



## THE FOXHALL GLOBAL OUTLOOK



JULY 1, 2008

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### AMERICANS HAVE A LOT TO BE GRATEFUL FOR THIS INDEPENDENCE DAY!

JULY 4, 2008

As we approach the July 4<sup>th</sup> holiday, the news couldn't be gloomier.

U.S. and global stock markets continue to decline and are flirting with world-wide recession. The financial sector is in crisis; housing values have fallen to their 2004 levels and are still dropping; the U.S. dollar is in free-fall; we haven't even begun to see the peak in home foreclosures; unemployment is up; oil prices are outrageous and a box of cereal will cost twice as much by next year.

It's hard to see a silver lining in all this bad news—or even a way out of this mess. We all feel the anxiety. In the past we could hunker down and tighten our belts and just stop spending. But today, how do you stop buying food? How do you stop buying gas to go to work? There is this sense of hopelessness. There is also a sense that nothing can be done.

### THE DECLARATION OF INDEPENDENCE

This week we celebrate the 232<sup>nd</sup> anniversary of the signing of the DECLARATION OF INDEPENDENCE.

Throughout history, almost every revolution has been led by the poor against the elites.

But our revolution here in America was absolutely unique. The men and women who led our revolution were the wealthiest and most educated people of their time.

Most revolutionaries have little or nothing to lose. Our leaders had everything to lose.

Every once in a while, it sometimes helps to take a step back, reflect and try to put our current problems into a larger and broader perspective.

There is no question that housing problems, high oil and food prices are hurting everyone, but think about our FOUNDING

FATHERS. How many of us would put everything we own and hold dear—all our wealth, our own lives and the safety of our families—on the line for an idea?

To show how serious they were, after they declared U.S. independence from Great Britain, each signer committed and mutually pledged their own lives, their fortunes, and their “sacred honor” to this new idea of a country. That is the ultimate definition of the word “commitment!”

Over these past 232 years generations of Americans have suffered greater hardships than rising oil and food prices.

On this July 4<sup>th</sup>, maybe we should reflect for a moment on all the blessings we have and how problems in the U.S. always have a way of working themselves out and being solved.

### IT HELPS TO REMEMBER...

IT HELPS TO REMEMBER that since 1945 the U.S. has had a bear stock market with a recession every 5-to-8 years and the average bear market/recession has only lasted about 2-years. This is a natural cycle of the economy. It will eventually end and we will once again begin a new 5-to-8 year bull market cycle.

IT HELPS TO REMEMBER that just a few years ago Willie Nelson was holding concerts to help American farmers keep their family farms from foreclosure. Today, because of the increased exports to Asia, farmers are making annual profits they haven't seen in 65 years. Yes, we are all paying more for food, but for the first time in our lives, American farmers are making a decent living. Some people complain about using corn for ethanol. It would be nice to use something other than corn, but if

I have a choice of buying a gallon worth of energy, I would rather see my money go to an American farmer than to some foreign government in the Middle East!

IT HELPS TO REMEMBER that people in England are now paying the equivalent of \$11 per gallon of gasoline and in some parts of Europe are paying as much as \$12.50 per gallon.

IT HELPS TO REMEMBER that U.S. companies have never been so competitive globally. According to STANDARD & POORS,





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only about 5% of profits of the S&P 500 companies came from foreign revenues in the 1960's. Today, U.S. companies bring home over 43% of their profits from foreign sales.

IT HELPS TO REMEMBER that the U.S. is in the process of building the world's first 21<sup>st</sup> century model economy. The only other countries doing this are the U.K and Australia. The model is a fast, flexible, highly productive globally integrated corporate structure that is capable of changing quickly to meet any global challenge. This is increasing the economic gap between the U.S. and just about everyone else in the world, especially Europe and Japan. The U.S. is still by far the best place in the world to have an idea, form a business and bring it to market. We take it for granted, but our system just isn't available to people in most other countries!

IT HELPS TO REMEMBER that even in a bear market/recession, 96% of people who want to work will have jobs; almost all companies will make a profit—even if not as much as last year; 15 million Americans will buy a new car or truck this year; millions will buy a new home and billions of dollars will be spent at retailers across the nation.

IT ALSO HELPS TO REMEMBER that in an age of frivolous, spoiled, self-centered celebrities and excesses of all kinds among some of our youth, that no matter what you think of the war in Iraq, hundreds of thousands of American teenagers and young adults still continue to volunteer to serve in our nation's military.

