

## Open Letter to Spectrum Advisory Services Clients

January 22, 2008

The stock market and the economy are of great concern at the moment. While this letter will address some general issues and our strategy, you are welcome to call me at the office or at home.

Bear markets are an inevitable part of long-term investment in the stock market. They are characterized by rapid declines and usually last a far shorter time than the previous bull market. While it is disturbing to see accounts decline in the short run, remember that bear markets do not occasion permanent damage if one does not have to sell holdings. None of you will be required to sell any shares in this decline. We may however decide to realize some tax losses to maximize after-tax returns.

Our strongest relative and absolute returns have always occurred after a substantial decline. Since most of you have substantial cash reserves, we will be looking to invest some of those reserves in a thoughtful way. Likewise, I have begun to purchase more shares of Marathon Value Portfolio and will continue to do so in an amount greater than I have since 2002. I invest through Marathon so to avoid the conflict that might arise with individual purchases.

Most of you know that for some time I have been warning about the financial risks stemming from what I termed “the most unregulated lending market since the establishment of the Federal Reserve.” Unless the credit markets are restored to some semblance of normal function, there is likelihood of further marked declines. More targeted steps than any yet proposed are needed. In particular, creditworthy mortgage applicants and businesses need access to credit more easily than they now have.

Finally a reflection: the financial world and its participants in recent years have enjoyed an outsized prosperity relative to other sectors. It is healthy for the long run prosperity of this country that this relationship be restored to a more normal state. I entered this field when few wanted any part of it. You can be assured that I am not a fair weather money manager.

Sincerely,

Marc S. Heilweil

*Please note, past performance does not guarantee future results.*