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Dear Client,

Below are brief notes about our investment plans and selected economic issues.

INVESTMENT PLANS

- We have recently put some cash to work in Mike's Picks through the purchase of AGCO Corporation on April 23rd at $23.42. AGCO manufactures and distributes a full line of agricultural equipment and replacement parts. Major end markets include Western Europe, North America, and a very strong presence in South America.

- On a very gradual basis we intend to put more cash to work and raise the number of Mike's Picks from 12 to 15.

- We also continue to believe it is important to have exposure to global energy companies and commodity investments, which should improve with upticks in the global economic condition and be a good hedge against inflation.

- We remain optimistic, but as of May 12th the S&P 500 is up 34% and the Dow is up 29% from their March 9th lows. With that in mind, it would not be a surprise to see a temporary pullback.

OBSERVATIONS

US Treasury Issuance. Massive issuance of notes and bonds by the US Treasury is taking its toll on intermediate and longer fixed income maturities. YTD through 5/12/09 rates have risen on various Treasury maturities: 5yr notes (0.46%), 10yr notes (0.97%), and 30yr bonds (1.48%). Although there has been a dramatic thaw in the credit markets and a decrease in rates for corporate and mortgage borrowers, the upward movement of US Treasury rates is a limiting factor on how much lower these rates can go. In times past when large issuance of Treasury bonds dominated the market and put upward pressure on all rates the situation was referred to as "crowding out", as the UST crowded out borrowers of lesser credit quality.

Necessary Condition. Because they are at the heart of the current crisis, a return to stability and profit in the housing market and financial institutions is a necessary condition for economic growth and for a sustained rally in the markets.

Banks. The stress test for 19 major banking firms has been completed. In general, a sigh of relief was breathed upon release of the results and Chairman Bernanke seems optimistic that the financial system is in much better shape now. Some banks are raising capital with the intention of paying back the TARP funds and managing their businesses without the deep involvement of the government. The first quarter was a profitable one for major banks and with short-term interest rates near zero for the foreseeable future Q2 should produce more of the same. In a related sign of confidence in the banking system, 3-month LIBOR (the rate at which banks lend to each other) has dropped to 0.91% after having been as high as 4.81% last fall.

Housing. Housing continues to be a problem, although activity is picking up from extremely depressed levels. In some areas of the country the sales numbers are up significantly, although composed of as much as 50% foreclosures. Housing prices are affected by three main factors - mortgage rates, home prices, and employment – and two of these are definitely contributing to an improvement in the market. 30-year fixed rate mortgage levels are down significantly from the fall (4.84% now vs. 6.46% in mid-October 2008) and prices of homes are much lower absolutely and with respect to incomes, but the employment situation still has many potential buyers staying out of the market.

Retail. Some retailers (Wal-Mart, JC Penney, Abercrombie) have shown some better-than-expected earnings results recently, but others (Target, Costco) have not. Overall retail sales have shown a mixed pattern (two up, two down) over the last four months after six straight down months prior to that.

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