

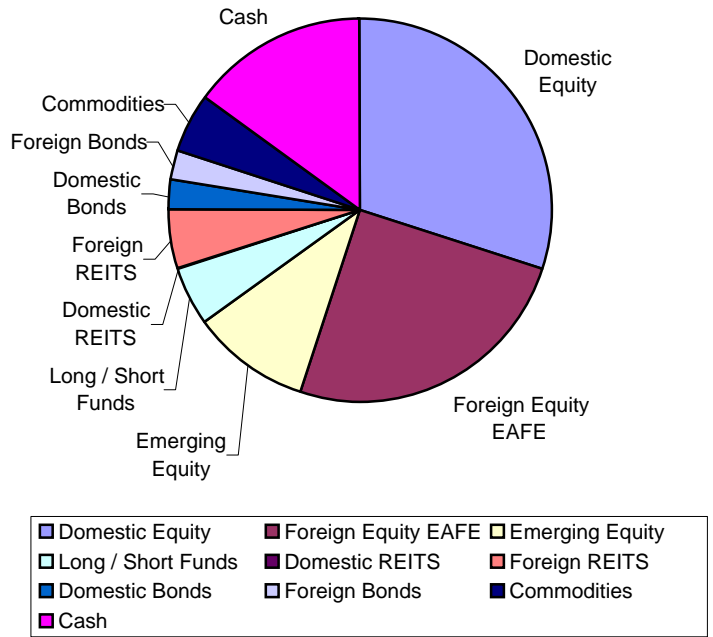
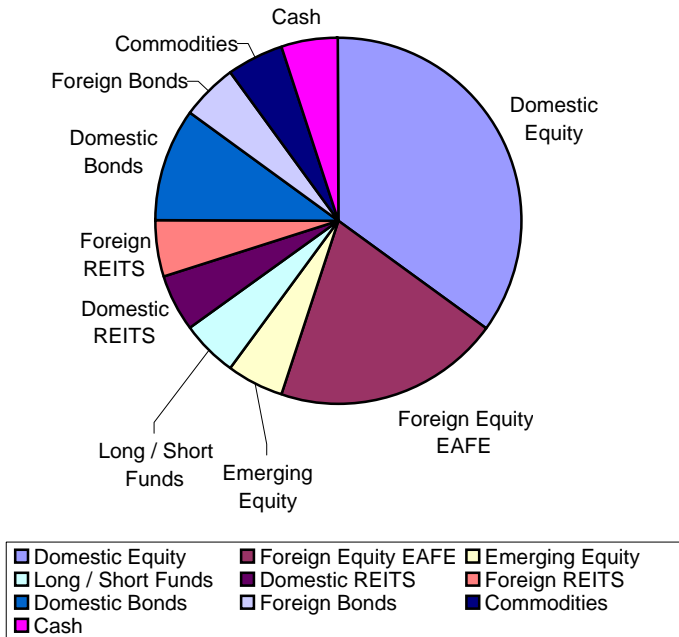
Cojo Bay Advisors
Strategic vs. Tactical Asset Allocation
June 2009

Cojo Bay Advisors Market Review

<u>Asset Class</u>	<u>Long-Term Strategic Allocation</u>	<u>Short-Term Tactical Allocation</u>	<u>Overweight Underweight</u>
1 Domestic Equity	35%	30%	-5.0%
2 Foreign Equity EAFE	20%	25%	5.0%
3 Emerging Equity	5%	10%	5.0%
4 Long / Short Funds	5%	5%	0.0%
5 Domestic REITS	5%	0%	-5.0%
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%	15%	10.0%
	100%	100%	

Strategic Portfolio Allocation

Tactical Portfolio Allocation



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Portfolio Discussion

1 Domestic Equity - UNDERWEIGHT

After waiting for years for US stocks to be undervalued, that situation lasted less than six months! Based on normalized earnings (which is a speculative guess at best), stocks are no longer cheap. Stocks are priced, once again, for perfection incorporating the "hope" of the return of consumer spending and corporate managers' need to invest in equipment and personnel. We believe that a "V" shaped recovery is a naive dream held by investors who have little grasp of economic history. Rather, we believe that the market may very well be at the top of the middle leg of a "W" shaped recovery. We therefore believe that there will be another chance to buy US stocks on the cheap but this is not it.

2 Foreign Equity - OVERWEIGHT

Investing in developed foreign markets may have some significant advantages relative to US stocks but you need to do your homework. 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 hard hit economies. Their problems are the prescription strength version of the challenges that we face here in the US. Their real estate markets are in chaos, their consumers are in debt, and unlike the US, their currencies are too strong. In Asia, Japan still tops our list of avoidance. A change in government after 50 years of one party rule might sound like the answer but that won't change the strategic problems facing the Japanese economy. So where to invest? In Europe we like the big manufacturing counties like Germany & France. In Asia, we are focused on developed countries with plenty of natural resource such as Australia. We have an over-weighted allocation in this area due to these countries expected relative performance compared to the US.

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 have been 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 and may offer some exciting investing opportunities.

4 Long / Short Funds - NEUTRAL

During the short period of time when we felt US stocks were cheap (see above), we underweighted our allocation to Long / Short Funds. Now that the market is back ahead of itself, we think a full allocation is warranted. With the Vegas-like atmosphere inspiring the limited number of market participants (volume has been very light this summer), we believe the Long / Short exposure will once again buffer our portfolios.

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 developing in the commercial real estate market. This will be particularly hard on REITs! Vacancies are probably 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 but it may be a very bumpy ride until stability returns.

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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

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

Demand for commodities seems to have stabilized mostly due to continued relative strength in Asia. Oil is back above \$60 per barrel and seems to be comfortable there. We continue to believe that all the Government stimulus thrown at the world economies will eventually create an inflationary environment which will enhance the value of commodities. As always, we consider an investment in this sector an important part of all investment portfolios.

10 Cash - UNDERWEIGHT

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!