates will be cut in half in 2009 and 2010. 6% growth is a lot better than what is being experienced in the "rich world." The Latin American markets are still growing but the pull back in commodity prices have hurt their stock markets.

4 Long / Short Funds - UNDERWEIGHT

Our exposure to the Hussman Strategic Growth Fund has buffered portfolios from the full degree of pain suffered by equity investors in the last 9 months. At this point, we believe that this fund will underperform the market as a whole when the market finally starts to rally. As such we have underweighted the holding. We would not sell at this point but neither would we put new money to work in this area.

5 Domestic Real Estate - Neutral

Although we still do not feel that the worst is over for REITS, the market has priced this sector for disaster and the value is compelling. Investing in this area will take courage and a focus on long-term returns.

6 Foreign Real Estate - Neutral

Foreign real estate has taken it on the chin along with their US counterparts. The value is enticing but it may be a very bumpy ride until stability returns.

7 Domestic Bonds - UNDERWEIGHT

Our investment philosophy continues to dictate a focus on closed-end mutual funds when investing in fixed income securities. We continue to fear the fixed income market as US Government bonds are fully valued and corporate bonds are suffering from a lack of liquidity and a recession. High Yield bonds are attractive but the risks are high as defaults continue to grow. We are using a short Treasury, long high yield approach.

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8 Foreign Bonds - UNDERWEIGHT

Most foreign bond exposure is realized via Government Bonds and most governments in Europe have followed the US lead by spending billions on securing their banking sectors. This spending will need to be financed through debt, flooding the market with bonds and, hence, lowering the value for fixed income securities.

9 Commodities - Neutral

Commodities prices have corrected substantially but the right levels for these products are difficult to determine. For oil, since \$65 per barrel was NOT the new \$25. Will the price settle at \$45? Oil has dropped \$100 per barrel from its high! As always, we consider an investment in this sector an important part of all portfolios but we are not bullish on the sector at this time.

10 Cash - UNDERWEIGHT

As stated above, equity markets are undervalued and this is time to put some cash to work. Courage and, to quote our new president, "hope" is needed to invest your cash. But invest it you should!