



THE FOXHALL GLOBAL OUTLOOK



AUGUST 7, 2008

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QUESTION #1

Dear Paul,

I have a number of clients who are very much afraid of the stock market and are looking for something that is (1) safe, (2) will protect their principal and (3) will not have the up and down price swings of the current stock market.

They are looking for an investment strategy with very little risk and VERY LITTLE VOLATILITY. Does FOXHALL CAPITAL have a strategy that meets those requirements?

These are very scary times for many investors—especially older investors. General Motors just announced that they were suspending their dividend for the first time since 1922.

Investors are watching banks collapse, like IndyMac Bank in California. We haven't seen people waiting in long lines to get their money out of a bank since 1929. Several more banks collapsed last weekend and the FEDERAL RESERVE says there are now over 300 banks (both large and small) that are on their "WATCH LIST" for possible collapse. They won't give out the names of these banks to the public for fear they could start a "run" on the banks.

People are also realizing that only \$100,000 of their bank deposits are insured by the U.S. government. Many people assume that if their money is in CD's in a bank that they are insured. **THEY ARE NOT!** CD's are guaranteed by the bank and if the bank is insolvent you have just lost your CD. Only a total of \$100,000 is guaranteed by the government. The rest is at risk.

OTHER THAN THE DROP IN OIL PRICES, THERE IS NO GOOD ECONOMIC NEWS

The only good news in the economy is that a barrel of oil has now fallen nearly \$27, or 19 percent, since it reached a trading high of \$147.27 on July 11; this week's close was its lowest since it settled at \$120.36 on May 5th.

Everything else in the news is bad! The economy is currently contracting at a rate not seen since the 2001 recession. The

financial markets are still in turmoil. Some banks are collapsing and there is very little credit even for solvent borrowers. Inflation is hitting levels consumers have not seen in over 25 years. Housing prices are in free fall and home foreclosures are at record levels.

How can an investor protect their principal AND sleep well at night with very few worries about the up and down volatility in the stock market? FOXHALL CAPITAL has a solution.

GLOBAL CONSERVATIVE STRATEGY

The FOXHALL CAPITAL "GLOBAL ETF SERIES CONSERVATIVE STRATEGY" may be the answer. This STRATEGY earned (net of fees) a **7.21% return in 2006** and a **6.06% return in 2007**.

Year-to-date as of 6/30/08 the return (net of fees) has been **2.45% or an annualized return of about 5%**.

Currently the GLOBAL ETF SERIES CONSERVATIVE STRATEGY is invested 86% in US government bonds (FULLY BACKED BY THE US GOVERNMENT), 7% in a EURO currency ETF fund (the EURO currency is fully backed by the EUROPEAN CENTRAL BANK), 5% in a commodity ETF fund and 2% in a money market fund. The EURO fund is to help offset losses because of the falling U.S. dollar.

This investment strategy is currently 93% in government backed bonds and currencies. There is little risk and while bonds can go up and down in the stock market, the volatility of most government backed bonds is very little compared to the overall market.

If you have any client who is (1) afraid of exposure to today's stock market and (2) who has no tolerance for any

significant risk and (3) who calls you every time the stock market or their investment portfolio goes down, this may be the investment strategy for that type of client.

QUESTION #2

Dear Paul,

I thought commodities and the FOXHALL "HARD ASSET STRATEGY" were a "Defensive Investment Strategy." But

" IF YOU COUPLE SUPPLY AND DEMAND PROBLEMS WITH THE MAJOR OIL PRODUCING COUNTRIES IN THE MIDDLE EAST, NIGERIA AND VENEZUELA, THEN THE CHANCES OF FUTURE INCREASES IN COMMODITY PRICES BECOME EVEN MORE PROBABLE."



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they have dramatically declined over the past month. Will they come back?

This week, oil prices sank below the \$120 level for the first time since early May while base metals and grains retreated as selling pressure swept across commodity markets.

Jonathan Waghorn and Mark Lacey, co-managers of the INVESTEC GLOBAL ENERGY FUND, noted that crude oil prices have **corrected by 20 percent on 12 occasions since 1999** and said the pullback was “**an inevitable part of the longer-term up cycle in energy commodity prices**”.

THE FUTURE OF OIL AND COMMODITIES PRICES IS UP!

Last week, a GOLDMAN SACHS report predicted that oil would hit \$149 a barrel by year's end.

That alone would bring back most of the losses in GLOBAL HARD ASSET commodities portfolios over the past month.

