



THE FOXHALL GLOBAL OUTLOOK



NOVEMBER 14, 2007

PAGE - 1 -



QUESTION:

Dear Paul,

The stock market continues to be worried about the sub-prime mortgage crisis, high oil prices, the dropping U.S. dollar and the decline of Asian and emerging markets. What is FOXHALL CAPITAL doing to manage these risks in FOXHALL CAPITAL client accounts?

ANSWER:

Our primary goal at FOXHALL CAPITAL is to manage stock market risk in our client's portfolios. We manage risk in three ways. First we make sure that all of our portfolios are globally diversified. Almost every academic study concludes that a global portfolio is both more diversified and safer than only investing in one country.

Secondly, wherever possible, we try to maintain approximately 10% of our equity portfolios in "HARD ASSETS." These are investments in oil, gold, precious metals, cash currencies of other countries (like the Canadian dollar, while the U.S. dollar is falling), etc. These investments have tended to go up when the stock market begins to decline.

Lastly, we maintain both an OFFENSIVE INVESTMENT STRATEGY when stock markets are going up and a DEFENSIVE INVESTMENT STRATEGY when markets are going into a bear market or recession. When the markets start to decline and when our proprietary FOXHALL CAPITAL quantitative technical stock market triggers are hit and telling us that the U.S. economy is headed for a bear market or recession, we will decisively move all of our client portfolios to defensive investments like bonds or money market accounts.

ARE WE HEADED TOWARD A RECESSION?

No—at least not yet. As I have been saying over the past few months, the U.S. economy is continuing to grow, but at a much slower pace than last year. While the stock market is currently getting spooked by the current sub-prime financial

crisis, high oil prices, a lower U.S. dollar and nervous Asian markets, there is a lot of very good news that is being discounted by the stock market.

The good news is the U.S. economy grew last quarter at a much higher than expected pace, U.S. manufacturers and U.S. farmers are having a record year of sales and profits because of a lower U.S. dollar and the economy is producing higher than expected levels of new jobs and lastly, wages are increasing. People forget that it is very unlikely we could have a recession while U.S. employment is expanding.

SUB-PRIME FINANCIAL CRISIS

Most analysts thought the world would know by now the true extent of the losses sustained by big banks and Wall Street brokerage firms in their exposure to the sub-prime mortgage lending crisis. But according to the WALL STREET JOURNAL many banks and brokerage firms have been less than forthcoming and are continuing to hide the full extent of their losses. When investors are uncertain about a company's financials they tend to sell and that is why we have seen such a sharp drop in financial stocks over the past few weeks. Since financial stocks make up a large percentage of the DOW JONES INDEX and other major Indexes, this has been the primary driver of recent stock market declines.

A DROPPING U.S. DOLLAR MAY NOT BE BAD—WHAT THE TV PUNDITS WON'T TELL YOU!

While no one likes to pay more for European vacations, French wine, and oil because of a dropping U.S. dollar, the decline in the dollar may be the one thing staving off a recession in the U.S. We should be grateful for the declining dollar.

Because of the declining dollar, U.S. manufacturers and U.S. farmers are having a record year exporting to the rest of the world. Our dropping dollar makes U.S. goods and services cheaper. Also, if the Chinese government will not re-value upward their own currency which is tied to the U.S. dollar, we will re-value it upward for them by letting the dollar go down.

“ WHILE THE STOCK MARKET IS CURRENTLY GETTING SPOOKED BY THE CURRENT SUB-PRIME FINANCIAL CRISIS, HIGH OIL PRICES, A LOWER U.S. DOLLAR AND NERVOUS ASIAN MARKETS, THERE IS A LOT OF VERY GOOD NEWS THAT IS BEING DISCOUNTED BY THE MARKET.”



THE FOXHALL GLOBAL OUTLOOK

NOVEMBER 14, 2007

PAGE -2-

According to Goldman Sachs, for the past year, the U.S. has experienced stronger export growth than import growth, the first time in nearly two decades that this has occurred for a sustained period. This only happened briefly in the early 1980's.

