



THE FOXHALL GLOBAL OUTLOOK



JULY 24, 2009

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THE NEW BULL MARKET HAS BEGUN!

As of today, **July 24, 2009** FOXHALL CAPITAL is switching to its **OFFENSIVE INVESTMENT STRATEGY** for stock markets in the United States, Europe and other Developed Markets and for the Pacific Rim and Emerging Markets.

Our proprietary FOXHALL CAPITAL TREND RECOGNITION TECHNOLOGY™ indicators **have formally reversed this week from a BEAR MARKET to a BULL MARKET.** (See Chart 1) These historic trend directional changes only happen four to six times in a decade.

As you may remember, on JANUARY 11TH, 2008 I notified all clients that “At the end of trading yesterday, Thursday, January 10, 2008, our FOXHALL CAPITAL LONG-TERM STOCK MARKET DIRECTION INDICATOR triggered a DEFENSIVE STRATEGY which means we are entering a BEAR MARKET.”

As of today, **we have now formally transitioned to a new BULL MARKET** and your portfolios will reflect our beginning to re-enter the stock market.

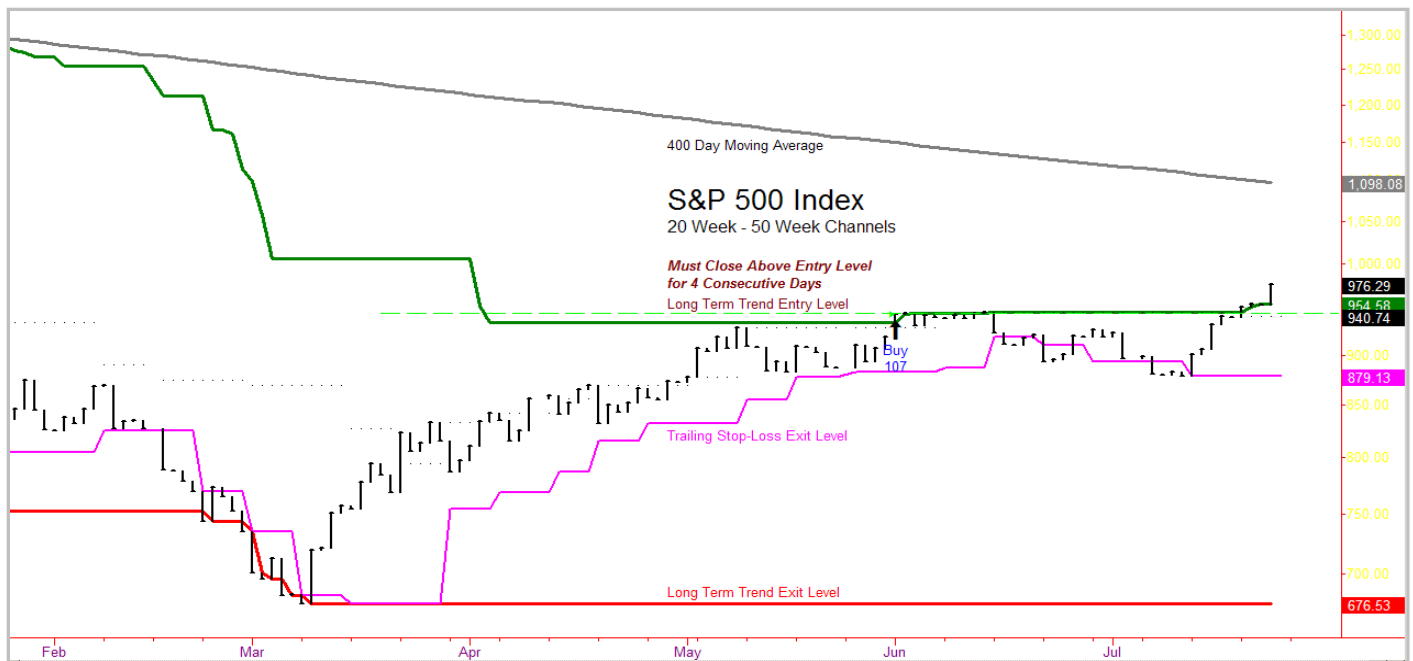


CHART 1

In CHART 1 above, you can see that over the past 4 days the S&P 500 INDEX has broken through our FOXHALL CAPITAL TREND RECOGNITION TECHNOLOGY™ long-term trend indicator that SIGNALS A NEW BULL MARKET.

WHAT WILL THIS MEAN FOR YOUR INVESTMENT PORTFOLIOS?

Beginning today, FOXHALL will begin trading a significant portion of your investment portfolio in broad stock market indexes Exchange Traded Funds (ETFs).



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Approximately 50% to 60% of the equity portions of your portfolio will be invested right away with the exception of the ETF Series 50/50 and Global Hard Asset Strategies and should continue to increase to 100% over the next few months.

We phase in the investment over several months in order to limit the risk at the beginning of these major transitions. When stock markets move from a BULL MARKET to a BEAR MARKET or from a BEAR MARKET to a BULL MARKET, these are important directional changes that reflect major changes in both the economy and the stock market.

These major transitional changes are NEVER SMOOTH. The stock market never just goes directly up during these transitions. These transitional changes will happen in fits and starts over the next few months until the up-trend in the market is fully established.

HOW CAN THE STOCK MARKET GO UP WHEN THE ECONOMY IS STILL STRUGGLING?