### **I THINK THEY WOULD BE PROUD**

Two weeks ago, the host of NBC's "Meet The Press," Tim Russert died. At his funeral, our two U.S. presidential candidates, Senator Obama and Senator McCain, sat next to each other. Before the ceremony began they were smiling and chatting with each other like the old Senate colleagues they are. According to later newspaper reports, they were telling each other campaign "war stories" that only those two individuals could uniquely appreciate and understand. No matter which one wins, they know the other Senator will still be in congress and they will have to eventually work together.

The image of those two men sitting together that morning was a view of America that too few foreigners get to see.

I don't even think it would happen in any other country.

On balance, 232 years later, I think George, Thomas, Benjamin, John Adams and the others would be quite proud of how we turned out.

As Americans, we have much to be grateful for this July 4<sup>th</sup>!

UNTIL NEXT WEEK...

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### PORTFOLIO COMMENTARY AND ALLOCATIONS

#### THE FOXHALL WAY: YOU ARE ON THE ROAD TO DEEPER UNDERSTANDING

Wondering how to better understand or explain the 'Foxhall Way' of portfolio management? Frequently, we find that those new to Foxhall are enthusiastically seeking to get quickly 'up to speed' regarding our process and methods.

Let me suggest that reading the *Foxhall Global Outlook* regularly is a great way to gain depth and fluency in our methods! Along with a growing body of professional financial advisors and their clients, I personally look forward to reading our Chairman and Co-Chief Investment Officer, Paul Dietrich's enlightening and thought provoking views on the global economy. Paul's keen insight into the world economy, derived from his years of experience and study, worldwide travels, voracious reading, and network of global contacts, combined with his ability to make difficult concepts understandable makes him a 'must read' for me.

The Portfolio Commentary and Allocations section you are reading now complements Paul's message by providing a 'nuts and bolts' discussion of how Foxhall Capital manages assets. Here we discuss in detail our quantitative ranking methodology, our specific models and strategies, our monthly portfolio allocation process, and our current investment themes. In recent editions, we have also highlighted stories hidden in the data that reveal the 'Foxhall Difference'.

For example, two editions ago we compared the dramatic drop in The Foxhall Global ETF Series: Growth Strategy portfolio's volatility after our long term trend following 'sell signal' on January 10<sup>th</sup>, 2008, while the US stock market actually increased in volatility. Last edition we broke down the past 12 months as a mini-laboratory revealing how our methodologies function in up, down, and trend-changing markets.

We have just completed our monthly portfolio review and reallocation process, based on the most current market data. For a first look at the new ETF portfolio holdings, turn to the Portfolios page of today's edition.

Seeking knowledge about the world economy and how Foxhall manages client assets? You are definitely in the right place!

Dave Morton

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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 similar future performance.

