



THE FOXHALL GLOBAL OUTLOOK



MAY 22, 2009

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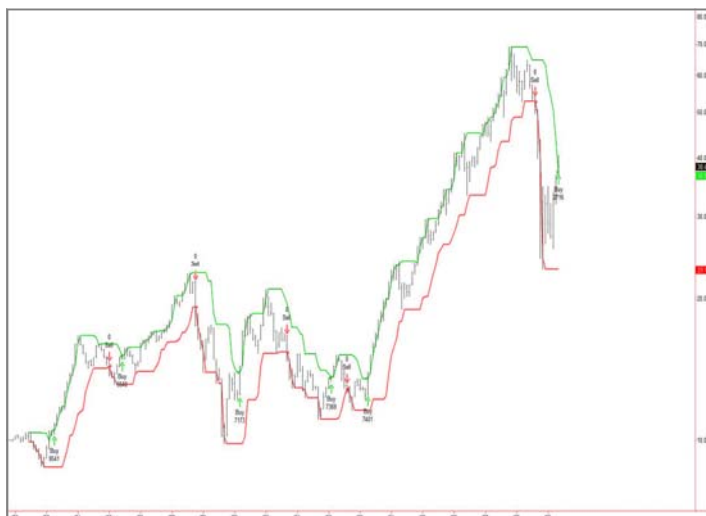


Dear Paul,

Can you explain what exact stock market “entry target” FOXHALL CAPITAL uses to get back into the stock market? How far away from that target are we and when do you think FOXHALL will be back on “OFFENSE” and investing in the stock market again?

Your question could not have come at a better time. Let me pull back the curtain and show you how FOXHALL’S proprietary TREND RECOGNITION TECHNOLOGY® (TRT) works. After the stock market closed on TUESDAY, MAY 19, 2009, the PACIFIC RIM AND EMERGING MARKETS INDEX hit our exclusive FOXHALL TRT indicator for that index.

This means that FOXHALL CAPITAL has now formally moved from a DEFENSIVE STRATEGY to an OFFENSIVE STRATEGY in all of our portfolios that hold PACIFIC RIM AND EMERGING MARKETS investments. Please see **GRAPH #1** which shows the PACIFIC RIM AND EMERGING MARKETS index triggering a new long-term bull market on May 19, 2009 in Asia and emerging markets. As you can see from the chart below, the green target indicator for the index was 36.80 and on Tuesday, May 19th, the index closed above the target at 38.42.



GRAPH #1

PACIFIC RIM & EMERGING MARKETS INDEX

Source: FOXHALL TREND RECOGNITION TECHNOLOGY®

This is good news for the global economy. If you remember in my past GLOBAL OUTLOOK newsletters, I said I believed that Asian and Emerging Markets would come back first, followed by Global Hard Assets and after they came back, the U.S. stock market would start a new long-term bull market.

This is what I wrote in the September 16, 2008 GLOBAL OUTLOOK:

“Historically, hard asset commodities have seen an upswing in prices within 6 months after sharp stock market declines. Hard asset commodities, especially gold, have traditionally been a “SAFE HAVEN” for investors when stock markets rapidly decline.

I also believe that we may see an upswing in Asian and emerging markets within the next six months. Asian markets were overvalued going into the beginning of this year and most of these stock markets have corrected down 40% to 50% since January.

They have probably over-corrected too far down. Asian markets are the only markets in the world, other than Brazil, that are still growing and growing strongly.”

“If hard asset commodities and Asian and emerging markets start to take off over the next six months there could be substantial gains for investors. FOXHALL CAPITAL watches these markets closely and when they start to go up we will begin investing again in these markets.”

It took about eight months, rather than six months, to hit our FOXHALL TARGET, but FOXHALL is now implementing our OFFENSIVE STRATEGY in PACIFIC RIM AND EMERGING MARKETS investments.

