FOXHALL CAPITAL MANAGEMENT, INC.

THE FOXHALL GLOBAL OUTLOOK

APRIL 7, 2008

HOW LONG WILL THIS RECESSION & BEAR MARKET LAST?

Make no mistake! WE ARE IN A RECESSION and this one could be severe. Don't believe the TV pundits who tell you this bear market will be over by the fall. If that were to occur, it would be historically unprecedented.

Expect this recession/bear market to last most of two years! FOXHALL CAPITAL'S disciplined investment process and proprietary long term market indicator responded to the market shift and has systematically positioned client portfolios in "defensive investments" that have traditionally made money during downturns in the markets.

THE HISTORY OF BEAR MARKETS

Since 1945, we have had a bear market/ recession, on average, every 5 to 8 years. BUT, the last bear market/recession in 2000-2001 and 2002 lasted 3 years.

During most bear market/recessions the stock market, as measured by the S&P 500 Index, goes down on average about 36%. That means you lose 36% of your *investment account balance* if you are in a buy and hold investment strategy. BUT, in the last recession in 2000-2001 and 2002, the S&P 500 dropped (peak to trough) almost 50%, which means you lost almost half of all your stock investments during those 3-years.

And if that isn't sobering news enough, you need to remember that if a stock goes from a price of $50 to $25—that's a 50% loss. But to go from $25 back up to $50, that requires a gain of 100%, just to get back to even.

It has now been almost nine years since March of 2000 when the S&P 500 Index hit its peak of 1527. We are now nine years later and the S&P 500 INDEX is still more than 200 points below that year 2000 high.

If you had bought and held an S&P 500 INDEX fund in early 2000 you would still not have broken even nine years later.

From a risk perspective, do you really want to take the risk that this new bear market/recession will be different from all the rest?

Professional managers learn quickly that it is often best to cut your losses expeditiously when entering a bear market recession.

Many people who held tech stocks in early 2000 learned that lesson. They will never recover their losses.

STAGFLATION

Stagflation occurs when inflation is rising at the same time the overall economy is slowing and moving into a recession. During the past four recessions, the economy was contracting and inflation went down.

But this one is different. Not since the early 1970's, almost 35 years ago, have we seen a recession where the economy is shrinking but inflation is rising rapidly due to oil prices, rising food prices and the dropping dollar that makes many goods more expensive.

"MAKE NO MISTAKE ABOUT IT! WE ARE IN A RECESSION AND THIS ONE COULD BE SEVERE. DON'T BELIEVE THE TV PUNDITS WHO TELL YOU THIS BEAR MARKET WILL BE OVER BY THE FALL.. IF THAT WERE TO OCCUR, IT WOULD BE HISTORICALLY UNPRECEDENTED."

Most investors think the best thing they can do in a recession is to stick all their money into bonds and CD's. But that is the WRONG investment strategy for a stagflation environment.

Regular bonds and CD's will not keep up with inflation which, if you count oil and food, is running somewhere over 10% right now. Investors are losing money in CD's and regular bonds because of inflation. As the FEDERAL RESERVE keeps lowering interest rates, they will lose even more.

PLAY DEFENSE – DEFENSE – DEFENSE IN A RECESSION

Investors need a defensive investment strategy like we have at FOXHALL CAPITAL in order to manage risk and try to make money during periods of stagflation in bear markets.

At FOXHALL CAPITAL, we try to target our investments in the major trends CAUSING INFLATION, such as higher oil and food prices and a declining dollar.

We are invested in energy funds, agricultural funds, and gold, precious metals and currencies outside of the United States to offset the declining U.S. dollar.

We also maintain a significant holding in inflation-adjusted

Treasury bonds commonly known as TIPS. Although anyone can buy them, they are almost exclusively bought by professional investors.

TIPS

TIPS are U.S. TREASURY INFLATION PROTECTED SECURITIES BONDS. Their yield tracks the current inflation rate. That is why they are the preferred US Treasury bond in a rising inflation period.

Just to give you an example, the iShares TIPS ETF Fund has a year-to-date performance as of, March 10, 2008 of 11.93%. The iShares corporate bond ETF Fund is up YTD 3.76% and the iShares Lehman 3-7 Year U.S. Treasury ETF Fund is up YTD 4.79%.

