



THE FOXHALL GLOBAL OUTLOOK



JUNE 26, 2009

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Dear Paul,

Last month FOXHALL CAPITAL moved back into the Pacific Rim and emerging market investments, but FOXHALL has now sold those holdings as Asian and emerging markets have started to retreat. CAN YOU EXPLAIN WHAT HAPPENED? You did seem to be right when you said the recent U.S. bear market

rally was unsustainable and would decline over the summer and early fall.

Every area of the world has a unique historical stock market pattern when it is making major directional changes, for example, emerging from a long-term bear market or descending from a bull market into a bear market.

PACIFIC RIM & EMERGING MARKETS LONG TERM TREND PATTERNS

The Pacific Rim and emerging markets have their unique historic patterns too. In looking back over the past 30-years of the MSCI EMERGING MARKET'S INDEX, it seems that when this index hits our FOXHALL TREND RECOGNITION TECHNOLOGY® price target one of two scenarios unfold.

Over the past 30 years, in about half the time when this index hits our FOXHALL price target based on a moving average, the index goes up and never looks back.

IN THE OTHER HALF OF THE TIME, the index hits our FOXHALL price target and then retreats back below our "FOXHALL SELL SIGNAL." Then, after a few weeks or a few months, the index plows through our FOXHALL price target a second time, and that is usually the beginning of the long-term bull market trend up. As a matter of disclosure, there was one instance where the index took two tries before it finally broke through on the third try to a new long-term bull market trend.

ASIA & EMERGING MARKETS, WE ARE MOVING TOWARD A NEW BULL MARKET!

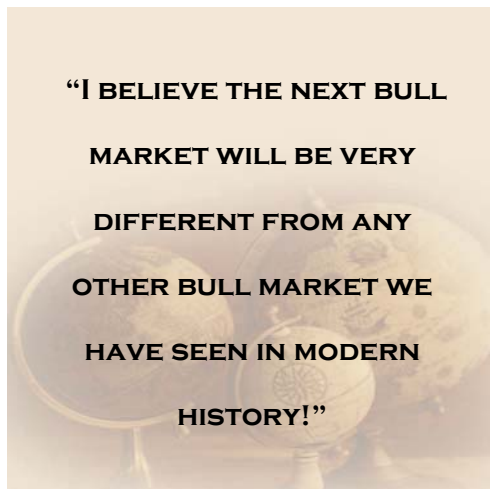
IN A SENSE THIS IS ALL GOOD NEWS! It is ALWAYS good news when we are in a transition period from a bear market/recession into a new bull market.

When the stock market is going through a major systemic transition from a bear market to a bull market or from a bull market to a bear market/recession, the stock market trend is NEVER in just one smooth direction. Often the stock market bounces up and down around a bottom for several months in a bear market before starting a long-term trend up.

Also, there are often several "FALSE STARTS." THIS IS JUST A HISTORICAL FACT and investors have to live with this systemic volatility when the market is in a long-term change in stock market direction during these historic periods.

The problem is, given the historical patterns, FOXHALL CAPITAL never knows when the EMERGING MARKETS INDEX is hitting our FOXHALL TREND RECOGNITION TECHNOLOGY® price targets, whether this is one of those times when it will go straight up or whether this is one of those times it hits our FOXHALL price targets and then retreats for a few weeks or a few months before hitting it again and entering into a long-term trend up.

LET YOUR WINNERS RUN AND CUT YOUR LOSSES QUICKLY



Our primary goal at FOXHALL is to manage risk in our client's portfolios. We have a process and a discipline that we adhere to religiously. When one of our strategies hits our FOXHALL TREND RECOGNITION TECHNOLOGY® price target, we re-enter that particular stock market strategy. However, if this is one of those times when the stock market retreats and then it hits our "FOXHALL SELL SIGNAL," we immediately sell our positions to minimize any loss to our clients.

We adhere to the old investing axiom, "LET YOU'RE WINNERS RUN AND CUT YOUR LOSSES QUICKLY." When Foxhall moved out of defense for this segment, the MSCI Emerging Markets index lost just over 3%. As many of you know, it has not been unusual for the stock market to fluctuate 2% to 3% in a single day, so that is a very minimal loss.

As you can see in the chart on the next page (CHART 1), in our FOXHALL PACIFIC RIM & EMERGING MARKETS STRATEGY, the index hit our FOXHALL TREND RECOGNITION TECHNOLOGY® price targets on May 18, 2009 (see green price target line) and then dropped below our trailing FOXHALL STOP-LOSS TARGET (magenta line) 24 days later on June 15, 2009.



