April 15, 2009

Dear Valued Client

Re: 1st Quarter 2009

Market Summary							
	12/30/08	3/31/09		High		Low	
	$	$	%	$	Month	$	Month
S&P 500 Index (SPY)	90	79.52	(11%)	94.45	Jan	67	Mar
GS Corp Bond Index (LQD)	102	94	(7.4%)	103	Jan	91	Mar
WI Preferred Stock Index (WIPSI)	15.2	12.7	(16.4%)	16.9	Jan	9.2	Mar
WI Real Estate Index (WIREI)	242	224	(7%)	224	Feb	217	Jan

Dead Cat Bounce or New Bull – Too Early to Tell

There is just one word to describe the first quarter of 2009 – VOLATILE! From the start the S&P 500 Index resumed the last year's decline by falling 26% and then posted an impressive rally that erased over half of this year's decline in March.

While there has been much fanfare in the media about how unique this bear market is, similarly high levels of volatility were present in past bear markets. In fact, the 2000-02 bear market had two rallies of approximately 24% followed by several fast moving declines of nearly 20% over eight months.

We've attempted to minimize the volatile effects of this financial disaster by keeping large amounts of cash on the sidelines, selling investments that violated our investment parameters and rotating into investments that seemed to be weathering the storm well.

For our income portfolios, we rotated out of income investments we had concerns about, and bought bond investments that scored well through our selection process in order to strengthen the overall quality.

While our research supports the view that this severe bear market is currently in the early phase of bottoming out, only bullish signals from our key time-tested indicators will firmly place us in the bullish camp with quick action towards fully investing our stock portfolios. Patience is key to success in this investment climate. It took between four and nine months to complete the bottoming process during the two previous bear markets. If we apply that timeline to the present, we should not expect our indicators to give positive signals anytime between now and September.

Included with this letter is a special report titled *"Light at the End of the Tunnel-Investing at Bear Market Bottoms"* which provides an in-depth study about the current market and our 2009-10 investment strategy.

2009 & Beyond

Regardless of any short-term market advances, we expect investing in the foreseeable future will resemble the economically challenging decade of the 1970's, and that the "easy money" times of the last 25 years are over for a very long time. Investment strategies are going to have to change in order to deal with new economic realities:

> *Common Stocks:* *Historically, early bull market rallies posts strong returns. In 1975, the S&P 500 advanced 32%, and in 2003 it increased 26%. Both years produced approximately 45% of all of the index's price appreciation for the following five years. We believe that the S&P 500 index will annually average 9.2% (with dividends) over the next five years. This is well below the 12.3% total return of the last 25 years. The stock market will probably trade sideways with no new highs during this time. Investors should plan on higher levels of investment rotation, a willingness to hold high levels of cash after significant market advances and even using hedging strategies during volatile times in order to successfully navigate these market conditions.*
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> Corporate Bonds: We expect short and medium term bonds in stable companies to yield 7% to 10% annually over the next five years. Since these returns are comparable with the expected results in stocks, average investors should consider shifting a significant portion of their portfolios into the near certain returns of holding bonds rather than risk the ongoing volatility of the stock market.
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> Preferred Stocks: We expect preferred stocks to maintain double digit yields. When bonds are not available, they can be a good substitute for a 25% allocation in an income portfolio.

When the 2000-02 bear market ended, we established new five-year investment goals & strategies customized for each of our clients. Many of our clients opted for less volatile investments (such as bonds), and were much happier with the portfolio even though the returns were lower than stocks.

Similarly, now is a good time to establish new investment strategies, which reflect new economic realities, and for each of us to carefully balance the need to make back what has been lost during this decline and to withstand additional financial volatility in the future.

News & Notes

- **New Member of the WI Team –** We're happy to announce that Marc G. Edwards has joined WI as a Senior Portfolio Manager effective March 31, 2009. Marc's previous tenure was with Van Cleef, Jordan, and Wood, Inc. in New York as a portfolio manager and partner. Marc entered the investment business in 1971 and brings a vast amount of knowledge and experience with him.

- **New Client Proposal & Information Forms –** In light of the current market conditions, we will be sending new proposal forms out to each client covering the performance goals and strategies for 2009-2013. **To ensure accurate contracts, we are requesting you to fill out a new Client Information Form. Please fill it out and return in the enclosed postage-paid envelope.** We plan to mail your new contracts within a few weeks and it is important that we receive them back with your signed approval ASAP.

- **Client Restrictions –** If you made special requests regarding the management of the portfolio (large cash holdings, investment selections, etc.), then please let us know what your overall objectives are, so we can adjust the portfolio accordingly.

- **Annual Client Meetings –** Communication is absolutely critical when it comes to investing. If we haven't talked in the last six months. Please call our office at your earliest convenience to make an appointment for a phone meeting.

- **Brokerage House Selection –** Winans International works with 11 different brokerage houses in order to serve the wide-ranging needs of our various clients. If you are not satisfied with your current broker, please let us know, so we can help you find a firm that is better suited to your needs.

This has been an exceptionally stressful time for all of us. It seems that everyday brings another round of scary headlines that make it tempting to sell everything and wait this mess out on the sidelines. The problem is that dire times in the past were often followed by powerful market rallies long before the media's headlines became bullish. Investors who sell out after a major correction rarely reinvest, and usually miss out on recovering what has been lost.

We have devoted substantial time and resources to developing a time-tested plan to deal with potential financial advances and/or continued declines. I feel we are equally prepared for either scenario.

Please feel free to call me directly with your questions or concerns.

Sincerely,

Kenneth G. Winans, CMT

P.S. If you would like a copy of the most recent Winans International ADV Part II, and or would like to be included as a reference on our marketing materials, please call our office.