PUTTING IT ALL IN PERSPECTIVE

When times are good in bull markets, a professional investment manager always needs to think about what can go wrong and how does he protect his client's portfolio.

That same disciplined, balanced approach is helpful in bear markets too. Recession? Most certainly! Will your clients be affected? Some! The weak dollar has driven energy prices higher. Daily living will be more expensive but not alarmingly so. So is the "sky falling?" Most certainly NOT! We sometimes have to remember that even in a recession…

- More than 93% of workers who want to work will be employed.
- Most businesses will make a profit.
- More than 10 million men and women will need cars and trucks this year.
- Many more millions will need new homes this year.
- Tens of millions will need retirement investment products and life insurance.
- And in the United States, even in a recession, there are plenty of people with money to spend.

Invest wisely!
Enjoy life!

UNTIL NEXT WEEK...

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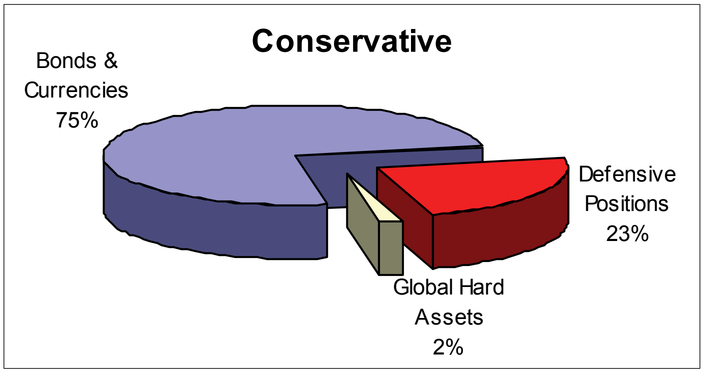
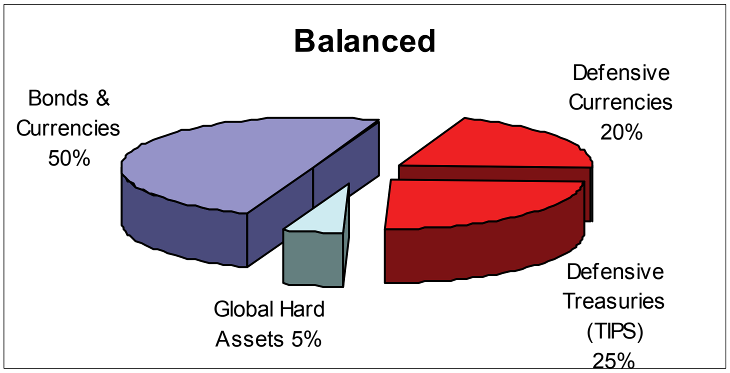
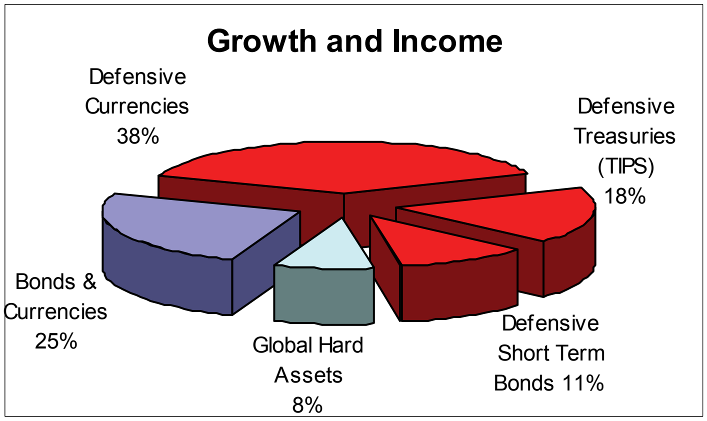
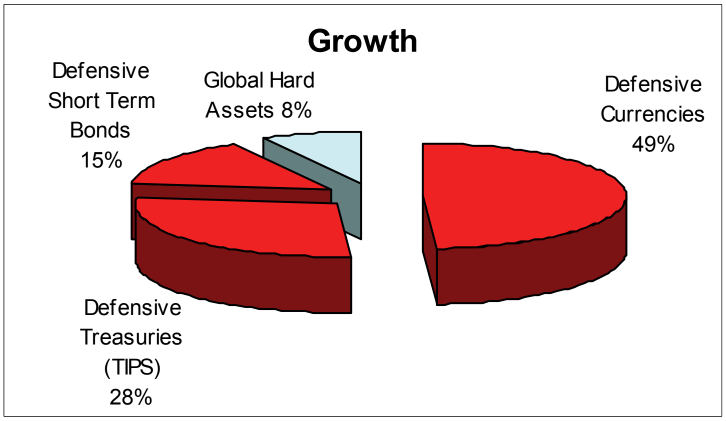
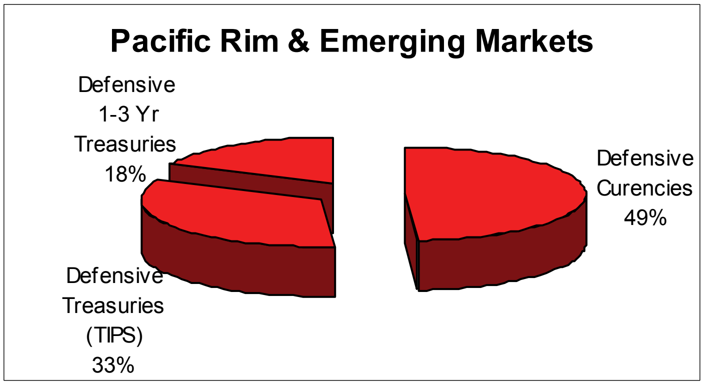
THE FOXHALL GLOBAL OUTLOOK
GLOBAL MARKET ROTATION PORTFOLIOS