After the huge run-up in oil and other commodity prices over the past few months, this was a normal correction. As INVESTEC pointed out above, there have been **12 even larger corrections in commodities since 1999**. This was a normal correction and we will see the markets climb back to where they were over the next four to six months.

SUPPLY AND DEMAND

If you look at almost every report on oil and commodities they show increasing demand from the developed world and an enormous amount of new demand from emerging markets like China and India.

These same reports also show that especially oil and agricultural commodities are on a long-term “supply decline.” This means that demand is rising at a faster rate than new reserves of oil can be found or large new tracks of agricultural land can be brought into production. When this happens prices always rise IN THE LONG-TERM.

If you couple supply and demand problems with the political risk inherent in major oil producing countries in the Middle East, Nigeria and Venezuela, then the chances of future increases in commodity prices become even more probable.

Oil prices could continue to decline through the end of this summer, but because of the realities of the worldwide supply and demand, commodity prices should start to rebound before the end of the year, when, if GOLDMAN SACHS is right, oil will be back at \$149 a barrel.

As we continue to closely monitor the market trends and stay the course of our investment discipline, we will keep you informed throughout the process. Because these are scary times for many investors, we encourage you to reach out to your clients and keep the lines of communication open and proactive. As Benjamin Franklin once said, “As we must account for every idle word, so we must also account for every idle silence.” If you are not communicating with your clients, someone else may be.

Until next time,

Paul Dietrich





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Valuations and returns are computed and stated in U.S. dollars, and individual portfolios are revalued monthly. Net of fees returns are calculated net of management fees and transaction costs are gross of custodian fees. Indices are unmanaged and investors cannot invest in an index directly. All numbers are unreconciled and therefore subject to change.

The GLOBAL CONSERVATIVE STRATEGY (inception date 2/12/2004) has a target equity allocation of 25%, however, the portfolio may move entirely to non-equity funds as a defensive position during major market declines or economic recession. Prior to May 1, 2006 each of the sub-advised managed accounts are counted as individual accounts and as of May 1, 2006 and later they are treated as one aggregate account.