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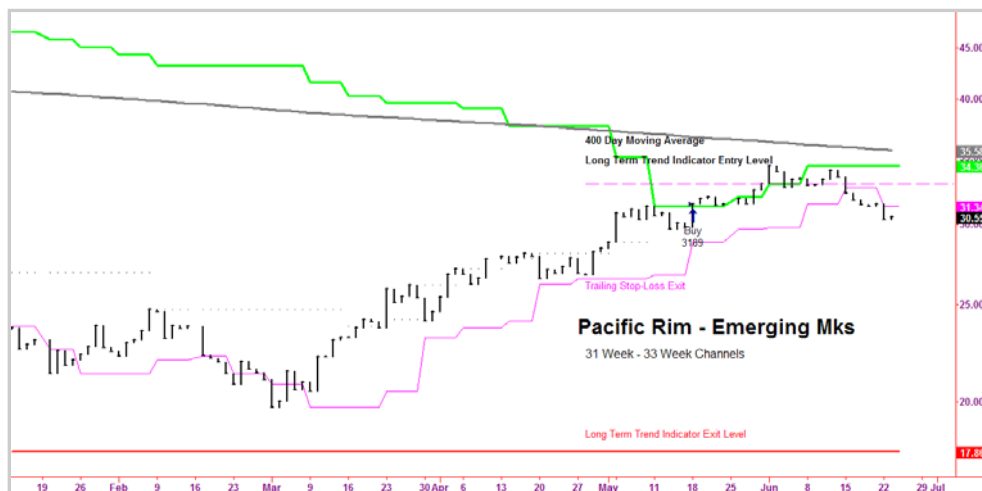


CHART 1

(SOURCE: FOXHALL TREND RECOGNITION TECHNOLOGY© RESEARCH)

WHERE WILL THE GREAT GROWTH OCCUR OVER THE NEXT DECADE?

I have always believed that the most significant growth over the next decade in stock investments will occur in the Pacific Rim and emerging markets and in global hard assets in commodities like oil, gold, etc.

I also believe that we will see Asia and emerging markets start their long-term bull market first, followed by global hard assets like oil and gold and only then will the U.S. stock market start its new bull market.

WHAT IS HAPPENING TO THE U.S. STOCK MARKET?

As I have mentioned before, the stock market upswing in March, April and May, was an unsustainable bear market rally, in my judgment.

After hitting 12-year lows in the S&P 500 INDEX on March 9, 2009 the stock market started to climb after TREASURY SECRETARY GEITHNER announced a plan to buy up the “toxic” sub-prime mortgage debt from banks. Unfortunately, that plan has now been cancelled since the hedge funds and the banks could not agree on what the debt was worth.

Shortly thereafter, all the banks announced profits for the first time in months. The only problem with this was that all the profits came because of a government rules accounting change to make the banks look “less insolvent.” Many banks would have shown a loss under the old accounting rules.

After that, the stock market kept going up even though there was no good news anywhere in the economy. It is true that all the economic indicators showed that declines were moderating, but make no mistake about it, the nation’s economy was still in decline.



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I was amazed to see the stock market irrationally rally when it was announced that the U.S. unemployment rate was going to record levels with 500,000 to 600,000 people being laid off every month. Even if only 300,000 to 400,000 were being laid off every month THAT WOULD NOT BE GOOD NEWS!

Many “TALKING HEADS” on the financial news TV shows were saying this was the beginning of the new bull market. I HAVE ALWAYS DISAGREED.

It is true, that in the past we have entered into new bull markets with unemployment rising. After all, unemployment is a “lagging economic indicator.”

But we have never, in our history, entered into a “PROFIT-LESS” bull market. Usually the stock market will anticipate a new bull market and an economic recovery when we start to see an increase in new orders and profits starting to edge up. We don’t see any of that—yet!

I do believe we may see a U.S. economic recovery and the start of a new bull market sometime later this year or in early 2010.

Look at **CHART 2** below and you can see that the S&P 500 INDEX came close on several occasions to hitting our FOXHALL TREND RECOGNITION TECHNOLOGY© price targets (green line below) that would have signaled a new long-term bull market.

In **CHART 2**, on June 1 and 2, 2009 the S&P 500 INDEX, climbed slightly above our FOXHALL (green line) price targets, but for this index, we REQUIRE that the index price stay above the Foxhall PRICE TARGET for 4 consecutive days. As you can see, on June 3, 2009, the index crossed below the price target line. It has now retreated significantly.