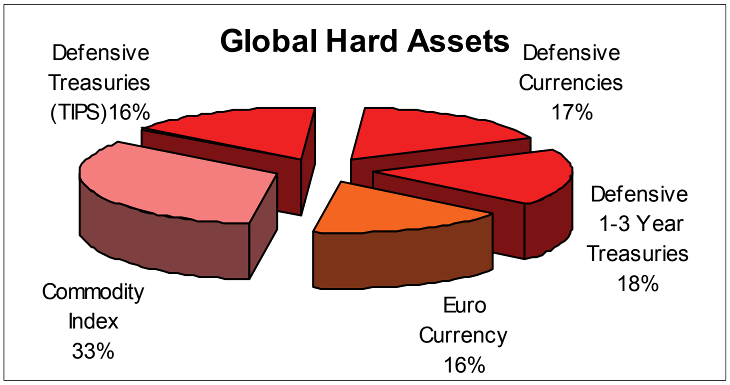


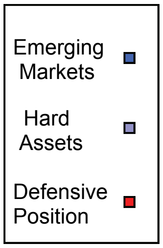


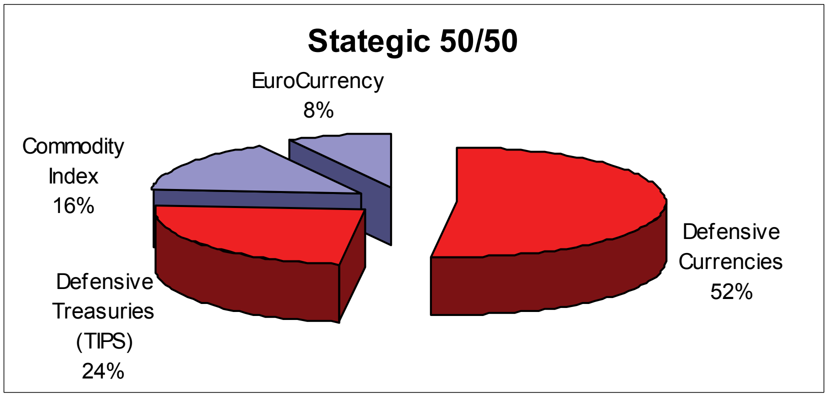












The allocations illustrated are model allocations, actual client accounts could vary due to many factors. Variable annuity/ variable life accounts will vary significantly due to the availability of investment options in each contract. All allocations may change without notice.