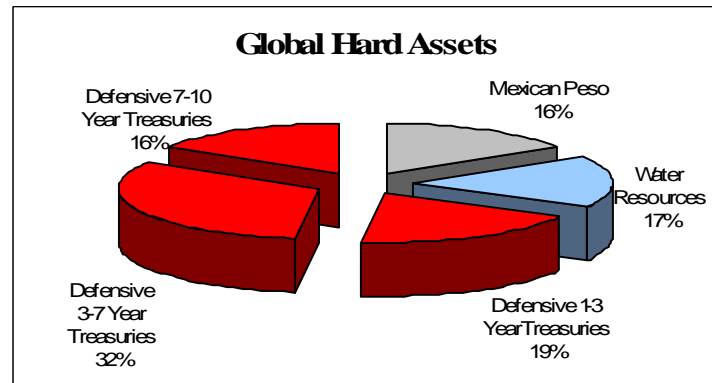
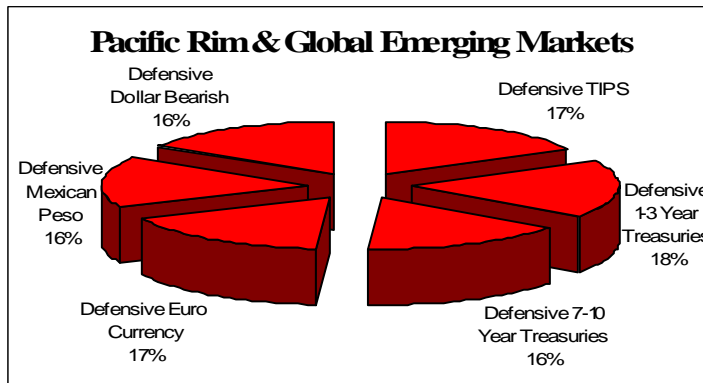
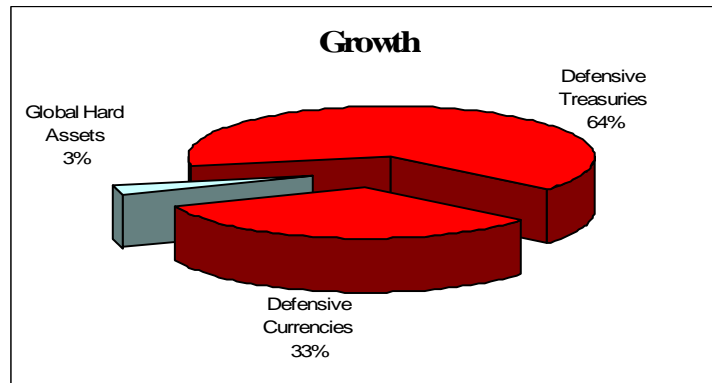
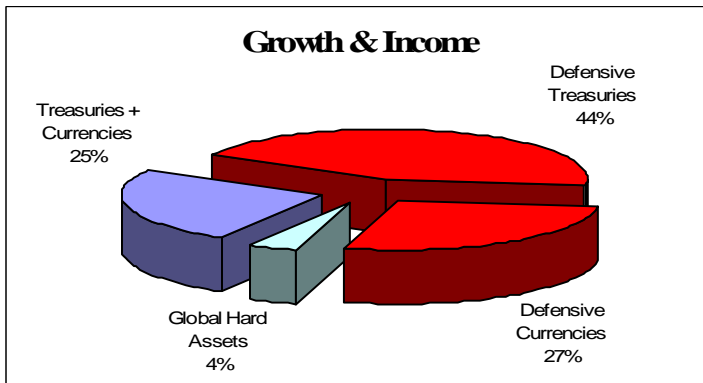
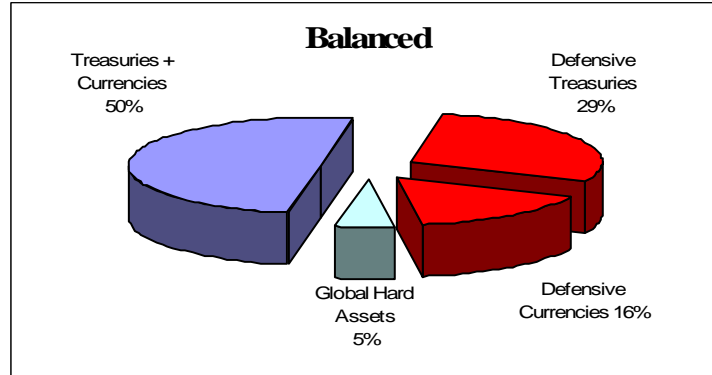
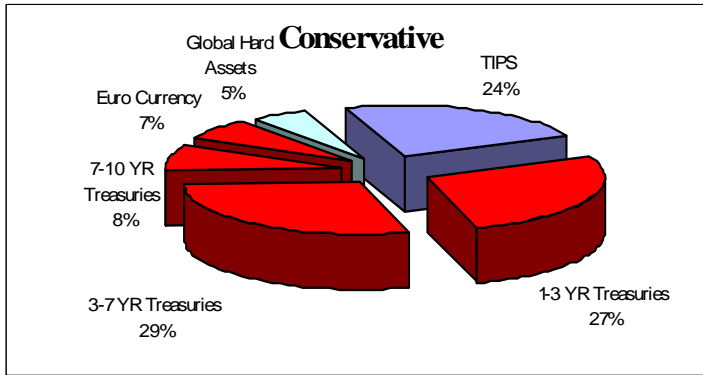
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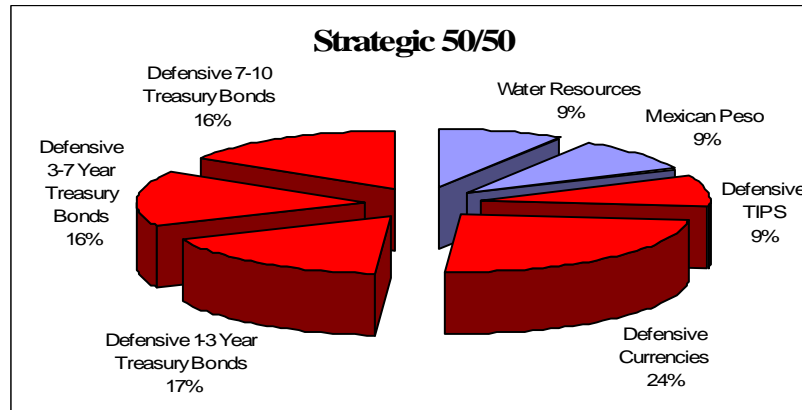
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- Emerging Markets ■
- Hard Assets ■
- Defensive Position ■



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.