



THE FOXHALL GLOBAL OUTLOOK



JANUARY 10, 2008

PAGE - 1 -



GREETINGS FROM SEOUL, SOUTH KOREA!

I am writing to you today from Seoul, South Korea.

This is the first stop on a trip that is taking me to Beijing and Shanghai, China, Hong Kong, Ho Chi Minh City (Saigon), Vietnam, Singapore, Mumbai (Bombay) and Bangalore, India, London and Paris.

I will be meeting with key banks, stock market analysts, economists and government officials in these countries. I will also be giving speeches at the Shanghai, Hong Kong and Saigon Stock Exchanges—so it will be a very busy six weeks.

There are unbelievable market and economic changes going on throughout Asia which is now the fastest growing regional economy in the world. Over the next six weeks, I will be sending you reports on what I am finding out in each of the cities I am visiting.

However, today I wanted to send you some important information that will affect your FOXHALL CAPITAL client's investment portfolios.

FOXHALL IS SWITCHING TO ITS DEFENSIVE INVESTMENT STRATEGY!

At the end of trading yesterday, Wednesday, January 9, 2008, our FOXHALL CAPITAL LONG-TERM STOCK MARKET DIRECTION INDICATOR triggered a move to a DEFENSIVE STRATEGY. This indicates a probable BEAR MARKET.

In previous editions of this newsletter, I have outlined our FOXHALL "BELT & SUSPENDERS" approach to portfolio risk management. That means FOXHALL uses two methods to determine when to get out of the stock market.

The first method is our monthly review where we compare all of our holdings to a money market fund—which is essentially cash. If a holding is underperforming cash, we don't want to own it.

In early December, many of our U.S. and developed markets holdings started to underperform cash, so we moved more than 25% of those holdings to defensive investments.

The second method is our proprietary FOXHALL CAPITAL LONG-TERM STOCK MARKET DIRECTION INDICATOR. This indicator helps identify bear markets and has not been triggered since the beginning of the bull market in March of 2003.

The bear market response to a slower economy may be temporary or may be prolonged. A recession technically requires two consecutive quarters of negative growth. Our FOXHALL proprietary market direction indicator will help us determine whether this move to the FOXHALL DEFENSIVE STRATEGY will last for several months or several years.

WHAT IS THE FOXHALL DEFENSIVE STRATEGY?

Our goal at FOXHALL CAPITAL is to do everything humanly possible to protect our client's investment principal during a bear market or recession.

What this means is that over the next few days, you will see FOXHALL sell most U.S. stock exposure out of your client's portfolios. They will be replaced by defensive investments such as money market, bond funds, global bond funds, gold and precious metal funds and utility funds. THESE ARE THE INVESTMENTS THAT TEND TO GO UP DURING BEAR MARKETS AND RECESSIONS.

NO ONE ELSE OFFERS FOXHALL'S "BELT & SUSPENDERS" RISK MANAGEMENT SYSTEM!

FOXHALL'S system continuously monitors the global stock markets. When trouble struck the subprime loan segment of the financial markets a few months ago, FOXHALL moved away from affected funds in favor of better performing funds. In early December, weakening regions in the Pacific Rim saw Foxhall respond by moving 50% of the portfolio to bond funds.

In the first days of January, the Developed Markets allocation increased its weighting in defensive investments like

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THE FOXHALL GLOBAL OUTLOOK

JANUARY 10, 2008

PAGE -2-

utilities and bond funds to 50%. As a result, the portfolios maintained almost all of their gains.

Thanks to the “Belt & Suspenders” Risk Management system, reaching the **FOXHALL CAPITAL LONG-TERM STOCK MARKET DIRECTION INDICATOR** trigger yesterday is not a surprise, required no panic reaction by the traders at Foxhall and most importantly, finds our client’s portfolios with values preserved and in need of only minor tweaking!

Within the next few days, all of FOXHALL’S clients will see their portfolios’ shift to our Defensive Strategy completed. As promised, the shift, driven by the “Belt & Suspenders” Risk Management methodology, has been both decisive and systematic!

HERE IS HOW EACH OF OUR PORTFOLIO STRATEGIES WILL BE ALTERED:

CONSERVATIVE—BALANCED—GROWTH & INCOME—GROWTH STRATEGIES:

The U.S. and Developed Markets allocation in each of these strategies will be selling the MIDCAP and SECTOR ROTATION FUNDS. They will be replaced with bond funds, utility funds, gold and precious metal funds. For the time being, we will be keeping our Asian & Emerging Markets and Hard Assets funds.

This past Tuesday, the WORLD BANK’S Hans Timmer said, “continued robust expansion in developing countries will help offset a slowdown in the United States this year.”

For now, Asian, Latin American and other emerging markets are continuing to do well, so FOXHALL will maintain those positions. However, I believe if the U.S. goes into a recession, it will also slow Asian and emerging markets economies. As soon as we see those regional markets begin to decline, we will shift those positions into more defensive investments.

PACIFIC RIM STRATEGY:

Presently, these markets continue to do well and may actually benefit from a slowdown in the U.S. As institutional investors sell U.S. stocks, many analysts believe they will move a portion of their investments to Asian and other emerging markets. FOXHALL is watching these markets closely for signs of deterioration and is prepared to move decisively into defensive investments.

HARD ASSET STRATEGY:

This is currently the best positioned FOXHALL investment strategy to make money during a bear market or recession. The current portfolio holdings include a commodity index fund, a gold fund, an oil fund, soft-commodities and agriculture funds plus a Euro currency fund as a hedge against the declining dollar. These are classic defensive investments that historically resist bear markets and capital erosion during a recession. We will not be changing these funds.



THE FOXHALL GLOBAL OUTLOOK

JANUARY 10, 2008

PAGE -3-

50-50 PACIFIC RIM/HARD ASSET STRATEGY:

This strategy is half Pacific Rim Strategy and half Hard Asset Strategy. For the reasons mentioned above, we will not be changing these holdings.

WE ALWAYS TRY TO PROTECT OUR CLIENT'S PRINCIPAL FIRST!

FOXHALL CAPITAL'S DEFENSIVE STRATEGY supports the primary goal of protecting our client's principal! It also supports our secondary objective of continuing to make money for our clients during a bear market.

This shift into a bear market is clearly an important event for you and your clients. The information you have just read not only explains the current situation to your client, but demonstrates the effectiveness of the FOXHALL INVESTMENT METHODOLOGY. We recommend that you share it broadly.

다음 주까지... (UNTIL NEXT WEEK...)

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Disclosure: The opinions and portfolio information provided in the Foxhall Global Outlook are subject to change at any time, and are not to be construed as advice for any individual nor as an offer or solicitation of an offer for purchase or sale of any security. Client accounts may differ from model allocations due to many reasons. All investment strategies offer the potential for loss as well as gain. Individuals should consult with their financial professional to determine an investment strategy appropriate for their objectives, risk level, and time horizon prior to investing. Past performance is not a guarantee of similar future performance.