



THE FOXHALL GLOBAL OUTLOOK



NOVEMBER 21, 2007

PAGE - 1 -



QUESTION:

I know you have been warning for several months that the U.S. economy is slowing, but what are the exact “stock market triggers” that FOXHALL CAPITAL uses to determine that the stock market has moved into a bear market or recession? How do these triggers “specifically work” and exactly when will you notify clients that FOXHALL

CAPITAL believes we have entered into a bear market or recession and FOXHALL CAPITAL is moving its investment portfolios to its FOXHALL DEFENSIVE INVESTMENT STRATEGY?

ANSWER:

As many of you know, I live on a horse farm in the Middleburg area of Northern Virginia. Some years ago, I had a farm manager who would come to work everyday wearing both a large leather belt around his waist AND a pair of suspenders. I always admired his sartorial eccentricity.

If you think about it, it was a great risk management strategy—if you wanted to minimize the risk of your pants falling down!

THE FOXHALL CAPITAL “BELT & SUSPENDERS” STRATEGY

At FOXHALL CAPITAL, we also have our own “BELT AND SUSPENDERS” risk management strategy to make sure our FOXHALL CAPITAL clients have moved to a DEFENSIVE INVESTMENT STRATEGY within a very short period of time after the stock market enters into a bear market or recession.

EXACTLY WHEN DOES A BEAR MARKET OR RECESSION START?

As a group, the U.S. Government, the U.S. Treasury Department and major U.S. economists have a miserable record in predicting past bear markets and recessions. For example, in 1929, days after the stock market crash, the HARVARD ECONOMIC SOCIETY reassured its subscribers: “A severe depression

is outside the range of probability.” In a survey in MARCH OF 2001, 95% of American economists said there would not be a recession, even though one had already started.

According to THE ECONOMIST magazine, “Today, most economists do not predict a recession in America, but the profession’s pitiful forecasting record offers little comfort.”

FOXHALL’S PRIMARY DEFENSIVE STRATEGY TRIGGER

FOXHALL CAPITAL continuously monitors, on a daily basis, the long-term stock market trends in both U.S. and global markets. But on the last Friday of every month, Dave Morton and I meticulously review all of our current holdings in each of our FOXHALL investment strategies.

We compare the long-term performance of each holding with (1) the S&P 500 INDEX, which is a broad measure of the U.S. stock market, and (2) to a U.S. MONEY MARKET FUND, which is essentially cash.

Our theory is we really don’t want to own any investment that is both UNDERPERFORMING the S&P 500 INDEX and UNDERPERFORMING cash.

If we find a specific investment holding begins to decline on a long-term relative strength basis against both the S&P 500 INDEX and to our money market fund, we replace it with another holding that is currently out-performing. At FOXHALL CAPITAL, we believe “there is always a bull market somewhere in the world.”

However, if the U.S. stock market or an Asian stock market, for example, begins to decline into a bear market or recession, we almost immediately see

many, if not all, of our equity investment holdings begin to under-perform our money market fund trigger. If there are no other investment options that are outperforming our money market fund, you will see FOXHALL start to invest large segments of your portfolio in money market funds, bond funds or some other defensive investment strategy.

This entire process of moving to bonds and other defensive investments all takes place within a very short period of time

“AT FOXHALL CAPITAL, WE NEVER TRY TO “TIME” THE MARKET OR TRY TO “ANTICIPATE” WHETHER THE MARKET WILL GO UP OR DOWN. WE SIMPLY TRY TO FOLLOW THE STOCK MARKET IN THE DIRECTION IT IS ALREADY GOING—THIS IS TECHNICALLY CALLED STOCK MARKET “TREND FOLLOWING”.”



THE FOXHALL GLOBAL OUTLOOK

NOVEMBER 21, 2007

PAGE -2-

—WEEKS NOT MONTHS. This is our FOXHALL PRIMARY DEFENSIVE STRATEGY TRIGGER.

FOXHALL'S SECONDARY DEFENSIVE STRATEGY TRIGGER

At FOXHALL CAPITAL, we never try to “time” the market or try to “anticipate” whether the market will go up or down. We simply try to follow the stock market in the direction it is already going—this is technically called stock market “TREND FOLLOWING.”

Years ago, we created a proprietary, computer generated quantitative model, called the FOXHALL CAPITAL LONG-TERM MAJOR STOCK MARKET TREND TRIGGER. I know that is a very long and convoluted title, but what it does is track the U.S. stock market trend direction, and since World War II, it has had a good record of identifying major stock market corrections, bear markets and recessions.

For example, in the last bear market and recession, this “trigger” indicated the stock market was entering a bear market on October 16, 2000 and it did not “trigger” a change of direction to a bull market until June 6, 2003.

When this system “triggers” a market trend change of direction to a bear market or recession, we will notify by email all of our Advisors, Brokers and Reps on the day after the “trigger date” that FOXHALL is switching from an overall OFFENSIVE INVESTMENT STRATEGY to a DEFENSIVE INVESTMENT STRATEGY.

