Rockville, MD 20850 800.235.4567 www.fsainvest.com

Historical Year Comes to a Close

Fourth Quarter Market Review From Your Portfolio Management Team—January 8, 2009

What a year! From so many different perspectives, this year will go in the record books—an historic election, the collapse of investment banks, government bailout of the financial services industry, a stock market decline among the largest in U.S. history.

We are very pleased that our accounts have held up so well in relation to the broad stock market, and we hope this year has reinforced the validity of our investment approach, especially for people approaching or living in retirement. Making money in good markets is only beneficial if one can keep the money in bad markets.

Among the various stock market indexes, there was no place to hide in 2008, as all major equity asset classes were down 30% or more for the year. In addition, commodities provided no refuge and neither did Real Estate Investment Trusts (REITs). In fact, even most bond indexes were in the red last year, with only government bond indexes managing to show a positive return. Granted, having some money invested in a bond fund down 7% would feel much better than having all one's money in stocks that were down almost 40%, but it is clear that 2008 was brutal for anyone who did not have a sizable part of his/her money in money markets or government bonds. Even hedge funds posted sizable losses in 2008. A group that tracks the performance of hedge funds reported they were down about 18% (through November), which has no doubt changed the way many investors think about hedge funds.

Index	*Q4 Return*	*YTD*
S&P 500	-21.9%	-37.0%
Dow Jones	-19.1%	-33.8%
EAFE	-18.5%	-40.3%
Barclays Bond	4.6%	5.2%
90-Day T-bills	0.1%	1.5%

Source: Ned Davis Research
Note: EAFE represents the MSCI index of foreign stocks; Barclays Bond represents the Barclays Capital Aggregate Bond Index (this index used to be called Lehman Aggregate Bond Index). Q4 Return covers the period from 9/30/08 – 12/31/08. YTD returns cover the period from 12/31/07 – 12/31/08.

Because we are willing to move in and out of stocks or bonds and into and out of money markets, we avoided most of the carnage that took place in 2008 and especially in the 4th quarter. In addition, we now have more money available to take advantage of any opportunities that may present themselves in 2009. One area that looks attractive to us right now (and we mentioned this area in last month's Commentary) is the corporate bond market. Prices fell considerably last year and as a result, yields are high (ranging from 6% for high quality bond funds to 12% for junk bond funds). As you will read below, we have already moved into this area in most accounts.

Below we review the five broad strategies that FSA manages. Keep in mind that your specific portfolio may differ to some degree from the averages, as our portfolios are individually managed.

Conservative Growth
*Current Money Market Allocation: 60%**
Conservative Growth portfolios rode out the majority of the volatile fourth quarter in the safety of money markets, until late in the quarter, as we began to see some opportunity within the corporate bond market. As a result, we added one or two high quality bond funds, as well as two or three high yield bond funds. On average, the these accounts were *up* over 1% for the quarter, and down less than 1% for the year.

Core Equity
*Current Money Market Allocation: 95%**
This strategy generally will not invest in bond funds, but rather allocates between various equity funds or cash. Since we have not felt the environment was healthy enough in the equity market we have left these accounts in money markets until early January, when we made a small foray into a conservative equity fund. We are researching some income-oriented equity investments to place in these accounts. On average, the Core Equity accounts were flat for the quarter, and down just over 3% for the year. Within a few of our Core Equity accounts, we maintained some allocation to stock funds throughout the year—typically smaller accounts and accounts belonging to younger clients. Obviously those accounts were down more than 3% even though these accounts too held up much better than the various stock indexes.

Tactical Growth
*Current Money Market Allocation: 55%**
Tactical Growth remained in money markets for much of the quarter, until recently, when we added two high yield funds, as well as a fund which moves in the same direction as Treasury bond yields. Given how low government bond yields are currently, we believe we could see rising bond yields at some point in 2009 as money looks for higher yielding alternatives. On average, the Tactical Growth portfolios were down less than 1% for the quarter, and less than 7% for the year.

Income & Growth
*Current Money Market Allocation: 60%**
As with other FSA strategies, the Income & Growth portfolios spent most of the quarter in money market funds until mid-December, when we made a our first forays into some attractive corporate bond funds, both high quality bond funds and high yield (aka junk) bond funds. On average, the Income & Growth accounts were *up* over 1% for the quarter, and managed to finish the year flat.

Income
*Current Money Market Allocation: 40%**
Oddly enough, our most conservative strategy is currently carrying the lowest money market allocation. Since we have identified bond funds as our best opportunity currently, and since the Income strategy generally can only invest in bond funds, they have been the recipient of our move towards bonds. For the quarter, these portfolios were *up* over 2%, and for the year, they managed a slight *gain* of less than 1%.

*These allocations represent the money market levels of our various models, including trades through January 2, 2009.

The Future
2009 promises to be as interesting as 2008. There will be a great deal of hope for the new president and administration to get the country out of this economic and credit crisis. At the same time, there will be an ongoing litany of weak economic reports coming out that will make most investors feel quite uncomfortable taking on much market risk.

Our current opinion is that there remain some sizable issues to get resolved in 2009 and 2010 before the economy is on a healthy track, so we remain cautious. On the other hand, we do recognize that the government has thrown a great deal of money into the financial system and with the passage of some time, we could see some areas respond to that increased liquidity. In addition, there is a record amount of money sitting in money markets yielding close to 1%. So, there is a great deal of firepower once investors come to believe that a 1% return is not sufficient.

For now, we see the best opportunity with corporate bond funds. As usual, we will have our safety nets applied to these funds, so if credit fears rise up again in 2009, we will have our exit plan in place.

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.

Furthermore, if you belong to a group or club and would be interested in having us come speak with them about investments or the markets, we would welcome the opportunity. After a year like 2008, the markets and investments are on the minds of most people, so nearly everyone is looking for advice and guidance, as well as perspective. Just contact our office and set up an appointment through Stephanie.

Special Announcement
We plan to host a webinar to go into more detail the following topics:

a) Current outlook
b) Opportunities we see early in the year
c) Questions from our clients

To view our slides you will need a computer with internet capability, as well as a telephone to listen to the commentary. We have reserved two dates so that hopefully one of these times can be convenient for you:

Date:	Wednesday, January 14	Friday, January 16
Time (EDT):	3:00pm	11:00am
Duration:	45 minutes	45 minutes

If you would be interested in participating in such a call, please respond to this email or call our office and Stephanie will give you the conference number and password. If you sign up and then cannot participate, please let us know so that someone else can join. We plan to offer these webinars monthly, as long as there are interesting things to talk about and you are interested in hearing from us. Thank you.