



## THE FOXHALL GLOBAL OUTLOOK



FEBRUARY 8, 2008

PAGE - 1 -



### GREETINGS FROM PARIS, FRANCE!

### HOW SEVERE WILL THIS RECESSION BE?

I have received a number of questions regarding the severity of the current bear market and possible recession. Everyone seems worried. With all the wild swings in the U.S. and global markets, many investors and financial planners are asking, "WHAT DO I DO NOW?"

I should say that anyone who's asking that question IS NOT a FOXHALL CAPITAL client. As you know, on January 10<sup>th</sup>, FOXHALL announced that our proprietary indicators had triggered our FOXHALL DEFENSIVE STRATEGY, and since that date, we have been moving our client's portfolios into very DEFENSIVE investments like bonds, foreign currencies (to make money on the falling U.S. dollar), gold, other precious metals, agricultural commodities, hard asset commodities and a few Pacific Rim and Emerging Markets broad index funds. Almost all of these investments are counter-cyclical to the U.S. stock market.

I believe that our FOXHALL DEFENSIVE INVESTMENT STRATEGIES will have a good chance to weather this bear market/recession well.

### ANOTHER VIEW ON RECESSION

The economist and writer BEN STEIN wrote in a recent article:

"Unemployment always rises in recessions. The degree of the rise is usually modest, generally only about 2 percentage points, although some—like the one engineered by the Fed in the early Reagan years—have gone as high as 4 points. The average length of involuntary unemployment during recessions is about six weeks.

There is some good news in here.

Even in a recession, more than 90 percent of workers who want to work will be employed. Even in a recession, most businesses will make a profit. Even in a recession in this era, more than 10 million men and women will need cars and trucks. Many millions will need new homes. Tens of millions will need retirement

investment products and life insurance. In the United States, even in a recession, there are plenty of people with money to spend.

Those who tend to their work, who get to the office or showroom or shop early, stay late, work hard, stay on the phones dialing for deals, will make money. Those who stay sharp and make a point of befriending their clients will make money. Yes, some extra effort will be needed, but it'll pay off. There's still money to be made, even when the economy itself has slowed down.

It's the guy or gal who puts in extra effort that stays ahead and even prospers when the economy is in a slowdown. The easy-going, laid-back time-servers get tossed overboard.

There's another key truth about recessions: THEY ALWAYS END and the economy always goes on to a new plateau. It may take a while, but the stock market always moves on to a new high.

So stay hungry. Work harder. Dig deeper. Keep investing in broad indexes. You'll come out all right on the other side."

AMEN BEN!

JUSQU'À LA SEMAINE PROCHAINE...  
(UNTIL NEXT WEEK...)

—Paul Dietrich  
dietrich@foxhallcapital.com  
800-416-2053

**“THERE’S ANOTHER KEY  
TRUTH ABOUT RECESSIONS:  
THEY ALWAYS END  
AND THE ECONOMY ALWAYS  
GOES ON TO A NEW PLATEAU.  
IT MAY TAKE A WHILE, BUT  
THE STOCK MARKET ALWAYS  
MOVES ON TO A NEW HIGH.”**



## THE FOXHALL GLOBAL OUTLOOK

FEBRUARY 8, 2008

PAGE -2-

### PORTFOLIO COMMENTARY AND ALLOCATIONS

#### FOXHALL PORTFOLIO UPDATE

We have completed our portfolio review and made significant changes to our ETF based Strategies based on our quantitative analysis this week. Let me quickly summarize for you:

- Diversified Global Market Rotation Strategies – here we reduced exposure to underperforming equity markets and increased our defensive holdings using a combination of short term high quality bonds, treasury inflation protected bonds (TIPS), and strongly trending foreign currencies. For example the Global Growth Strategy model now has approximately a 10% “offensive exposure”: comprised of 10% Latin American equities. We have our full 10% Global Hard Asset allocation, (which Foxhall views as a defensive asset class) split evenly among a diversified commodity index fund, an agricultural commodities fund, and a metals & mining equities fund.
- Pacific Rim & Emerging Markets Strategy – we reduced equity exposure to approximately 22%, holding a Latin American equity fund and a small Malaysian equity fund position. Approximately one third is in short term treasuries, one third in strongly trending currencies, with approximately 10% allocated to an ETF that holds gold as a defensive hedge.
- Global Hard Asset Strategy - we made changes to portfolio holdings, but remain fully invested in this strategy with allocations divided among a diversified commodity fund, an agricultural commodities fund, a gold fund, a gold mining industry fund, a metals and mining fund, and a EuroCurrency fund.

