CFA NEWSLETTER

CLARK FINANCIAL ADVISORS

1st Quarter 2009

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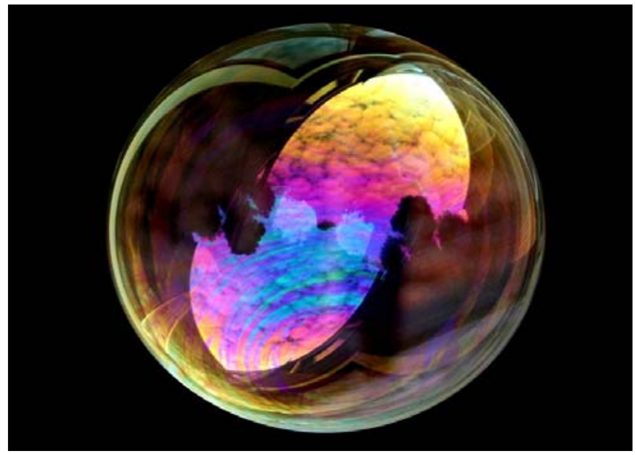
To Our Valued Clients & Friends:

It was just about this time last year that Beth and I attended the Fidelity Executive Forum in Tucson, Arizona. This is an annual gathering where some of the "best and brightest" from Wall Street provide observations and insight to invited advisors from around the country.

The reason for my mentioning this trip in our quarterly letter is that in hindsight, I find it bewildering that from such an elite round table of presenters, of which there were six, not one mentioned any concern about investment market conditions for the remainder of 2008. In fact, each stated that the January lows of 2008 would be the worst market level for the year and that each saw the S&P 500 finishing higher at the end of the year. (At that moment, the S&P was at 1,413. The S&P finished the year at 903, representing a decline of 35% from the moment of the Tucson meeting.)



"Perhaps at times, Wall Street functions within a self-imposed bubble."

Don't you find it remarkable that such a select group (and these were individuals whose names would be recognized by those outside the financial industry) could be so out of touch with the economic realities of the moment that none would sense that the U.S. investment markets were about to experience their greatest decline in more than 50 years? (The S&P index continued its decline through early March to 683, a decline of 52% that was completely unanticipated by this select group meeting in Tucson a year ago.)

And My Point?

Perhaps at times, Wall Street functions within a self-imposed bubble. My definition of a "bubble" is when individuals and organizations focus only on the issues that are squarely in front of them without understanding the cumulative result of their actions on entities outside of the bubble.

The causes and results of the economic turmoil of the last nine months have been exhaustedly reported on the "front page" of all media sources. Aggressively funded

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home purchases, resulting in mortgages being generated, mislabeled and then sold to unsuspecting investors and banks, have resulted in the country being confronted by near depression-like conditions. All of which was apparently unforeseen and certainly not predicted by the experts of Wall Street.

Perhaps the true point to be made here is that we, as observers of life, are in just as good of a position to detect the troubles, or the joys, within the economy as those on Wall Street and in the media. I believe they both create their own "bubbles." I ask that you visit our website and re-read our June 28, 2006 letter which states, "I fear that we may be in only the initial stages of this decline in real estate prices…I believe that we have a good chance that the country will fall into a recession beginning in 2007." I point this out not for the purpose of an "I told you so," but to emphasize that if you keep your eyes open—wide open—you might be able to pick up a few things that indicate where the economy is going. It is in that spirit that I offer these observations here in the first quarter of 2009:

1. Interest Rates Are Incredibly Low

For those with good credit, a 30-year mortgage is available at a rate of 4½%. Think back during your lifetime and remember the times that you "would have killed" for such a mortgage rate.

2. Consumer Spending

Consumer spending has ticked up for the second straight month. The consumer, after moving from a negative savings rate over the last several years, began to save in early December with a 7% saving rate, then in January and February continued to save at levels of 5% and 4½% respectively. Consumers who have money are beginning to loosen their purse strings, and consumer spending is beginning to build slowly.

3. New Home Sales Are Up

Home prices are down, but home sales are up, resulting in existing housing inventories beginning to decline.

4. New Construction Permits Are Up

I was a little puzzled by this one, but there are areas of the country where there is still enough demand for new homes to offset the virtual shut down of home construction in other areas of the country. Remember, while we have slowed to an annualized rate of building only 400,000 homes a year, there are over a million new "households" created each year. This household creation will eventually absorb the existing housing inventory, especially at lower prices. (New home construction in February rose to an annualized rate of 517,000.)

