



Wealth Management, LLC

2008 3rd Quarter

Performance and Financial Market Review

Beyond the Credit Crisis and Panic Selling

Economic and financial conditions significantly worsened in the third quarter of 2008. The unprecedented correction in the U.S. housing market and related leveraged investment vehicles, has led to the demise of a number of top financial institutions. Over the past six month period, Wall Street has been forever changed. The demise of Lehman Brothers and American International Group caused global credit markets to freeze as banks and investors alike hoarded cash. The U.S. government took unprecedented action to thaw the credit markets and led a global effort to inject tremendous amounts of liquidity into the financial system. The \$700 billion 'bailout package' was approved in the U.S. and was followed by similar actions overseas. As of this writing, the global liquidity injections appear to be working as credit markets have begun to slowly improve. Banks have once again begun lending to one another and to businesses and consumers, albeit in a much more restricted manner.

Investors Turn Their Attention Back to Fundamentals

As the credit markets improve and the panic around the credit freeze slowly subsides, investors should turn their focus back to the fundamentals of the economy and corporate profits, but when there is panic selling in the marketplace, fundamentals do not matter. At some point, investors and analysts will eventually turn their attention back to economic conditions, corporate profits and valuations. As economic conditions have worsened, consumers and investors have suffered a tremendous loss of wealth and confidence. Led by this wealth and confidence destruction, a recession is a forgone conclusion. The question now has become how deep will it be and how long will it last? Corporate earnings have been relatively on target for the third quarter as businesses and Wall Street have been lowering their expectations leading into the downturn and earnings season. Balance sheets, outside of the financial services sector, are in relatively good condition. Businesses continue to cut expenses for protection in the face of the current economic uncertainty. U.S. equity valuations, down -38% year-to-date, reflect this enormous negativity.

Unprecedented Stimulus

To be sure, the Federal Reserve Bank and the world banks are not sitting still and have aggressively injected much needed cash and liquidity into the economies to the tune of some \$2.25 trillion. This liquidity has come in the form of bailouts, direct capital infusions and lower interest rates. Further interest rate cuts from the Federal Reserve Bank are likely and it also appears that another round of stimulus checks is in the cards. These historically aggressive actions are required to slow the economic downturn while providing businesses and consumers with access to 'cheap money' to foster economic growth. In addition, consumers are receiving tremendous relief from oil prices which are down over 50% from their highs just three months ago. This correction in oil prices, which has not garnered much media attention, is a very big positive for consumers and the economy on the whole. All commodity prices have corrected substantially and many of the inflationary pressures brought about by their rapid rise have now subsided. The reduction in gas prices and heating oil are evident and we should expect to see reductions in other previously troubled areas such as food prices. This short term deflation acts as a virtual tax cut for the consumer and should begin to help the ailing economy.

Importantly, the removal of inflationary pressure allows the Federal Reserve Bank the flexibility to continue to be creative in supporting the economy. Historically, aggressive monetary actions have worked to stem the recessionary pressures and begin to move the economy in a more positive direction. Certainly this downturn was fostered by many unique and historical problems that will take some time to work through...but these problems are being met aggressively with liquidity of historic proportions.

Our Investment Programs

The diversification of our portfolios across our investment programs continues to help weather this market storm. Our Diversified, Tactical, High Yield, and Municipal Bond wealth preservation strategies continue to be very conservatively invested and are mostly in cash. Strategic Portfolio is also conservatively invested with approximately 12% in cash. Even Sector Rotation portfolios are currently two-thirds in cash. Our Asset Allocation portfolios remain fully invested. As the core of many portfolios, this piece of your overall mix will respond quickly as the markets eventually turn upward.

Company News

As previously announced, we are excited to welcome Brad Sharp, Ken Bellevue, and Sonia Tasbas to our Braver Wealth Management team. They are already making tremendous contributions to our services.

In the coming days, we will be sending out an addendum to investment agreements for our Asset Allocation clients. This addendum seeks to obtain full investment discretion so that we can proactively manage the asset allocation program in the same manner in which we manage all of our other investment programs. We ask that you return it to us as soon as possible.

Beginning this quarter, you will notice that our annual review letters will be signed by two individuals. Although we work as a team and all of us are here to help, we have restructured our service model so that each client has a primary relationship manager as well as a secondary one for backup. The relationship managers are very excited about this change. They will be proactively reaching out to each of you over the coming months to review any year end issues or other concerns.

Lastly, if you are over 70 ½ and haven't already taken your Required Minimum Distribution (RMD) from your retirement accounts, you must do so by December 31st. If you need any help in this area, please feel free to call us for assistance.

As we approach the close of another calendar year, I would like to take this opportunity to thank you for your business and continued loyalty to Braver Wealth Management. During this time of historic turmoil in the markets, it has truly been a pleasure to speak with a number of you in person or by phone regarding your portfolios, market concerns and many other issues we have discussed.

A handwritten signature in black ink, appearing to read "David A. Braver", with a long horizontal line extending to the right.