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The Scariest Halloween of All

October Monthly Market Review From Your Portfolio Management Team—November 10, 2008

We hate to sound like a broken record, but in a year filled with astonishments, the month of October was one for the record books. From the beginning of the month until the 27th, the market (as measured by the S&P 500 index) was down 27%, which would have made this past month the worst October on record, going back to 1950. If we use the Dow Jones Industrial Average (of 30 large U.S. companies), October was on a pace to be the worst month since September 1931 (when the Dow fell over 30% in one month). Fortunately, for stock investors, the market rebounded in the final days, so that the S&P 500 index *only* fell 17% for the month. So, it will go in the books as the second worst month for the S&P 500, going back to 1950 (behind October 1987, which included the Crash of '87, when the market fell over 20% in one day).

In 20 of the 23 trading days in October, the Dow Jones Average closed with a move greater than 100 points (up or down), which illustrates just how volatile the month was. This was the second worst performing month on record since 1950 in spite of the fact that there were 2 separate days when the market rose more than **10% in a single day**. These two days now represent the best one-day market moves since 1950 (and the 5th and 6th best days going back to 1901).

So, what do all these frightening facts mean to clients of FSA? Well, for the most part it means you are in a position to watch the events like a movie-goer—the action on the screen can seem scary, but in your gut, you know that you are not actually in the movie, but just an observer. You can almost view the action as a form of entertainment. Of course, you may have other money not invested with FSA that is more fully invested, and that money could be significantly in the red currently—401k portfolios come to mind. If you want our thoughts and opinions on other investments you have and what to do with them given the market bloodbath, feel free to contact us and we may have some good suggestions for you—even if it is to just to tell you to stay the course.

On average across all five of our broad strategies, FSA portfolios are down about 3%. The S&P 500 index is down about 30%. Of course, some clients may be concerned that their accounts are down at all, and wonder how much value is being provided by FSA. To give you a sense of the impact of our defensive strategy on a typical portfolio, let's assume a client has a $500,000 with us (either one portfolio or several portfolios that equal $500,000). The table below shows the savings our clients have realized from being with FSA, as opposed to investing in the broad market (as represented by the S&P 500 index). Compared with the broad market, the hypothetical account below has saved $135,000 versus the S&P 500 index

January 1 Value	*S&P Index Fund (as of 10/31/08)*	*FSA Core Equity (as of 10/31/08)*	*Difference (savings from being with FSA)*
$500,000	$350,000	$485,000	$135,000

Note: The table assumes $500,000 invested in an S&P 500 index fund and another $500,000 with FSA's Core Equity strategy (net of fees). Core Equity returns assume returns equal the average return for all Core Equity accounts. Actual returns may vary.

The Future
The results of the 2008 election are in and President-elect Barack Obama will face some daunting tasks in his early days. Even though he will not officially take office until January 20, 2009, he is already beginning to receive regular updates from the current administration, in an effort to more fully understand what is going on in the U.S. and around the world. In spite of the brief euphoria leading up to the election, the leaders of the developed world face a difficult task of getting credit flowing again, in order to get their economies moving forward.

We believe that stock markets around the globe will have a difficult time making any progress until there is some confidence restored to take risk. The earlier rounds of government intervention were probably necessary to keep things from spiraling out of control, but not enough to change the mood into a more bullish tint. That will require evidence that earnings are bottoming out and economic growth is improving.

We could see a decent rally coming soon that could carry stock prices higher until year end. We may invest some of our money market positions to take advantage of that rally. On the other hand, we also believe there will be additional downside market action, so we will have to be opportunistic and careful. At some point in the not-so-distant future, we believe there is an outstanding low risk opportunity coming. Having done such a good job in protecting the portfolios during the downdraft, we will be in excellent shape to recover our modest losses and then some during the ensuing bull market.

As Warren Buffett said recently, “Be fearful when others are greedy and greedy when others are fearful.” We might argue with his timing (having written this in October) since he has the luxury of a long-term horizon, but directionally, we believe he is spot on. We are cautious, but watching for an opportunity to move the portfolios to a more invested position. Most investors would be wise to heed Buffett’s advice.

Finally, we want to welcome the new clients that have joined us recently, and to thank our current clients for sharing our services with their friends, families and associates. Your referrals help keep our business energized.

Please let us know if there is anything we can add to these monthly reports that would help you better understand what is happening in your accounts.