Once this happens, FOXHALL will start moving any investments that begin underperforming our MONEY MARKET FUND TRIGGER to cash, bond funds or other very defensive investments. AND FOXHALL WILL PATIENTLY TRY TO MAKE MONEY FOR OUR CLIENTS IN BONDS AND OTHER DEFENSIVE INVESTMENTS UNTIL THE NEXT BULL MARKET BEGINS.

CONCLUSION

By using this two-strategy “BELT AND SUSPENDERS” approach, our goal is to have moved our FOXHALL client’s investment portfolios to a DEFENSIVE INVESTMENT STRATEGY, while the economists are still arguing whether we have entered into a recession or not.

UNTIL NEXT WEEK...

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

PORTFOLIO COMMENTARY AND ALLOCATIONS

The global markets continue to display high volatility reflecting uncertainty about both present and future economic conditions. In this environment we are seeing on the one hand that investors are buying Treasury Bonds, Notes, and Bills as a safe haven, and on the other hand they are buying crude oil, gold, and foreign currencies as hedges against the declining dollar and the rising costs of energy and other natural resources.

How are Foxhall’s Global Market Rotation Strategies positioned to benefit from this? Let’s look at how Foxhall is providing clients with exposure to these asset classes in our various Strategies. (For a full view of our current model allocations be sure to look at the pie charts following this section.)





THE FOXHALL GLOBAL OUTLOOK

NOVEMBER 21, 2007

PAGE -3-

We are seeing increasing interest in our two unique strategies for growth oriented investors desiring concentrated exposure to the global hard assets and a hedge against the declining dollar: the Global Hard Asset Strategy and the Strategic 50-50 Portfolio.

- The Foxhall Global Hard Asset Strategy is a concentrated portfolio, 100% allocated to assets that benefit from rising prices for natural resources and basic materials, as well as from the decline of the US Dollar relative to other currencies.
 - We currently hold positions tied to crude oil, gold, a broad commodity index, the steel industry, energy exploration & production, and the Canadian Dollar.
- The new Strategic 50-50 Portfolio allocates approximately 50% to the same holdings as are in the Global Hard Asset Strategy, while the balance is in the same holdings as our Pacific Rim & Emerging Markets Strategy.

Additionally, Foxhall's four diversified Global Market Rotation Strategies (Conservative, Balanced, Growth & Income, and Growth) are benefiting from having approximately 10% of their equity allocation to global hard assets.

Often overlooked is the flexibility we have in the non-equity allocations within the Conservative, Balanced, and Growth & Income Strategies to benefit from current safe haven and dollar hedge trends:

- We currently hold short-intermediate term Treasuries and the Canadian Dollar in the non-equity allocation within these accounts.
- Foxhall monitors a broad range of bonds, currencies, and other non-equities with low correlation to the stock market in these lower risk strategies.

Foxhall Capital believes that disciplined, flexible allocation to fixed income, currencies, and the hard assets are important elements in a well diversified portfolio built to handle the current market environment. We invite investors and their advisors to use the current level of anxiety and concern in the markets as an opportunity to review portfolios to be sure that they are sufficiently diversified, with adequate exposure to these important investment categories.

Happy Thanksgiving!

-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.