We invite you to review the pie chart allocation illustrations at the end of this report to see visually the defensive character of our current portfolios.

Foxhall Capital believes that our disciplined investment process, with both an offensive and a defensive strategy is well suited to these uncertain economic times. While we are currently in a primarily defensive strategy, we are also closely watching to find where in the world is the “next Bull Market”!

Dave Morton  
dmorton@foxhallcapital.com

---

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.

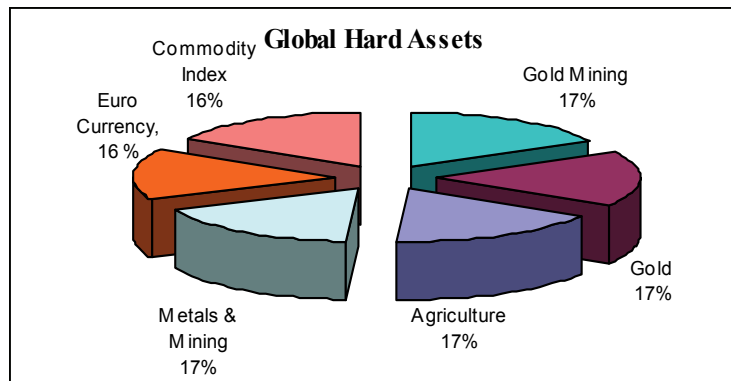
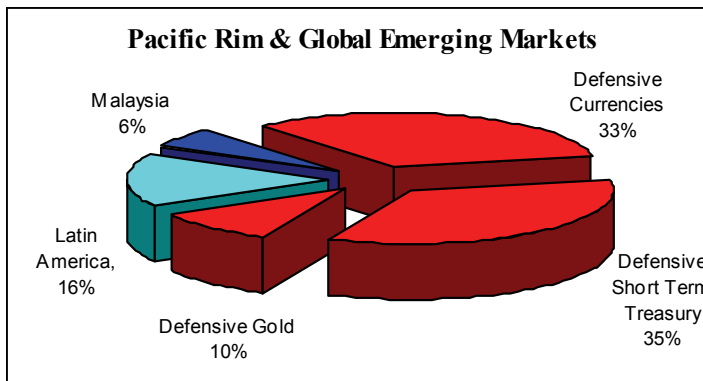
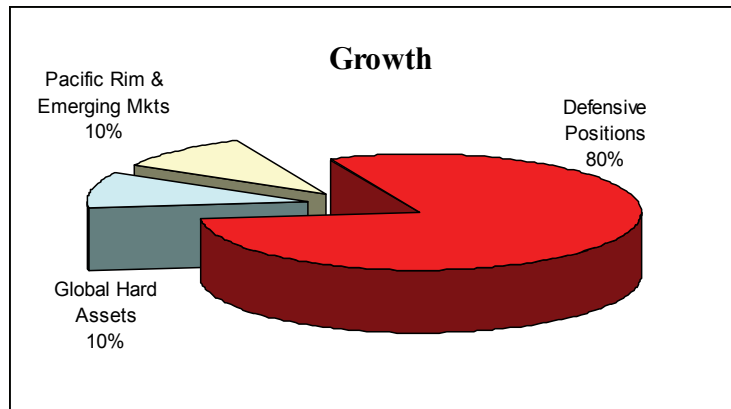
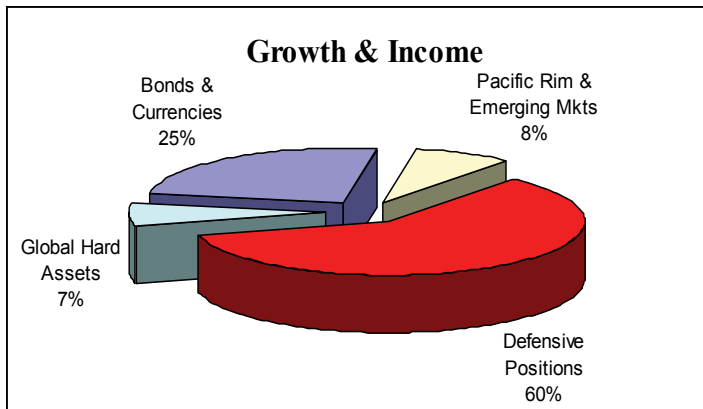
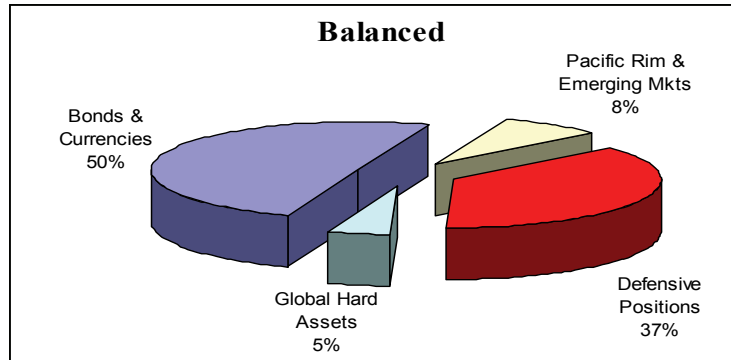
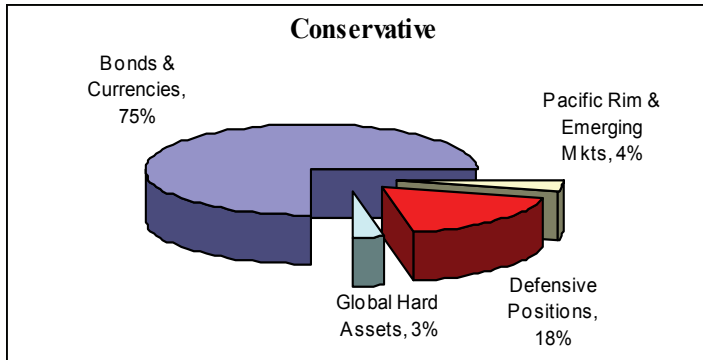