Again, according to Goldman Sachs, because of "the growth of exports, many companies in the STANDARD & POOR'S 500 INDEX will derive more earnings benefits from a weaker dollar."

What this means is there are a lot of jobs being created and there are a lot of U.S. companies that are losing money here in the U.S., but are making record profits overseas, mainly in Asia and other emerging markets. My fear is if we see a sustained improvement in the U.S. dollar, this will be a trigger for the next recession.

HIGH OIL PRICES

In the short term, oil prices will eventually come down—a little. Currently the world has more supply than demand. The reason oil prices are going up is (1) the geopolitical problems in the Middle East and (2) the fact that many American investors (including FOXHALL CAPITAL) are investing in oil as a hedge against the rapidly falling dollar.

According to Ben Dell, an energy analyst at Sanford Bernstein & Co., "the perception is that you want to own whatever benefits from the dollar weakening. And commodities are an ideal play on that."

This is exactly the reason why FOXHALL CAPITAL tries to maintain, wherever possible, approximately 10% of our equity portfolios in "HARD ASSETS."

ASIAN MARKET VOLATILITY

Many Chinese investors borrow money from banks to invest in China's booming stock markets. In its ninth effort this year to try to cool-down the Chinese economy the Chinese government has raised the minimum threshold of customer deposits that Chinese banks must hold. While this has once again provided a short-term drop in Asian stock markets, most analysts don't believe this government effort will be any more successful than their previous attempts this year to cool-down their economy. EXPECT ASIAN MARKETS TO RECOVER BEFORE THE END OF THE YEAR.

CONCLUSION

I agree with the assessment last week of Federal Reserve Chairman Ben Bernanke who said that "our assessment is for slower growth, but positive growth going into next year." "Positive growth," by definition, means you are not in a recession.

With the economy growing, the stock market should continue upward through at least the first part of next year. I believe we will see a higher stock market by the end of this year.

UNTIL NEXT WEEK...

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





THE FOXHALL GLOBAL OUTLOOK

NOVEMBER 14, 2007

PAGE -3-

PORTFOLIO COMMENTARY AND ALLOCATIONS

MARKET VOLATILITY AND THE FOXHALL INVESTMENT PROCESS.

There has been a lot of stock market volatility in the past week or so, first of the stress inducing type, and on Tuesday of the good kind. How is Foxhall handling this?

As you know, Foxhall's investment process and discipline allows us to select the strongest investment areas of global markets. We believe this is a common sense approach and one that has demonstrated the ability over time to produce the investment returns our clients are seeking.

During extended market advances there are also pullbacks, corrections, and shifts of investor interest. As these normal events occur, there are often sharp drops in the hottest areas, as some investors take profits or economic events introduce doubts to would-be buyers. When these occur within a persistent upward trend they are alarming and uncomfortable, but are quickly met with new investors rushing in to buy the hot sector on the cheap, and so the rally continues. Ultimately, the economic landscape changes and investors move on to a new area of interest. No one knows which drop is not just another normal correction in the ongoing rally, and which one signals the end of the uptrend and the beginning of a broader and deeper decline, or even a bear market.

As you also may know, Foxhall employs a long term trend following discipline that seeks to place us in the market during long term up-trends and to move us to a defensive position in safer asset classes such as bonds or the money market during long term down-trends. The key terms are 'LONG TERM' and 'TREND FOLLOWING.' We do not seek to move frequently in and out of the market, and we follow the trend rather than anticipate changes of direction before they are confirmed.

Foxhall seeks to handle the volatility that can occur in its holdings by dividing the portfolio into different sub-strategies that operate independently of each other and define the exposure we are allowing to a single asset class within the larger strategy. Each of the diversified global strategies maintains targets for the developed markets, emerging markets, hard asset, and non-equity holdings for each risk level, from Conservative, to Balanced, Growth & Income, and Growth. Many of the financial advisors we work with have found that these strategies are appropriate for a broad range of their clients. We also offer highly concentrated portfolios for those willing to accept higher risk that focus on the Pacific Rim & Emerging Markets, Global Hard Assets, and the new Strategic 50-50 Portfolio combining the two.

