FOXHALL CAPITAL MANAGEMENT, INC.

THE FOXHALL GLOBAL OUTLOOK

Dear Paul,

One of my clients asked me why global investing was important. Are there any studies that definitively explain the importance of global diversification in a client's investment portfolio?

YES—GLOBAL DIVERSIFICATION IS A MUST!

After your grandmother told you as a child to always "buy low and sell high," she also probably reminded you "not to put all of your eggs in one basket"—at least that's what my grandmother used to tell me! That is the underlying timeless wisdom of global diversification.

Although the stock market has recovered some of its recent losses over the past few weeks, almost all of the economic news here in the U.S. is negative.

Oil is going higher; the U.S continues to lose jobs; food prices are going through the ceiling and, according to the FEDERAL RESERVE, the peak in home foreclosures will not happen until mid-2009.

LONG-TERM DOWNTREND IN STOCK MARKET

Over the next couple of years, I believe we will see some rallies in the stock market, but only within the context of an overall downward trend in the stock market. From 2000 to 2002, we had several stock market rallies followed by even steeper drops in the stock market. We will see that trend again during this current bear market that I believe will last at least until late 2009 or early 2010.

"GIVEN THE U.S. ECONOMIC SLOWDOWN AND THE SUBPRIME CRISIS DRAGGING DOWN WORLD STOCK MARKETS, IT WOULD BE EASY TO DISCOUNT THE VALUE OF GLOBAL DIVERSIFICATION."

Given the U.S. economic slowdown and the subprime crisis dragging down world stock markets, it would be easy to discount the value of global diversification.

NEW WHARTON SCHOOL STUDY ON GLOBAL DIVERSIFICATION

According to BUSINESS WEEK, a recent study by Wharton School professor Karen K. Lewis found that even though U.S. and foreign stock markets move more in step than they did 30 years ago, investors still need to globally diversify their investment holdings.

Thirty years ago, global exposure cut the volatility of an investor's portfolio—the ups and downs of performance returns—by 30%.

Although that number has dropped to 15% today, says Lewis, it's enough to show that global diversification works.

50% IN FOREIGN STOCKS IS THE WHARTON SCHOOL IDEAL ALLOCATION

According to Lewis' study, **the ideal allocation in foreign stocks is 50%** of your investment equity assets vs. the 12% average that most investor's hold today.

Lewis also contends that much of the future growth in investments will be in foreign markets given the strong demand for natural resources and the growth of emerging economies.

At FOXHALL CAPITAL, we typically hold about 60% of our assets in U.S. companies, but many of our holdings are in U.S. companies that supply goods and services globally. Many of these companies receive a majority of their earnings from foreign markets. I feel that FOXHALL CAPITAL is generally within the optimum global diversification guidelines recommended in the new Wharton School study.

UNTIL NEXT WEEK...

—Paul Dietrich
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PORTFOLIO COMMENTARY AND ALLOCATIONS

THE FOXHALL WAY: SOUND PROCESS + DISCIPLINED EXECUTION

At Foxhall, we believe that just having sound investment principles without portfolio execution is simply an academic exercise. During our month end review we found that there was action to be taken – and take action we did:

- Pacific Rim & Emerging Markets equity allocations were raised from 0% to 66%
- Global Hard Asset allocations were raised from 50% to 100%
- Two higher income producing positions were added to the Defensive holdings; High yield bonds replaced some lower yielding short term high quality bond positions and the higher yielding Australian Dollar replaced the Japanese Yen

We remain primarily 'bearish' in our view of the global developed stock markets including the broad US indexes.

Please see the pie charts on the following page for details on the current construction of the Foxhall Global ETF Series portfolios.

We continuously analyze data from the global stock and bond markets to identify trends that will result in progressive adjustments to the Foxhall Global ETF Series portfolios. Whether 'offense' or 'defense' is the trend, Foxhall will apply its sound, repeatable investment process combined with disciplined action for the benefit our clients.