On Wednesday, May 20, 2009, the day after THE PACIFIC RIM AND EMERGING MARKETS hit its “entry target,” the EAFE INDEX that represents non-United States developed markets including Europe, Japan and other Asian developed markets did the same!

As you can see from **GRAPH #2** below, the green target indicator for the index was 45.95 and on Wednesday, May 20th, the index closed above the target at 46.13. As of Thursday May 21st, FOXHALL CAPITAL has now formally moved from a DEFENSIVE STRATEGY to an OFFENSIVE STRATEGY in all of our portfolios that hold NON-U.S. DEVELOPED MARKETS investments.



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GRAPH #2

EAFE INDEX-NON-U.S. DEVELOPED MARKETS

Source: FOXHALL TREND RECOGNITION TECHNOLOGY©

FOXHALL TREND RECOGNITION TECHNOLOGY©

Here is how the proprietary FOXHALL TREND RECOGNITION TECHNOLOGY© works.

I have often told the story about a man who used to work on my Virginia horse farm. Everyday he would come to work wearing both a thick leather belt around his waist AND a pair of suspenders. I always thought this was a bit odd and eccentric, but then I thought, if your goal is NOT to have your pants fall down, this was a perfectly sensible form of RISK MANAGEMENT.

At FOXHALL CAPITAL, we now have our own form of a “BELT AND SUSPENDERS” approach to risk management.

The proprietary FOXHALL TREND RECOGNITION TECHNOLOGY© has two very different, but complimentary investment trend recognition strategies that we use to exit the stock market when it is entering a long-term bear market/recession and another methodology to identify new long-term bull markets after a severe bear market.

Both of these long-term trend recognition strategies were developed by FOXHALL CAPITAL based on the findings of a number of major academic studies. Over decades, these two long-term investment trend recognition strategies have consistently identified long-term bear markets within several months after the peak in the previous bull market. They have also consistently identified long-term bull markets within several months after a bear market bottom.



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One of the trend recognition strategies has a slightly better record in more quickly identifying when to get out of the stock market when it is entering a long-term BEAR MARKET. The other strategy has a slightly better record of identifying when to get back into a long-term BULL MARKET after a bear market/recession.

FOXHALL TREND RECOGNITION TECHNOLOGY® STRATEGY # 1

Our first strategy is based on very long average price trends in each of our major stock market strategies which include (1) the U.S. stock market, (2) Pacific Rim and emerging stock markets, (3) non-U.S. developed stock markets and (4) global hard asset commodity markets like gold and oil.

See **GRAPH #3** and you will see the FOXHALL TREND RECOGNITION TECHNOLOGY® STRATEGY #1 overlaid on the S&P 500 INDEX which is what FOXHALL uses to determine whether FOXHALL is implementing a long-term OFFENSIVE bull market strategy or a long-term DEFENSIVE bear market strategy.

You can see the BUY (OFFENSIVE INDICATOR) and the SELL (DEFENSIVE INDICATOR) going back to 1984. There is nothing subjective about this indicator. It is a pure mathematical calculation of long-term average prices of a particular index. On the day that the long-term average price trend reverses down, the strategy triggers a SELL (DEFENSIVE) SIGNAL and when the same long-term average price trend reverses up, the strategy triggers a BUY (OFFENSIVE) SIGNAL.

You can see in **GRAPH #3** that this FOXHALL STRATEGY #1 has consistently triggered a buy or sell signal within a few months of a bear market or bull market reverse in its long-term trend.



