



THE FOXHALL GLOBAL OUTLOOK



SEPTEMBER 8, 2009

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Dear Paul,

I know that in July, FOXHALL CAPITAL announced that it had moved from its DEFENSIVE INVESTMENT STRATEGY that it employs during bear market/recessions to its OFFENSIVE INVESTMENT STRATEGY that you deploy during long-term bull markets. I also see that FOXHALL is now investing our

portfolios back into the stock market. On JULY 24, 2009, you stated that the “NEW BULL MARKET HAS BEGUN.” I know the stock market has gone up lately, but the underlying economy still seems pretty bad. How can we have a sustainable bull market if the economy is still in decline?

Almost all economists now agree that the recession is probably over and the consensus is that the U.S. Economy will grow at least 2% in the second half of this year.

Home sales have started to inch up from a very low base, even though foreclosures continue to increase each month and home prices nationwide have a bit further to fall.

Banks are once again raising capital and according to the Federal Reserve, there may be no need to expand the Treasury Department’s \$700 billion TROUBLED ASSETS RELIEF PROGRAM (TARP) or for a big toxic asset buy-back program of those subprime mortgage-backed securities.

Recent corporate earnings have exceeded analysts estimates, sales have been increasing and manufacturing has turned up for the first time in a year and a half—suggesting a broad, stronger-than-expected recovery. These are all the elements that economists look for in a recovery. As companies boost their ordering and production, they will need to lift payrolls sometime next year.

Unemployment is always a “LAGGING ECONOMIC INDICATOR” and bull markets never start with more jobs. In each of the past four recoveries from bear market recessions, overall output, like manufacturing, increased inventory and profits turned up first and only then did employment start to improve. Payrolls turned up one quarter after the 1973-75 recession hit bottom, three-quarters following the 1981-82 and 1990-91 downturns, and seven quarters after the 2001 slump. Many

economists believe the overall economy must start growing at least at a 2.5% rate before employment will start going up.

THE EFFECTS OF THIS RECESSION HAVE BEEN DEVASTATING

There can be no doubt that the past two years of this bear market/recession has cost millions of jobs across almost all industries, generated massive losses in wealth among millions of U.S. homeowners, brought key industries—notably autos and financial services—to their knees, and wreaked havoc on the income statements and balance sheets of businesses everywhere.

The stock market, as measured by the S&P 500 INDEX, fell by almost 57% peak to trough during this recession, producing major damage to millions of 401K’s and other retirement accounts in the process.

The recession by all accounts, was the worst since the 1930’s and has been such a traumatic event in the lives of so many investors, that it is likely to dominate investment decision-making for years to come.

“RECENT CORPORATE EARNINGS HAVE EXCEEDED ANALYSTS ESTIMATES, SALES HAVE BEEN INCREASING AND MANUFACTURING HAS TURNED UP FOR THE FIRST TIME IN A YEAR AND A HALF—SUGGESTING A BROAD, STRONGER-THAN-EXPECTED RECOVERY. ”

THE START OF A BULL MARKET CAN BE CHOPPY

When the economy is transitioning from a long-term systemic bear market/recession to a new long-term bull market it is a difficult and sometimes wrenching process.

It is sort of like trying to turn an ocean liner around in a new direction. During this transitional period, the economic recovery will likely be uneven and selective in this formative period.

However, it is expected that the bull market should solidify into a SUSTAINED UPWARD TREND early in the

first quarter of next year.

DON'T BE SURPRISED TO SEE A STOCK MARKET PULL-BACK

SEPTEMBER AND OCTOBER are historically two of the worst months for U.S. Equities. The stock market has had a strong run-up over the past few months and has probably gotten a little ahead of its underlying economic fundamentals.



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No one should be surprised to see one or more stock market pull-backs between now and the end of the year.

THIS IS PERFECTLY NORMAL EARLY IN A RECOVERY. There has been only one bull market, in 1935, that didn't have some material indigestion within the first 6 to 12 months. But the good news is bull markets then roll on for the next 5 to 8 years.

NEW FOXHALL CAPITAL BULL MARKET PORTFOLIOS

Over the past week, clients will notice that FOXHALL CAPITAL has adjusted most of its portfolio strategies.

After our FOXHALL TREND RECOGNITION TECHNOLOGY™ signaled a new long-term bull market on JULY 24, 2009, we cautiously started to invest our client's portfolios in very broad global ETF indexes. Most portfolios still held substantial amounts of government bonds.

As we are moving into September, we have started to concentrate portfolio holdings on MORE SPECIFIC GROWTH SECTORS IN THE GLOBAL ECONOMY. We have also increased equity exposure in all of the strategies EXCEPT Global Hard Assets.

FOXHALL RISK MANAGEMENT FOR WORST CASE SCENARIOS

Recently, someone asked me what would happen to their portfolio if some new disaster happened in the stock market or in the U.S. economy, like the U.S. falling back into a "DOUBLE-DIP RECESSION." That has happened a few times in history.

I BELIEVE THAT'S A FAIR AND IMPORTANT QUESTION.

At FOXHALL CAPITAL we consider our NUMBER 1 PRIMARY GOAL in managing our client's retirement investments to be RISK MANAGEMENT—before everything else. PERIOD!

FOXHALL STOP-LOSS TARGETS

While I do not believe we will see a "DOUBLE-DIP RECESSION," it is our job as RISK MANAGERS to make sure our clients are protected if the unthinkable or merely unexpected happens. That's our job.

THIS IS WHAT FOXHALL DOES TO PROTECT CLIENT PORTFOLIOS IN A WORST CASE SCENARIO. If a client was invested on July 24, 2009 when we moved to our offensive investment strategy, we look at the entire client portfolio and if that portfolio drops 5%, it hits our "STOP-LOSS" and the day after that drop FOXHALL will move the entire portfolio back to U.S. treasury bonds.

That exact scenario happened in early June. The EMERGING MARKETS segment signaled an entry point in May. In June, there was a significant pull back and our "STOP-LOSS" kicked in to minimize the loss and keep the volatility low.

I will state again, at FOXHALL CAPITAL we consider our NUMBER 1 PRIMARY GOAL in managing our client's retirement investments to be RISK MANAGEMENT—before everything else. PERIOD!



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WHAT WILL THE NEXT RECOVERY LOOK LIKE?

Over the next six weeks, I will be sending out a series of GLOBAL OUTLOOK newsletters that will give a detailed overview of what the next bull market recovery will look like and which sectors and regions will boom and which will likely continue in recession for the next few years.

This series will give you an idea what the global data and what the world's best economic experts believe will be those investment areas that will produce the highest returns during the next long-term bull market—and which areas to stay away from!

UNTIL THEN!

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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.