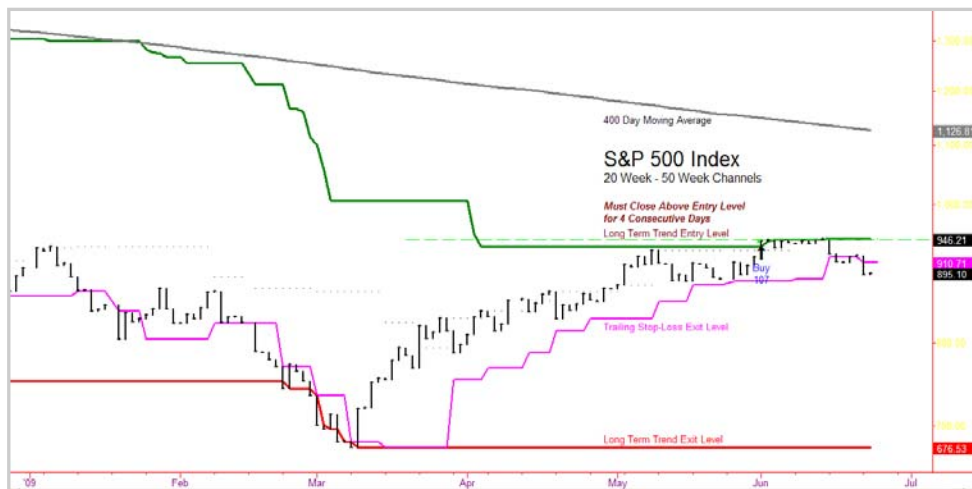


CHART 2

(SOURCE: FOXHALL TREND RECOGNITION TECHNOLOGY© RESEARCH)



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OLD STOCK MARKET AXIOM: "SELL IN MAY & GO AWAY UNTIL NOVEMBER"

Historically, the stock market has always been weakest during the May to November period of every year. However, since 1949, the stock market has always sustained a loss between May and November in bear market/recessions.

I WOULD NOT LIKE TO BET THAT THIS TIME WILL BE DIFFERENT. I do not know how much the stock market will drop this year from May to November, but history says there will be a drop of some kind.

Until the S&P 500 INDEX hits our FOXHALL TREND RECOGNITION TECHNOLOGY® price targets, we will stay in our FOXHALL DEFENSIVE STRATEGY of safe U.S. government bonds.

However, whenever our FOXHALL TREND RECOGNITION TECHNOLOGY® price targets are hit, which I do not believe will happen until later this year or early 2010, we will immediately move back into the stock market—BUT NOT BEFORE!

WHAT WILL THE NEW U.S. BULL MARKET LOOK LIKE?

I believe the next bull market will be very different from any other bull market we have seen in modern history!

There will be many U.S. companies and industries that will boom like never before as beneficiaries of the global economic expansion centered in Asia and other emerging markets.

Global multi-nationals will increase their market share and profits world wide. Coca Cola recently announced that 80% of all its sales now come from outside the U.S.

Oil companies, energy and mining and commodity companies will also boom, as will agricultural and agricultural companies like Monsanto and Archer Daniels Midland.

Heavy equipment manufacturers and any companies that benefit from infrastructure expansion around the world will also post substantial gains.

BUT SOME U.S. SECTORS WILL BE IN A RECESSION FOR YEARS

The bad news is that some U.S. companies and industries will be in a recession for another 6 to 8 years.

At this moment in time, U.S. consumers are going through a radical change, like we have never seen before!

AMERICA HAS BEEN ON A "CRACK CREDIT HABIT" & IS NOW IN REHAB!

For the past 25 years, America has been on a "CRACK CREDIT HABIT." And now we are all going through "REHAB."

Americans are for the first time in recent memory saving money and voluntarily paying down their credit cards. The U.S. savings rate went to its highest level last month since



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1952. I believe many people are afraid of losing their jobs and are socking away money for a “rainy day.”

Instead of spending like they use to, many consumers are also voluntarily paying down their credit cards. And as they pay down their credit cards the credit card companies are sending them letters pulling back their credit limits.

In the future, even if Americans want to go out and party like it was 2007, they won't have the easy credit they had before. They will have less money available on their credit cards and they will no longer be able to use their house as an on-going “piggy bank.”

BUSINESSES THAT RELIED ON “EASY CREDIT” WILL BE IN A LONG RECESSION!

Over the past 25-years, the business plans of many U.S. industries were based on access to very easy credit. That time is now over and many of those businesses have failed and many more will fail over the next few years. Their business plans will now be unsustainable without easy credit and many of these companies and industries and their employees will suffer greatly in the future.

For example, I have seen in many parts of the country HOME DEPOT'S built right across the mall from a LOWE'S. THAT DOESN'T MAKE ANY SENSE!