The stock market is considered a LEADING ECONOMIC INDICATOR. That means the stock market normally begins to turn up well before the economy recovers. That means that over the next six months or so, the economy will continue to decline and unemployment will probably exceed 10% nationwide. Unemployment is always considered a LAGGING ECONOMIC INDICATOR.

We often see the stock market start to recover while unemployment continues to rise, however, companies have to begin showing a profit before the stock market can completely change direction and we have seen that corporate profits in general are now starting to edge upwards.

DOES THIS MEAN THE STOCK MARKET WILL NOT HAVE ANY SIGNIFICANT DROPS FROM NOW ON?

The answer to that question is, **NO!** There is an almost 100% certainty that there will be some significant pull backs in the stock market between now and the end of the year.

After decades of experience with these long-term transitional trend changes, I can attest that these transitions are never without their ups and downs.

Right now the stock market has run up quickly over the past few months. Many analysts think the stock market, as a whole, is now "overbought" and is set for a pull-back.

One might reasonably ask why FOXHALL would begin investing in the stock market when most analysts think there will be pull-backs over the next few months.

That is a legitimate question. The answer is that when FOXHALL changes to its OFFENSIVE INVESTMENT STRATEGY, it is not looking at the short term corrections that always occur in the stock market. FOXHALL IS FOCUSING ON THE LONG-TERM TRENDS.

Since 1945, the United States' stock markets have had, on average, 5 to 8 years of a BULL MARKET, followed by, on average, 18 months to 2 ½ years of a BEAR MARKET-



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RECESSION. These long-term trends are like the seasons of the year. We know they are going to happen like the “day follows night.” They are long-term, natural trends and cycles in the stock market that happen like the changes in the seasons of the year.

The simple basic facts are that during a LONG-TERM BEAR MARKET, the whole stock market generally GOES DOWN, just as it has since the peak in the last BULL MARKET on October 9, 2007. And, conversely, in a LONG-TERM BULL MARKET, the entire stock market generally GOES UP during that 5 to 8 year, on average, BULL MARKET.

We try to ignore the “NOISE” of the day-to-day ups and downs of the stock market and we concentrate our focus on broad, long-term global stock market trends.

We know that by staying fully invested over the next 5 to 8 year bull market your portfolio will grow simply because THE MAJOR DIRECTIONAL TREND IN A BULL MARKET IS UP.

Over the next 5 to 8 years, I believe that FOXHALL clients will see strong growth in their investment portfolios.

IN THE END, RISK MANAGEMENT IS EVERYTHING!

As active managers, our primary function at FOXHALL CAPITAL is to manage the down-side risk of our client’s portfolios.

Some people have asked me why FOXHALL didn’t invest earlier when the stock market started to turn up in late March and early April—about 4 months ago.

There are two reasons. First, Foxhall never tries to “TIME THE MARKET.” We don’t know how to “TIME THE MARKET” and no one else does either. If someone tells you they do know how to consistently “TIME THE MARKET,” they are liars.

At FOXHALL, we have developed our FOXHALL TREND RECOGNITION TECHNOLOGY™ that tracks and identifies long-term stock market trends. We never try to “time” or anticipate changes in the stock market—we simply follow them once an identifiable and sustainable trend starts to form. So by definition, we always enter the stock market AFTER the trend has already started.

THE SECOND REASON IS THAT IT DIDN’T MAKE ANY DIFFERENCE. Since January 2nd of this year through July 20th when our first FOXHALL TREND RECOGNITION TECHNOLOGY™ indicator identified the new bull market, the S&P 500 INDEX was only up 2% for the year.

However, from January 2, 2009 to March 9, 2009 the stock market sank -27.4%. Most of our FOXHALL clients were happy they were in US government bonds during that severe downturn. With the S&P 500 INDEX up just 2% through July 20th, it didn’t make any appreciable difference that FOXHALL was out of the market over the past 4 months.

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

Over the next few editions of FOXHALL’S GLOBAL OUTLOOK, I will be talking about what the U.S. and global economy will look like during the next bull market—and most importantly, WHERE ARE THE BEST INVESTMENT OPPORTUNITIES.



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As I have mentioned before, 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 agriculture and agricultural service companies.

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! There has been a fundamental restructuring of consumer buying habits during this recession that will not end when the new bull market returns.

Over the next few months I will be outlining which companies, sectors and regions of the world WILL BE THE MOST PROFITABLE INVESTMENT OVER THE NEXT 5 TO 8 YEAR BULL MARKET.

WE SHOULD BE HAPPY THE NEW BULL MARKET HAS STARTED!

Whenever there is an historic transition from a BEAR MARKET to a BULL MARKET, it is a moment for celebrating.

However, since the underlying economy will probably continue in a recession until the end of this year and unemployment will continue to go up well into 2010, we may not feel like celebrating.

But by this time next year, the recession will be long over and since Americans are "GENETICALLY OPTIMISTIC," we will have moved on to the much more pleasurable pastime of actually making money in the stock market, rather than just trying to protect our retirement savings from loss—as we have had to do over the past year and a half.

As I mentioned earlier, between now and the end of the year the stock market is going to have some wide swings both positive and negative and this is completely normal when we are transitioning from a bear market to a bull market.

This is a systemic fundamental change in the long-term direction of the stock market and that is never easy. It is like an ocean liner changing direction.



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While we are all still concerned by the current weak economy, I would like to propose a toast: **TWO CHEERS FOR THE NEW BULL MARKET!!!**

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.