ROOF ADVISORY GROUP, INC.®
INVESTMENT ADVISORY & FINANCIAL PLANNING SERVICES

INVESTMENT UPDATE

February 20, 2009

SPECIAL UPDATE

To paraphrase a Wall Street Journal article from February 17th, 'Financial markets are generally driven by two competing forces: fear and greed, and fear just made another grab for the steering wheel.' A number of economic and market factors during the past two weeks, including this overriding sense of uncertainty, have caused us to become even more defensive and make portfolio adjustments accordingly.

Several notable events of this shortened trading week should have provided some positive momentum for the stock market but instead fell well short of providing any solace for skittish investors. Theoretically, Monday's signing of the economic stimulus package and Wednesday's unveiling of a proposed mortgage rescue plan aimed at stemming housing foreclosures should have provided a boost to market sentiment by providing a small degree of clarity as to the substance behind the Federal government's efforts to boost the economy during the months ahead.

Suffice to say, the markets were not impressed and managed to squeeze five days of very volatile trading into a four day week. Disappointment in the substance behind these Federal packages, a continuation of dour economic news, and late week rumors of bank nationalization all provided the backdrop for a significant market downturn. Given the poor reaction to Secretary of the Treasury Geithner's announcement the prior week of a much-anticipated bank bailout program that was woefully lacking any sustentative detail, we were quite frankly not too surprised by this week's market response.

During the President's Day weekend, Roof Advisory Group developed and implemented a strategy to continue the reduction of investment portfolio equity exposure in the event of a potentially significant market downturn. Portfolio positions were already below the minimum equity level outlined by each client's individual Investment Policy but 'stop-loss' orders were placed for individual equity positions to assure that downside price protection was provided should there be a very rapid decline upon the market's open.

The market did open sharply downward on Tuesday and many of our position 'stop-loss' orders were immediately filled, significantly cushioning client portfolios from the stock losses that continued throughout the week ahead. In addition to sales based on price movement, other individual equity positions were sold based on the increased risk of an unexpected corporate dividend cutback, as had occurred with Ameren Energy (AEE) over the preceding weekend. The elimination of Frontier Communications (FTR) is an example of a position pared for that specific reason.

The other side of the market downturn was the opportunity to purchase some equity positions that reached very attractive entry points; specifically, initial positions were taken for some portfolios in Johnson & Johnson (JNJ) and Kraft (KFT). Additional purchases or increases in current holdings will be made as attractive price points are reached. Likewise, equities that continue to be viewed as solid, long-term core portfolio positions plan to be repurchased at discounted prices at some point in the future when the markets regain some price stabilization.

The end result of these reductions in equity exposure is that portfolios that utilize individual stock positions are currently about **50%** lower than the stated Investment Policy minimum equity level. We remain very defensive at present, but continue to look for opportunities to position all portfolios to take advantage of the inevitable market upside.