You use to be able to go into any major mall and there were 3 or 4 big box stores like CIRCUIT CITY and BEST BUY all selling the same HD TV's and other electronic equipment. Some of those companies have already gone bankrupt and many more will be out of business in the next few years.

Remember all the 0% financing for cars and how everyone traded in their old car every two years for a new one. Well, many consumers have now realized that a new car will actually last 5 to 10 years before you need a new one.

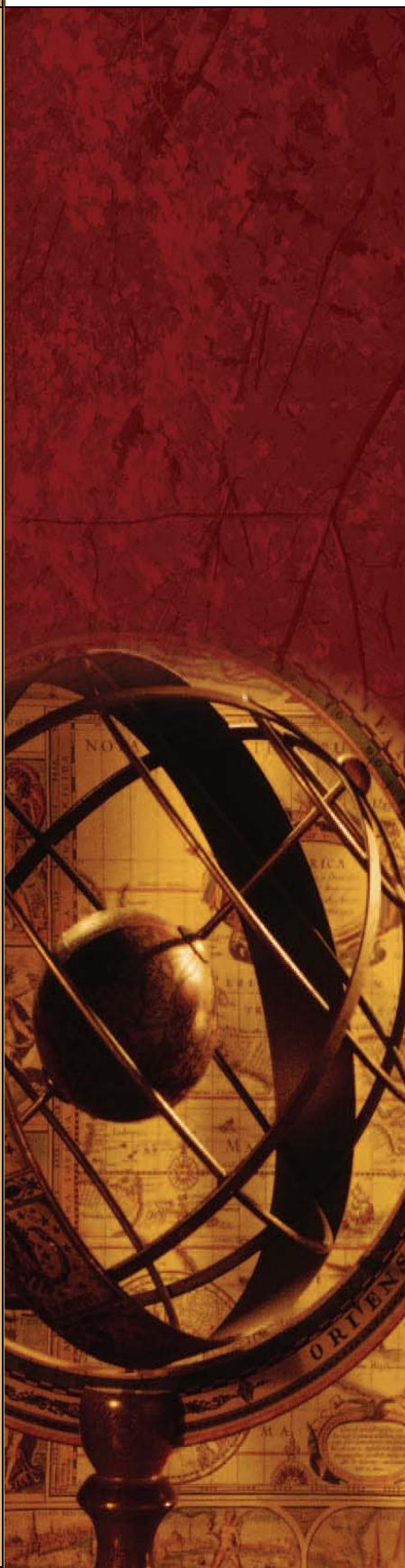
I believe that the commercial and home real estate industry and the U.S. construction industry will be in a recession for at least the next 6 to 8 years as will all the industries that supply these companies and industries with services and materials.

The auto industry, and all associated industries, will also struggle over the next few years, as will every company and industry whose business plan relied on cheap and easy credit.

Many U.S. companies and entire sectors will be going through a painful shakeout over the next few years as consumers go through REHAB and recover from their “CRACK CREDIT HABIT.”

THE NEED FOR ACTIVE INVESTMENT MANAGEMENT IN THE FUTURE!

When the next bull market starts, at least half of all businesses and industries will be underperforming the stock market and then there will be those global companies and industries that will be generating record profits.





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If you have the traditional BUY & HOLD investment strategy and you have a perfectly ASSET ALLOCATED PORTFOLIO covering every U.S. industry sector your performance over the next 5 years will be weighed down by all the UNDERPERFORMING SECTORS I identified above.

This is why ACTIVE INVESTMENT MANAGEMENT will be even MORE IMPORTANT in the next bull market.

You will want an ACTIVE INVESTMENT MANAGER like FOXHALL CAPITAL who will concentrate all of your stock investments in the next bull market in broad based EXCHANGE TRADED FUNDS (ETFs) in just those industries and regions that are OUTPERFORMING WORLD-WIDE. Also ETFs are so broad based, that they limit both risk and volatility in the stock market.

As Warren Buffett has said, "It's crazy to put money into your 20th choice rather than your 1st choice."

As part of the FOXHALL process and discipline, FOXHALL focuses client investments in the top performing industries and re-evaluates these performance rankings every month.

In my judgment, certain global industries, sectors and regional markets are going to participate in what I believe will be one of the greatest bull markets in history and FOXHALL CAPITAL, as an active investment manager, will concentrate our client's investment portfolios on those investments that are OUT-PERFORMING WORLDWIDE.

I strongly believe our FOXHALL clients will be major beneficiaries of the great global expansion much of the world will be experiencing over the next decade.

UNTIL NEXT TIME...

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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 future performance.