GRAPH #3

S&P 500 INDEX-STRATEGY #1

Source: FOXHALL TREND RECOGNITION TECHNOLOGY®



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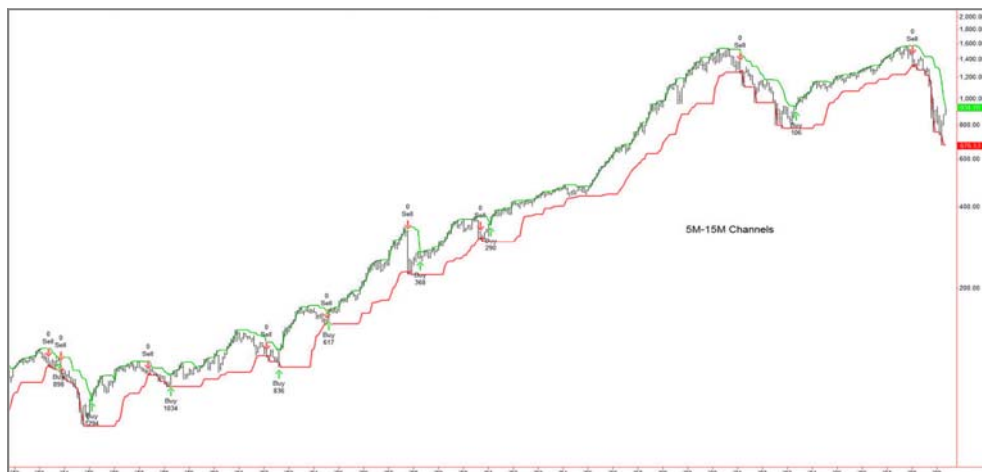
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FOXHALL TREND RECOGNITION TECHNOLOGY® STRATEGY #2

Our second strategy is based on identifying key long-term highs in a particular stock market index and key long-term lows in that same stock market index. These form a CHANNEL OF RESISTANCE LEVELS that, when breached, have a consistently good record of identifying long-term bull and bear market reversals trends.

Again, FOXHALL applies these proprietary mathematical formulas to create CHANNEL RESISTANCE LEVELS to all of our major stock market strategies including (1) the U.S. stock market, (2) Pacific Rim and emerging stock markets, (3) non-U.S. developed stock markets and (4) global hard asset commodity markets like gold and oil.

See **GRAPH #4** below and you will see the FOXHALL TREND RECOGNITION TECHNOLOGY® Strategy #2 overlaid on the S&P 500 INDEX which is the second method FOXHALL uses to determine whether FOXHALL is implementing a long-term OFFENSIVE BULL MARKET STRATEGY or a long-term DEFENSIVE BEAR MARKET STRATEGY.



GRAPH #4

S&P 500 INDEX-STRATEGY #2

Source: FOXHALL TREND RECOGNITION TECHNOLOGY®

In **GRAPH #5**, you can see a closer view of the S&P 500 INDEX CHANNEL GRAPH. This graph shows that the S&P 500 Index has not breached the green upper channel and therefore has not hit our FOXHALL TREND RECOGNITION TECHNOLOGY® indicator that would identify a new bull market in the United States. On Wednesday May 20th, the S&P 500 INDEX closed at 903.47. However, the S&P 500 INDEX would have had to close above 934.70 (THE GREEN CHANNEL TARGET INDICATOR) in order for FOXHALL CAPITAL to formally move from its current DEFENSIVE STRATEGY to an OFFENSIVE STRATEGY and declare that the U.S. STOCK MARKET HAD BEGUN A NEW LONG-TERM BULL MARKET.