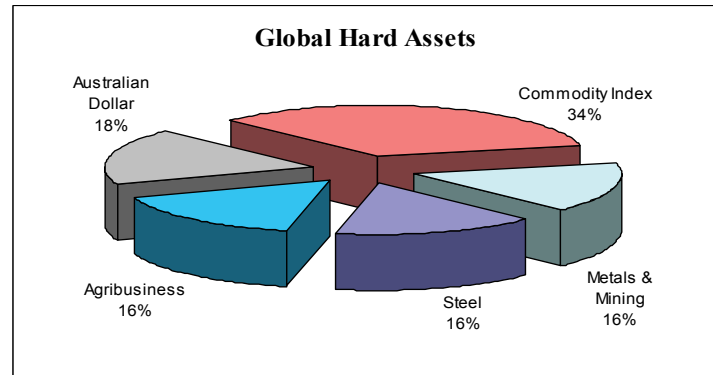
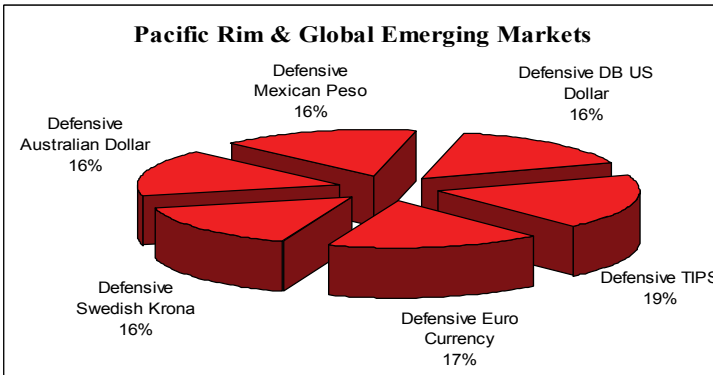
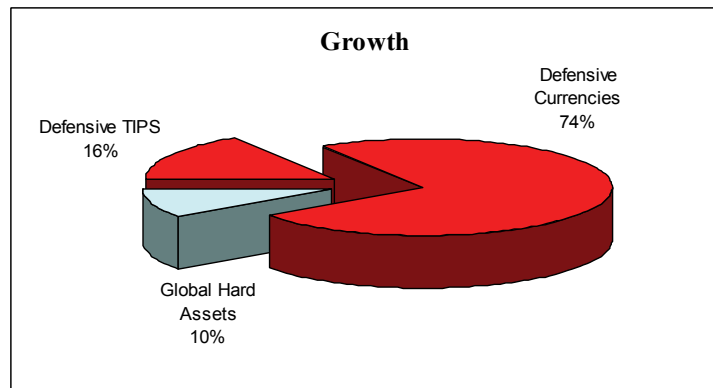
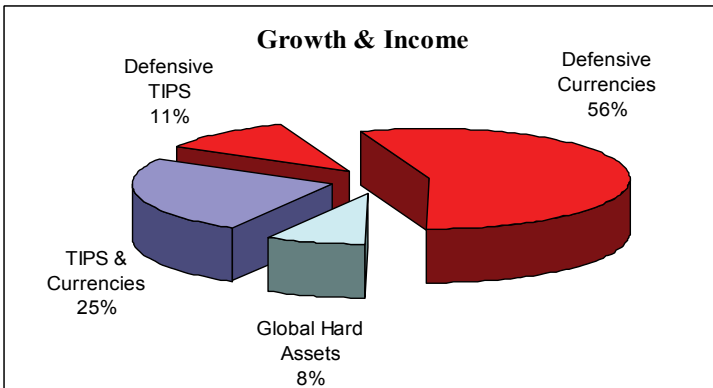
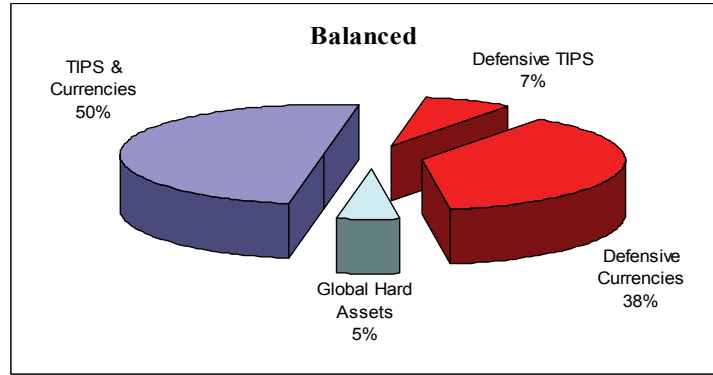
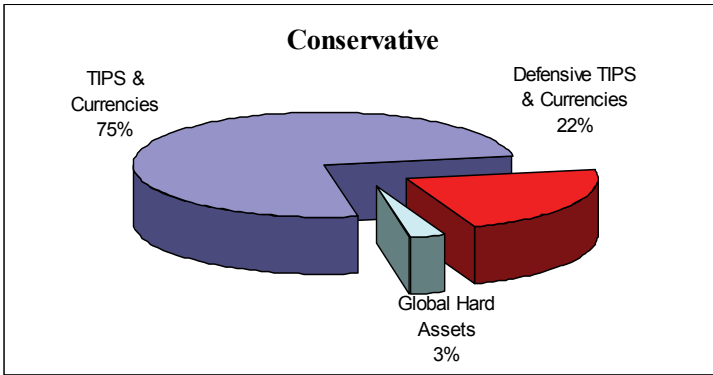


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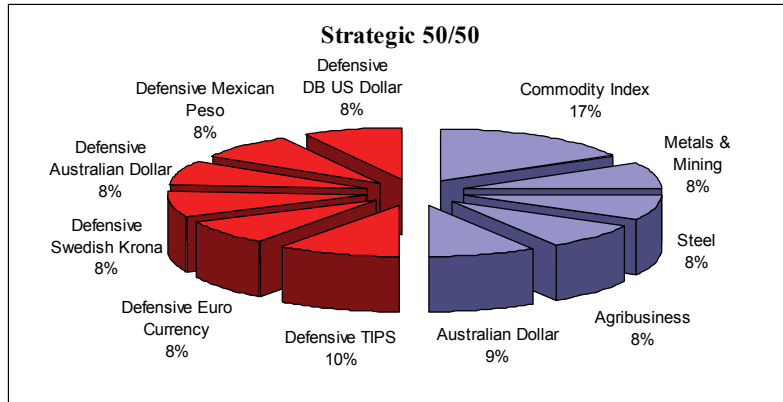
## THE FOXHALL GLOBAL OUTLOOK GLOBAL MARKET ROTATION PORTFOLIOS

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- Emerging Markets ■
- Hard Assets ■
- Defensive Position ■



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.