Dave Morton
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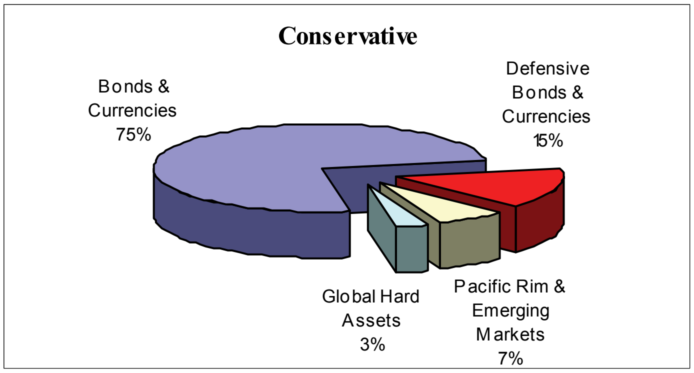
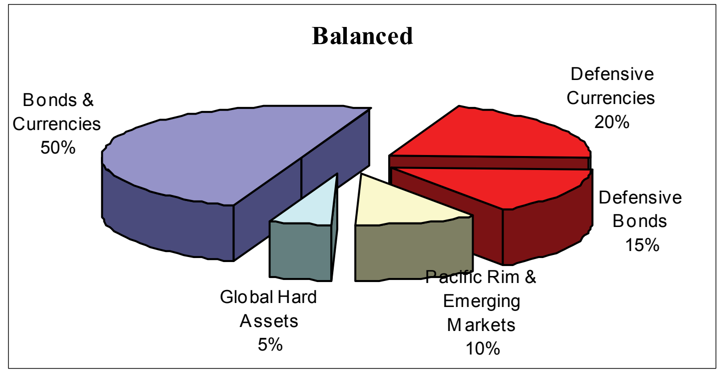
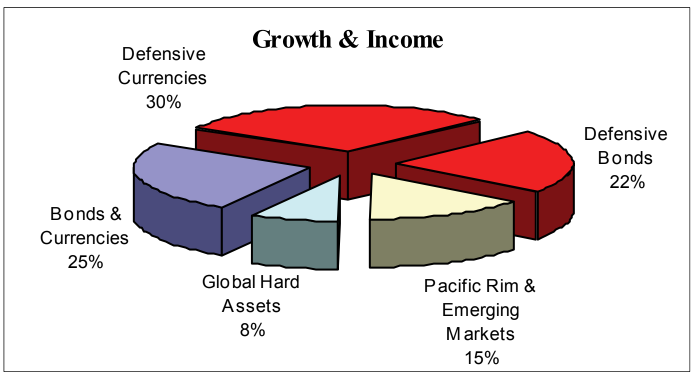
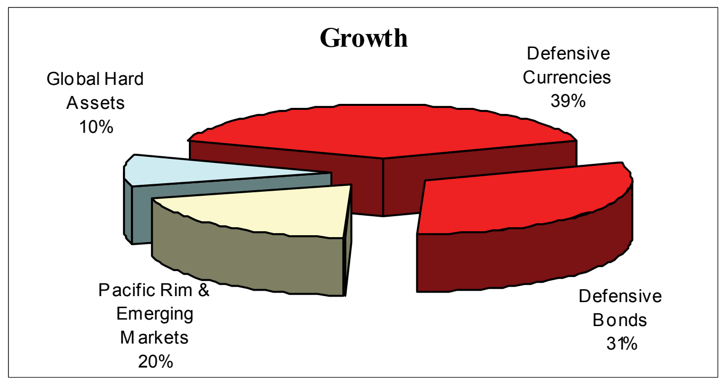
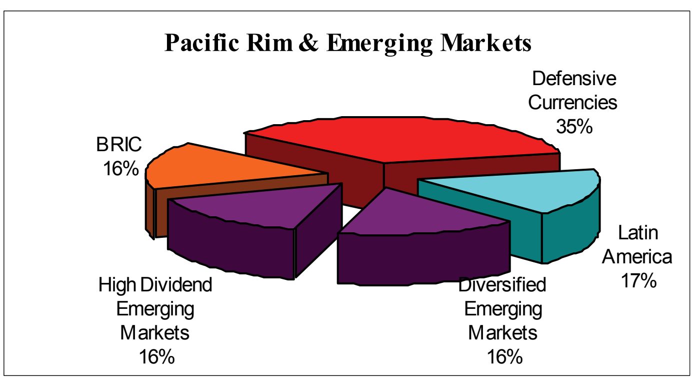
THE FOXHALL GLOBAL OUTLOOK
GLOBAL MARKET ROTATION PORTFOLIOS

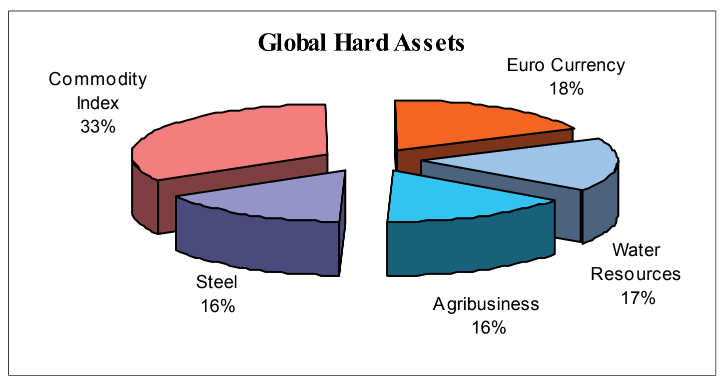


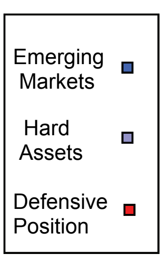


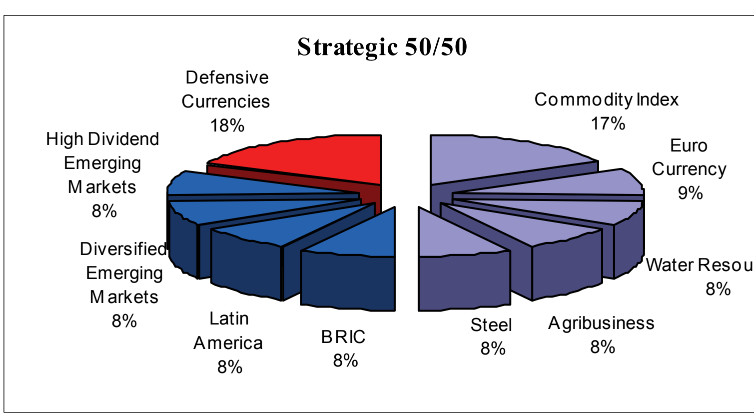












The allocations illustrated are model allocations, actual client accounts could vary due to many factors. Variable annuity/ variable life accounts will vary significantly due to the availability of investment options in each contract. All allocations may change without notice.