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SAMPLE LETTER

Dear CLIENT

For the first half of this year your account has had a gain/loss of x %. This compares to the S&P 500 return of 3%, a Dow Jones return of 5% and a NASDAQ loss of 1%.

During the month of May, the US stock market had a correction that took the Dow down by 8%. The correction was much more severe in some international markets, with emerging markets dropping as much as 20%. While a correction of 10-15% would be more the norm, when the market declined by 8% we reduced our targeted cash holdings to 12.5% vs. the 15% we had been carrying. We focused some of our buying on international markets and in particular emerging markets. Had or should the markets decline further, we would be looking to reduce cash further. While the average investor is uncomfortable with volatility, we see volatility as presenting buying opportunities.

In our last letter, we expressed optimism that the year would turn out to be a positive one, but noted that there still could be some volatility. Our view has not changed, and we have now seen some of the predicted volatility. The US market, and in particular, large companies in that market, appear to be very reasonably valued. Emerging markets, like Latin America, also look very attractive.

In looking for investment ideas, we also note that there are many quality stocks with unusually high dividend yields at the present time. With the low 15% federal tax on dividends, these stocks are very competitive with bonds, and are tax-advantaged given that corporate and US government bonds are subject to taxes as high as 35%. Some market strategists are predicting that much of equities returns in the next few years will be from dividends rather than capital gains. I would tend to agree with this expected outcome.

In the last few days of this quarter, we have seen a very strong upside move in the stock market caused by the Federal Reserve comments that the increases in interest rates may be over. This is good news for the stock market and economy.

Sincerely,

Alec Graham

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Upon written request, we will deliver a copy of our Part II of the form ADV and an audited balance sheet.