



## Baltimore Capital Management

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July 2, 2007

SAMPLE

Dear Client,

For the first half of 2007 your account has had a gain of xxx. This compares to the S&P 500 gain of 7%, the Dow Jones gain of 9% and the NASDAQ gain of 8%.

While the current strength of the stock market seems surprising, it can be explained by the continued boom of private equity investors buying public companies. We are in a market environment where frequent rumors of a buyout or a company appearing on a list of takeover candidates is leading to surges in stock prices. However, beyond these private equity buyouts we do not see a compelling reason to be buyers of US equities at the present time. We continue to maintain a conservative and defensive stance. Most of our clients, after all, are interested in wealth preservation as well as the growth of their assets.

Our caution seems warranted, as a few cracks have recently appeared in the current investment terrain. This includes the implosion of several funds dedicated to investing in low quality mortgages, and the difficulty some private equity buyers are experiencing in completing financing. If these problems persist, we may finally have a market correction of 10% or so. Until that happens, we may be buyers of individual securities that become attractively priced for reasons unique unto themselves, but in general will remain on the sidelines. Fortunately our mandate, unlike that of many institutional investors, does not include being fully invested. We also know from experience that in the stock market things change quickly and this moment will pass.

Many years ago I arrived at the conclusion, based on professional experience, that if I could find nothing to buy I should be looking to sell. The current environment is ideal for selling underperforming securities and paring back positions that have either become too large due to appreciation or are fully valued. We will follow this strategy in the current climate, while always on the lookout for purchases that work to your advantage.

Sincerely,

Alec Graham

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