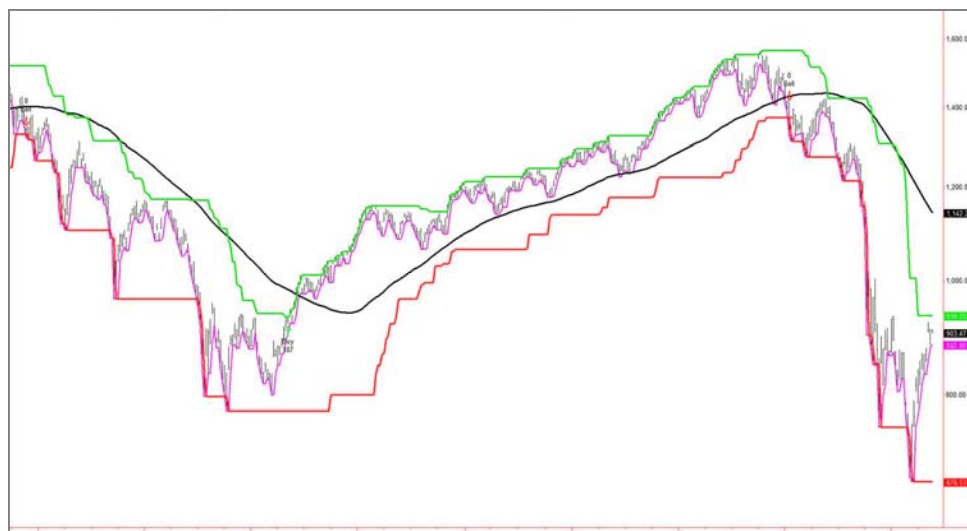


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Until this green channel indicator is breached, FOXHALL CAPITAL will continue its current DEFENSIVE STRATEGY.



GRAPH #5

S&P 500 INDEX-STRATEGY #2

Source: FOXHALL TREND RECOGNITION TECHNOLOGY©

WHEN WILL THE NEXT BULL MARKET START?

I don't know the answer to that question and anyone who says they know for sure is lying. I simply don't have a "crystal ball" and no one can predict the future with absolute certainty.

But FOXHALL has almost 60 years of statistical and applied evidence that the FOXHALL TREND RECOGNITION TECHNOLOGY© has consistently been able to identify both bull and bear markets within three or four months after a stock market peak or bottom.

At FOXHALL, we never invest because everyone else is doing it or because clients are anxious to get back into the stock market since they think the new bull market has started and they don't want to miss the upswing.

I remember when we notified clients on January 10th of 2008 that the stock market was entering a LONG-TERM BEAR MARKET/RECESSION. A lot of people thought we were wrong. The majority of analysts on CNBC were telling people this was only a small stock market correction and the economy would be recovering by the early summer of 2008. WE ALL KNOW THAT DIDN'T HAPPEN.

That is why FOXHALL relies on its successful indicators to recognize a long-term change in the stock market and not some "talking head" on the TV. At FOXHALL, we



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have a DISCIPLINE and a PROCESS that has consistently worked and we apply that process with a patient discipline that never varies. We will continue to apply the FOXHALL PROCESS and our proprietary FOXHALL TREND RECOGNITION TECHNOLOGY® the indicators trigger a different direction in the U.S. stock market.

WHEN DO YOU THINK FOXHALL WILL MOVE FULLY BACK INTO THE STOCK MARKET?

Again, I do not have a crystal ball, but if the FOXHALL indicator for the S&P 500 INDEX in GRAPH #5 moves above the green channel line, WE WILL BEGIN MOVING BACK INTO THE U.S. STOCK MARKET WITHIN 24 HOURS.

Although this could technically happen any day now, as you can also see in **GRAPH #5** the stock market often moves close to the green line and then retreats back down again. This is the nature of long-term resistance levels.

UNFORTUNATELY, THE U.S. ECONOMY IS STILL DECLINING

We should not forget that in the long run, the stock market basically tracks the underlying economy and, at the moment, there is very little good news. It is true that our economic decline has moderated and we are no longer in a “FREE-FALL,” but make no mistake about it, we are still in a declining economy with 500,000 to 600,000 Americans losing their jobs every month.

Even if we “moderate” this unemployment decline to 300,000 to 400,000 layoffs a month, the economy will still continue to decline. Individuals will still have less money to spend and home foreclosures will continue to increase in the face of more unemployment.

Another note of caution is that the stock market is entering the dreaded May-to-November months, which are historically the stock market’s worst months every year.