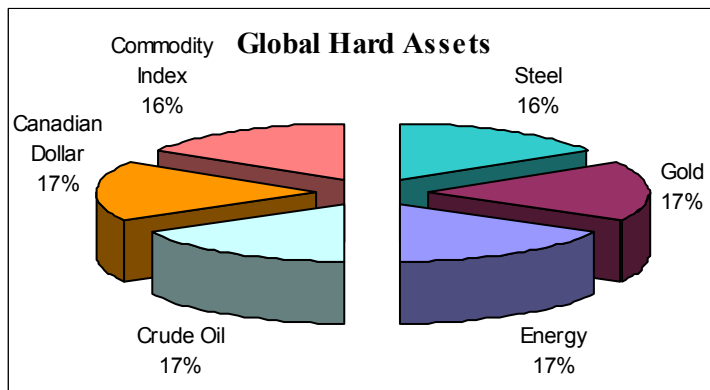
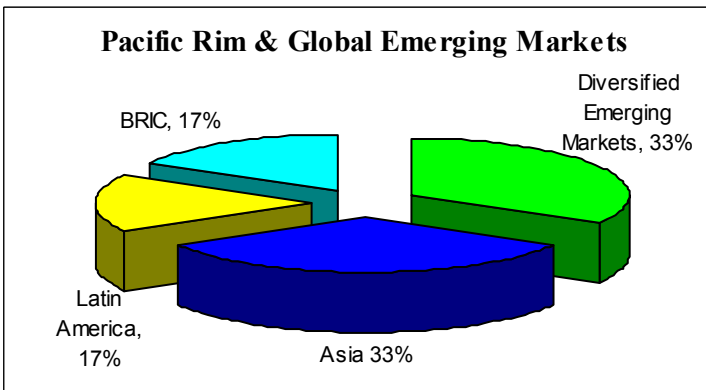
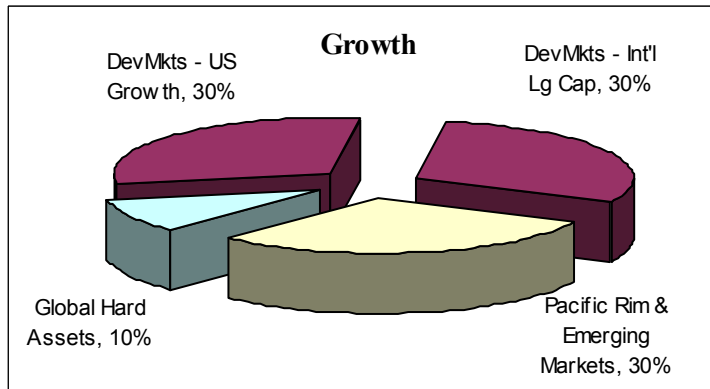
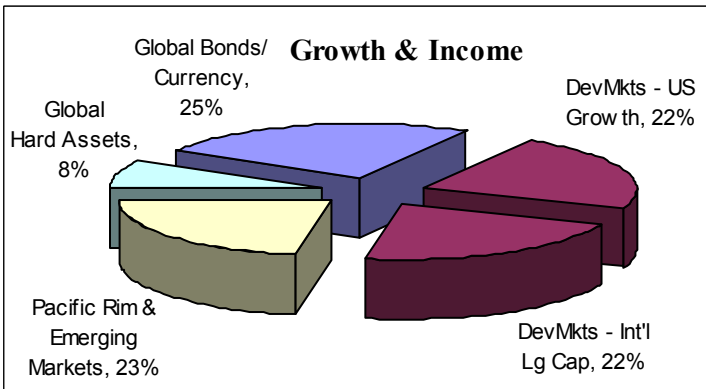
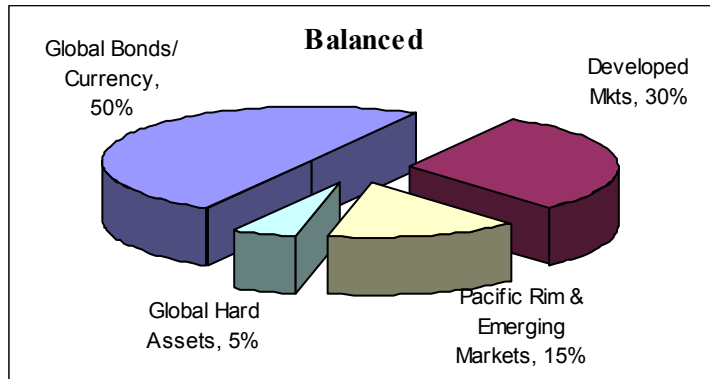
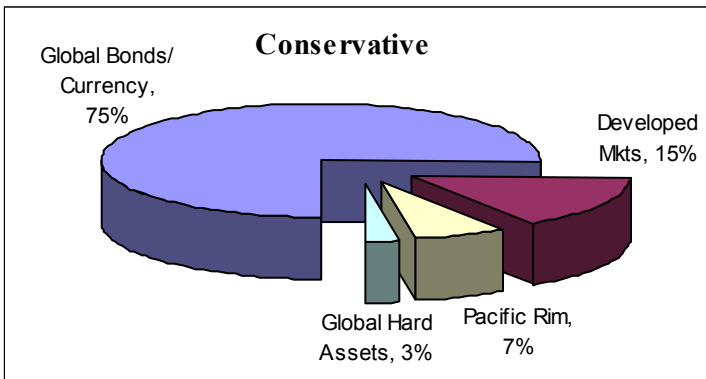


FOXHALL CAPITAL MANAGEMENT, INC.

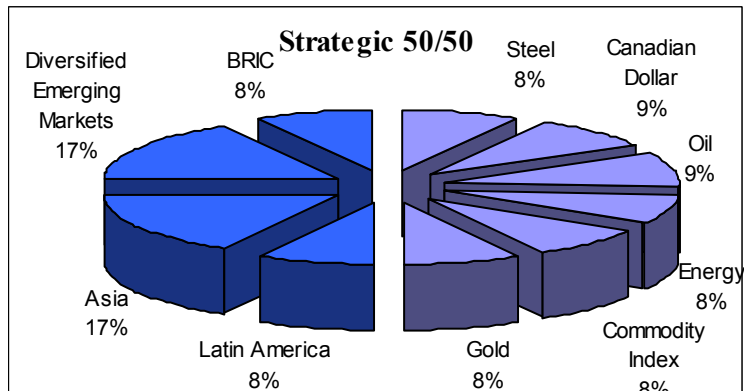
THE FOXHALL GLOBAL OUTLOOK GLOBAL MARKET ROTATION PORTFOLIOS

NOVEMBER 21, 2007

PAGE -4-



■ 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.