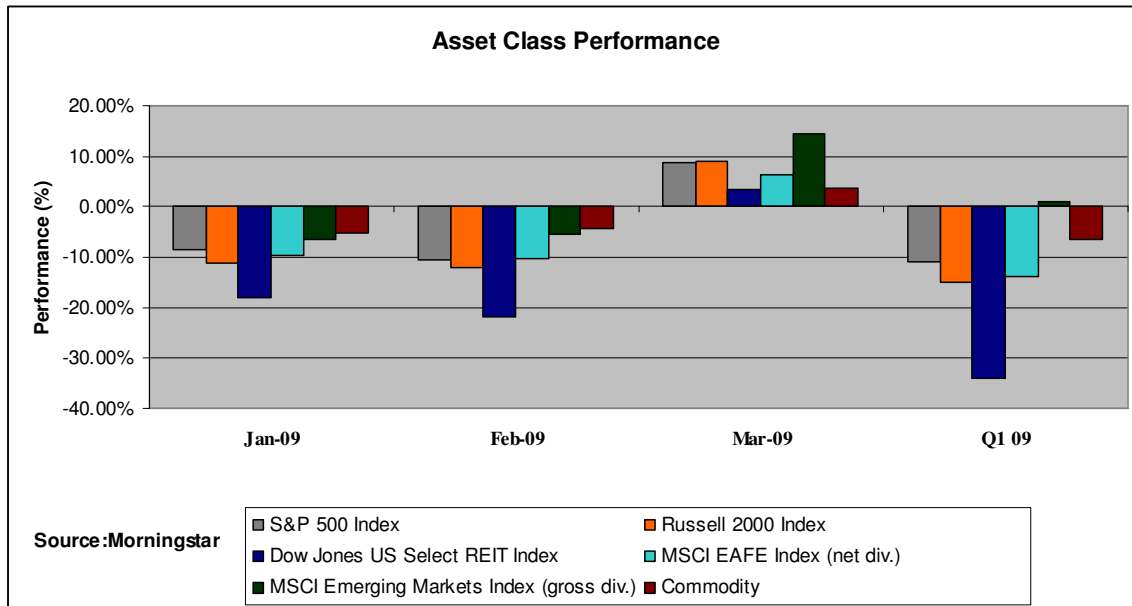


Quarterly Commentary | April 2009

After sharp declines in both January and February, the domestic stock market reached new lows in early March, foiling the hopes of many that the low reached in late November last year was “the bottom”. The remainder of March, however, generated some very positive returns in all of the major asset classes. Although these positive returns were strong they were not enough to overcome the severe losses earlier in the quarter. Therefore, for the overall period all of the major asset classes, other than emerging markets, generated negative returns.



There are many issues still out there for us to be concerned about.

- There is the auto industry on the brink of bankruptcy.
- The possibility that the auto manufacturer bankruptcies could take their suppliers into bankruptcy.
- Even after the stress tests, there are still concerns that we could see some additional bank failures.
- Many companies are showing the impact of the recession in low to very poor earnings.
- Unemployment continues to rise (typically a “lagging” indicator, however).
- Real estate prices have still not bottomed out.
- Overall confidence in the economy is very low.

So why did we see the turn around in March? There appears to be some positive signs. For example;

- Stimulus legislation (like it or not) is increasing money supply which has historically been a key to ending most recessions.
- The Treasury's plan to form a public/private collaboration to purchase large amounts of toxic assets has now been defined and could provide the basis for pricing these assets and encouraging investors and lenders to finally unlock credit markets.
- The Federal Reserve's plan to purchase mortgage-backed securities and long-term Treasury securities should depress long-term interest rates, further facilitating a housing recovery by keeping mortgage rates low. *Many clients are taking advantage of this opportunity by refinancing their current mortgage. Some are even considering taking advantage of lower real estate prices and interest rates and buying second homes (Yes, they are BUYING real estate). If you would like to evaluate these opportunities for yourself please contact us and we would be glad to assist.*
- Housing starts and home sales/inventory statistics are starting to reflect modest improvements.
- Consumer spending has increased.
- Stock market valuations (e.g. P/E ratios) have returned to more reasonable levels.

What's next? We wish we could be sure. This recent turn around could be another false start with further losses or the start of a full blown recovery. We can not be sure what will happen in the short term. Ultimately, however, long-term stock returns are a derivative of the productivity of world economies and their human capital. While certain to be volatile along the way, these drivers lead us to conclude that world stock markets remain fundamentally sound long term investments.

Changes to Fischer & Hutchinson's Quarterly Reporting Process

Each quarter we spend numerous hours preparing, printing and mailing this quarterly package which includes our **Quarterly Commentary**, benchmark and mutual fund performance results, and client-specific portfolio holding and performance statements and billing information. Over the years we have come to realize that most clients do not even read this material. Most do read their monthly Schwab statements, however, which is important to personally verify they understand what securities are being held in their accounts and what transactions have transpired over the last month. Our intention in compiling a quarter's worth of data and organizing it across multiple accounts into specific asset classes with portfolio level performance reporting has been to assist them in tracking actual conditions vs. the strategy laid out in their Investment Policy Statements (IPS). We recognize, however, that our clients have lives which do not revolve around the performance of their portfolios. So, we understand that reviewing these reports is not necessarily a top priority for everyone. Upon further reflection, we have also concluded that focusing on such information on a quarterly basis is too frequent and even potentially counterproductive to one of the core tenets of our investment philosophy - to stay focused on the long term. Some clients have asked that we do not send quarterly reports to them. Some feel that the paper not being used would help the environment. Some simply do not want all of this personal information lying around their homes. In most cases, even if they haven't seen this material before a quarterly meeting, we do review it and put it into proper context.

Our focus as financial advisors is to help our clients make smart financial choices to meet their life goals. We feel that the time spent with quarterly reports could be spent more productively

helping clients with other financial matters such as evaluating retirement plans, tax issues, refinancing their property as noted previously, or other important matters.

Based on the above discussion we are instituting the following changes:

1. Our quarterly reports will be replaced by an annual investment report. This will accomplish several objectives.
 - a. Focus more on longer term results. While we do not believe quarter to quarter analysis is important regarding your portfolio we do believe it is important to compare your outcome to our planning assumptions to ensure you are still in line to meet your life goals.
 - b. Reduce the amount of paperwork going out of the office that may just be ending up in a file cabinet or trash can without review.
 - c. Reduce the amount of time we are spending on something clients do not seem to value. We can then focus on other planning opportunities for our clients.

If you still want to receive quarterly reports, just contact us and we will be glad to continue sending them. Even if you do not receive quarterly statements from us you will still receive statements from Schwab on a monthly basis which we strongly encourage you to review. You should always call us if you see something on these statements you'd like explained further.

2. If you do not want to receive your monthly statements from Schwab in paper format we can assist you in arranging to have them sent to you electronically. This will reduce the amount of paperwork that you receive.
3. For clients who are email savvy, we will do our best to communicate with you via email to limit the amount of paper we send to you. We do understand that some clients are not comfortable using email and we will continue to communicate with you via other means.
4. From a regulatory compliance standpoint, we are required to provide our asset management clients with our quarterly billing information. We will be contacting you over the next quarter to determine if you are amenable to receiving this information by email or some other secure electronic arrangement. If we don't receive your concurrence to move to an electronic format for your billing information, we will continue to send you your quarterly billing information through the mail.

As always, your feedback and comments are welcome.