HOW MIGHT FINANCIAL ADVISORS AND THEIR CLIENTS APPROACH VOLATILITY IN THEIR FOXHALL ACCOUNTS?

First, review again the strategy selected in light of goals, objectives, investment experience, and also how the experience of the past week has affected one's stress level. NO INVESTMENT IS WORTH UNDUE WEAR AND TEAR!





THE FOXHALL GLOBAL OUTLOOK

NOVEMBER 14, 2007

PAGE -4-

PORTFOLIO COMMENTARY AND ALLOCATIONS

Foxhall carefully monitors client holdings and is prepared to respond as the economic environment changes to protect client assets during extended market declines.

-David Morton
dmorton@foxhallcapital.com
800-416-2053

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.

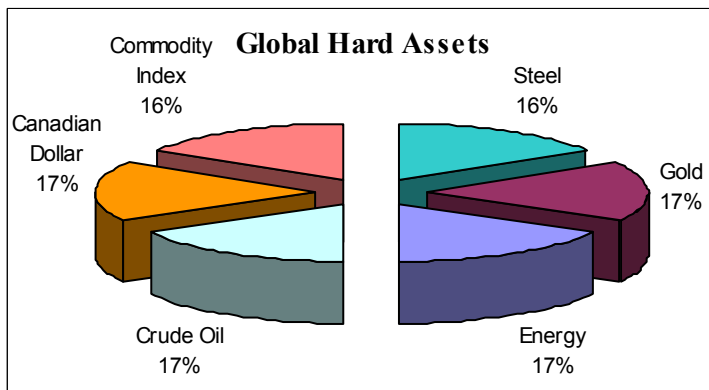
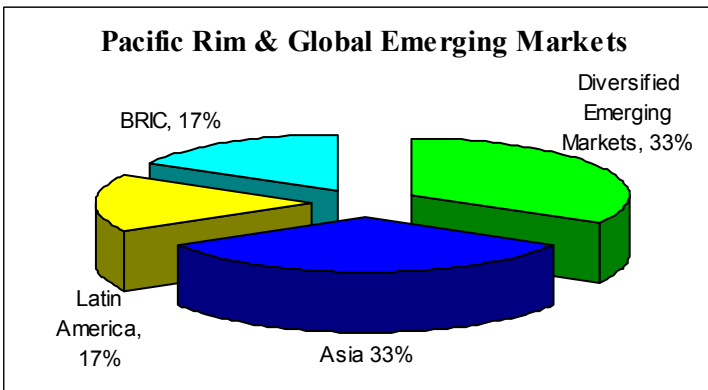
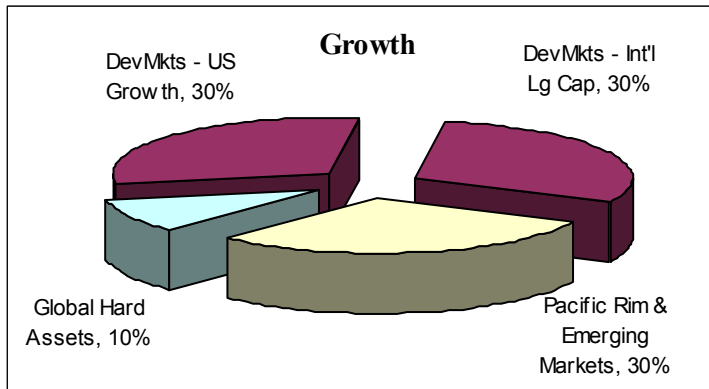
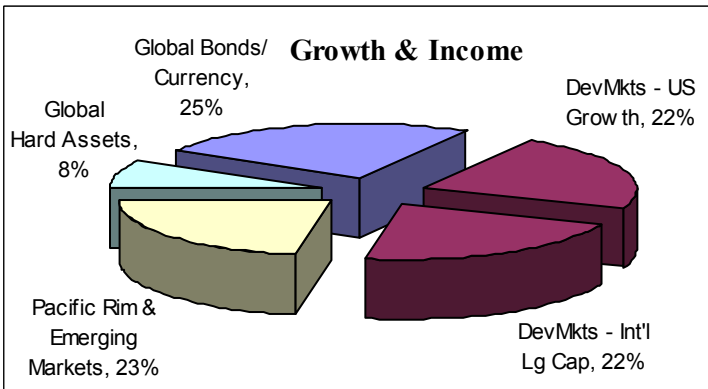
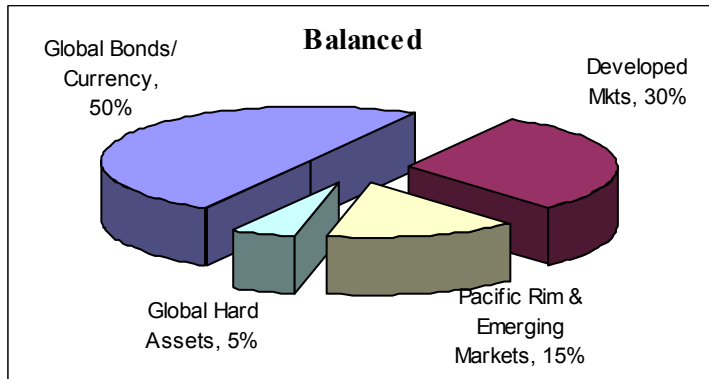
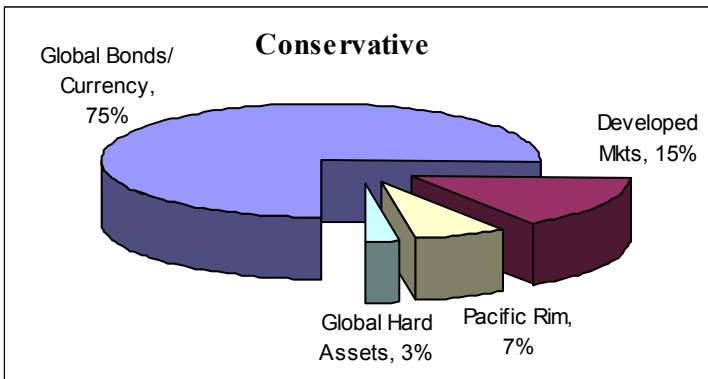