5. The Stimulus Bill

Oh yes, the stimulus bill. The bill will begin to have an effect in curbing the rise in unemployment by early 2010. You may curse the stimulus package, but it probably will halt the unemployment growth from going above 10%. I hate to sound callous about unemployment, but this statistic is the trailing indicator at the end of a recession.

The hiring of new employees is the last step that a company will take as the economy rebounds signaling a reduction in unemployment claims and the unemployment rate. By the time this indicator becomes apparent, the economy will be out of the recession.

6. The Current Rally In The Market

The current rally in the market is not an indication that the markets will go straight up. In all likelihood, we may even retest some of the earlier lows that have been established this year. Nevertheless, I believe the strength of this 20% bounce from early March is an indication that it is time to "tip-toe" back into some equity exposure. As a result, in mid-March, we took a position in the Fidelity Spartan S&P 500 index for our growth and moderate growth portfolio. This position is not a major one, 10% for the moderate growth portfolios and 15% for growth. At the same time, our balanced managers, both OakMart and Janus, have begun to increase their equity exposure ever so slightly. We continue to maintain our absolute return design with Goldman Sachs and individual bond positions, but we recently took a 10% position in TIPS, Treasury Inflation-Protected Securities, within the last 30 days. This last position is designed as protection against inflation.

Remember, the market anticipates; it does not react. Want to see an indicator that things might be about to improve? Look at the market statistics at the end of this letter. The Russell Value Index, which reflects the performance of large companies, was down 17.6% in the first quarter. The Russell Growth Index, which reflects smaller companies that are usually the first to rebound from a downturn, was down 4.5%. The Dow Jones Industrial Average was down 13.3% for the quarter, and the NASDAQ, where the more growth-oriented companies are listed, was down only 3.2%.

History tells us that the market will bottom and begin to recover approximately six months before we are out of a recession. This week the *New York Times* reported that of the Top Ten economists employed by major US banks, nine saw the recession ending in either the third or forth quarter of 2009, with the remaining tenth economist seeing an improvement in the first quarter of 2010. (But what do they know?)

Here Is An Indicator For You

Last week, Mario and I slipped down to the local

"...First it will go up, and then it will go down, but not necessarily in that order."

***--J.P. Morgan,* responding to the question "So which way is the market going to go?"**

If you would like to have a copy of your statement from Clark Financial Advisors listing all of your accounts and their current values, please email or call Mario, and he can update your statement and forward it to you.

Starbucks. We walked in at about 10 a.m.; there was not a single empty chair, and there was a line at the cash register. We couldn't decide whether there were that many people out of work or if there were that many people who decided to take a mid-morning break. I don't guess it really matters; the bottom line is that the cash register was ringing and Starbucks sales have rebounded considerably over two months ago (according to the local manager).

Perhaps the real factor assisting the consumer is that gas prices and interest rates have remained low, and the pressure on the individual consumer, at least the 92% that are employed, is not as great as perceived by the media. I believe as each day passes and the consumer realizes that the world has not come to an end, he or she will return to somewhat normal spending habits. Now, they may not be as aggressive as they have been in the past. They won't replace their cars as quickly or as often, and they probably won't be shopping for a lake or beach house any time soon. Nevertheless, as soon as the economy stops being the lead story in every newspaper and on every evening news program, you will see the economy and the market begin to rebuild.

So Which Way Is The Market Going To Go?

I am reminded of the wonderful comment that Mr. J.P. Morgan made when he was asked the same question. His reply was "…First it will go up, and then it will go down, but not necessarily in that order."

Focus on your health and families, and in next quarter's letter, we will discuss "How To Add $250,000 to $500,000 To The Buying Power Of Your Retirement Plan."

Warmest Regards,

M. Brooks Clark

The Numbers

	1st Quarter Change YTD	12/31/2008 Index
Dow Jones Industrial	(13.3)	8,776
S&P 500	(11.7)	903
NASDAQ	(3.2)	1,577
Russell Value	(17.6)	487
Russell Growth	(4.5)	371
Treasury Index	(11.7)	119
Lipper Balanced Index	(5.8)	---