If you asked me if I thought it was more likely the S&P 500 INDEX would break through the FOXHALL GREEN CHANNEL LINE TARGET and begin a new bull market over the next month, **OR** retreat to new lows, I would be inclined toward the latter. I have a strong feeling the recent run-up in the stock market is a CLASSIC BEAR MARKET RALLY which is usually followed by a steep decline.

Many people finally got out of the stock market after losing a large percentage of their retirement investments. Now they are streaming back into the stock market—not because there is any good economic news—BUT JUST BECAUSE THE MARKET IS GOING UP. Bear market rallies are what teenagers call a “HEAD FAKE.” Unfortunately, many adults will lose a lot more of their investments if the market turns sharply down during the summer.

Again, my predictions that this is a bear market rally and the stock market will decline throughout this summer and early fall may be wrong, and if I am wrong and the U.S.



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stock market moves above the FOXHALL GREEN CHANNEL LINE TARGET, WE WILL BEGIN MOVING BACK INTO THE STOCK MARKET WITHIN 24 HOURS.

But until then, FOXHALL will continue to patiently execute our FOXHALL DISCIPLINE AND PROCESS with respect to moving back into the U.S. stock market.

However, you will see EMERGING MARKETS and NON-U.S. DEVELOPED COUNTRIES added to your portfolios, as applicable at the strategy level, as of May 21 and May 22.

THE BOTTOM LINE

Over the past year and a half we have all lived through the worst recession since the GREAT DEPRESSION. The declines in the U.S. economy may now be slowing but it is still continuing to decline. It seems to me that this is not a great time to be gambling with your retirement investments. THIS IS A TIME FOR CAUTION—not a time for gambling just because everyone else is doing it.

Please be assured that when FOXHALL CAPITAL goes back into the stock market, it is ONLY because our FOXHALL TREND RECOGNITION TECHNOLOGY© discipline and process, with almost 60 years of statistical and applied experience, tells us that the long-term bear/market recession trend has ended and a new bull market has begun. This may happen soon or it may not happen until next year. But whenever those indicators trigger, FOXHALL will re-enter the stock market and institute a new OFFENSIVE INVESTMENT STRATEGY.

The BOTTOM LINE to any investment management system is how it works going forward in both bull and bear markets. That's what we call the FOXHALL DIFFERENCE. In the last 24 months through March 31, 2009, the S&P 500 INDEX has declined -41.78% and if you were invested in FOXHALL'S GLOBAL GROWTH ETF STRATEGY, FOXHALL'S TREND RECOGNITION TECHNOLOGY© allowed your investment portfolio to only decline approximately -1.58% in the same period, and FOXHALL was able to accomplish this over the trailing 3 years with 78% LESS RISK than being invested in an S&P 500 INDEX fund. (Source: www.foxhallcapital.com. The FOXHALL GLOBAL ETF SERIES GROWTH STRATEGY performance sheet.)

This is the real value of FOXHALL'S ACTIVE INVESTMENT MANAGEMENT! This is the value of having FOXHALL CAPITAL watching your investments—PROTECTING YOUR INVESTMENTS—every day.

THE DIFFERENCE BETWEEN A CUSTOMER AND A CLIENT

According to MERRIAM-WEBSTER'S DICTIONARY, the definition of a "CUSTOMER" is "one that purchases a commodity or service." The definition of a "CLIENT" is "one that is under the protection of another."

According to the WALL STREET JOURNAL, the average investor lost over 1/3 of their investments in 2008. Today, most Americans feel like CUSTOMERS at their investment firm, NOT LIKE CLIENTS.





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FOXHALL KNOWS THE DIFFERENCE! Our FOXHALL TREND RECOGNITION TECHNOLOGY® protected our clients at a time when they needed it most. Now, that same FOXHALL TREND RECOGNITION TECHNOLOGY® will help them navigate into the next opportunity for growth.

That's ACTIVE INVESTMENT MANAGEMENT. That's FOXHALL CAPITAL. That's the FOXHALL DIFFERENCE!

UNTIL NEXT TIME...

—Paul Dietrich
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