FOXHALL CAPITAL MANAGEMENT, INC.

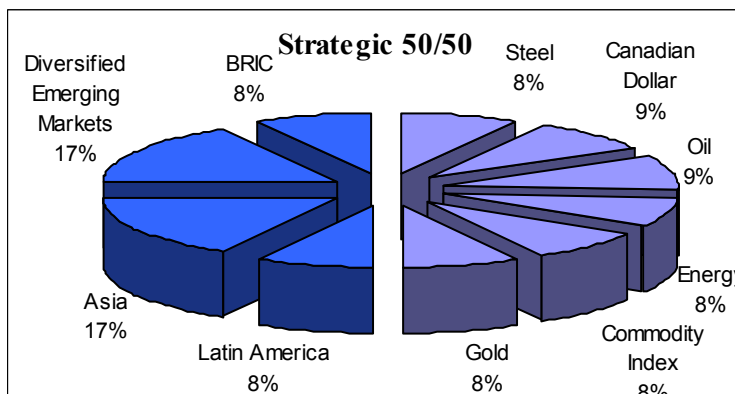
THE FOXHALL GLOBAL OUTLOOK GLOBAL MARKET ROTATION PORTFOLIOS

NOVEMBER 14, 2007

PAGE -5-



■ Emerging Markets
■ Hard Assets



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.