# FOXHALL CAPITAL MANAGEMENT, INC.

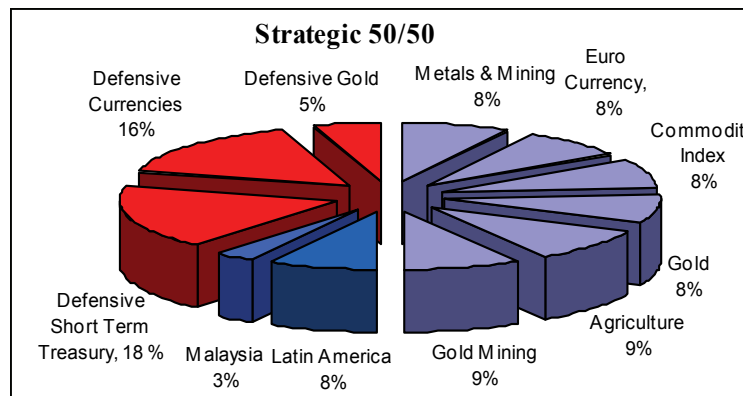
## THE FOXHALL GLOBAL OUTLOOK GLOBAL MARKET ROTATION PORTFOLIOS

FEBRUARY 8, 2008

PAGE -3-



Emerging Markets  
Hard Assets



The allocations illustrated are model allocations, actual client allocations, could vary due to many factors. Variable annuity/variable life accounts will vary significantly due to the availability of investment options in each contract. All allocations may change without notice.