



Client Market Update **“Is It Time To Get Out?”** **May 7, 2010**

Background on “Fire Drill Indicators”

During the Fall of 2008 when credit markets froze and the stock market suffered the steepest declines of the most recent bear market, we were paying close attention to several key economic and financial system indicators. We needed to understand how much of the market volatility was driven by short-term fear as opposed to increasing investment risk.

In the middle of the Fourth Quarter of 2008, we released a mid-quarter commentary that concluded with these thoughts:

“We have become increasingly concerned about the U.S. economy. Equity valuations may fall further from their current levels before we reach a point where risks have been fairly priced. We are updating client asset allocations to manage risks and will look to use cash for opportunities worldwide as they present themselves.”

*William H. McAfee, Jr.
President and Chief Investment Officer
4th Quarter 2008 Investment Commentary*

In fact, we did reduce equity exposure to a maximum of 50% of portfolio assets, increasing portfolio cash levels.

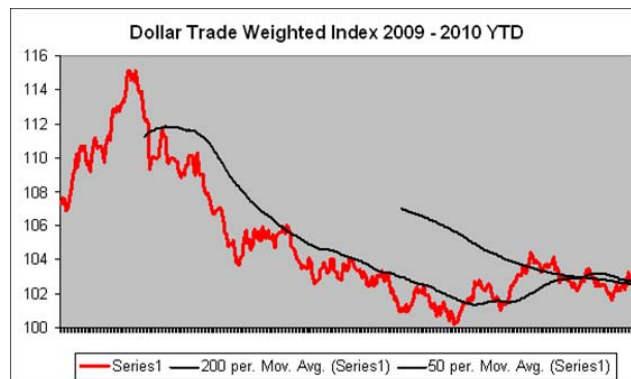
In the beginning of 2009, we found that the indicators we monitored were signaling increasing financial system health and economic strength. From February into March of 2009, we began investing portfolios more heavily into large company stocks and U.S. and international equity funds. The bear market in stocks ended on March 6, 2009.

Since then, we have continued a systematic approach to monitoring overall market health and financial stability with our key indicators. We refer to the system as the Fire Drill, and we continue to monitor the Fire Drill Indicators on a monthly basis to understand short-term market movements in the context of the overall strength of the financial system. The indicator types are summarized in the table below:

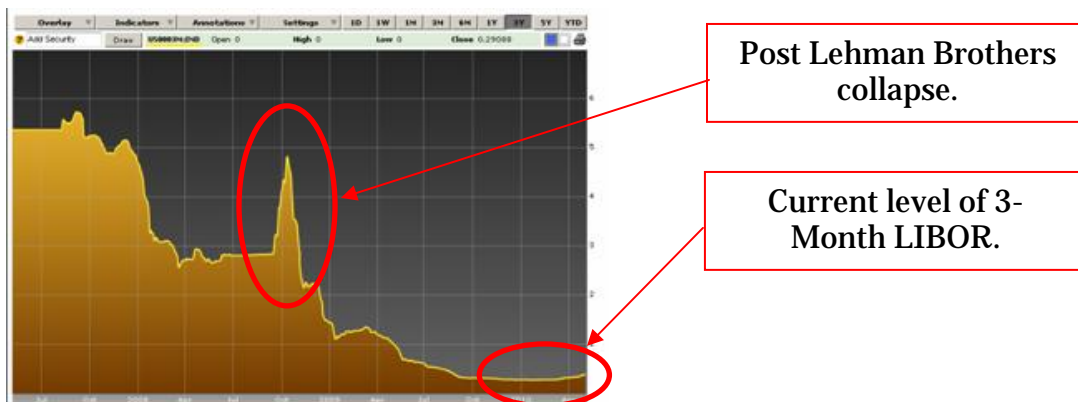
Indicator Class	Market Indication
U.S. Dollar Strength	Spike in currency strength would indicate fundamental market weakness as investors flock to cash.
Inter-Bank Lending Interest Rates	Significant increase in interest rate would indicate credit market weakness as banks rapidly increase the interest required on short-term loans that limit liquidity.
Estimated Fundamental Market Fair Value	Movement of market price away from fair value with no downward revisions to overall earnings or growth expectations would indicate irrational investor fear.

The Current Situation

During the recent market volatility and near record decline in the Dow Jones Industrial Average yesterday we have been monitoring the Fire Drill Indicators closely for indicators of fundamental deterioration. The U.S. Dollar has been increasing in value, but not at a rate that would suggest a stampede out of the market to the safety of cash.

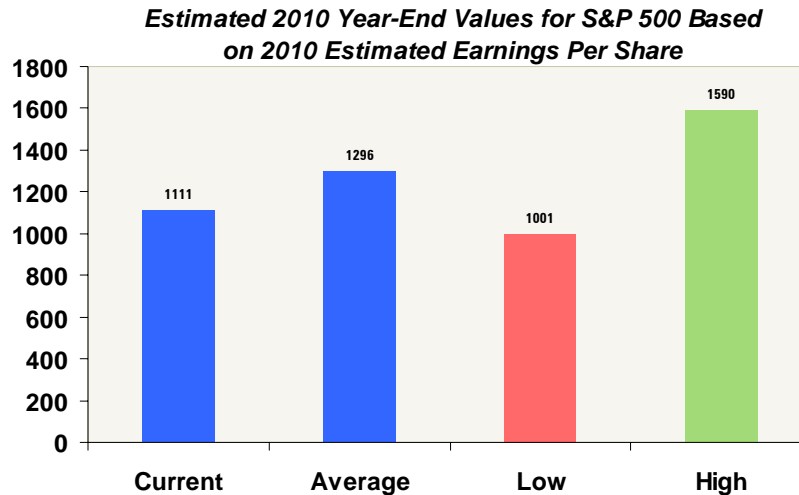


Inter-bank lending rates have been increasing steadily over the last month, but we view this as positive for the market. Smooth upward movement over the last month (see below chart) is reflective of contained risk, while the 2008 post-Lehman Brothers collapse spike in inter-bank lending rates was indicative of system-wide instability.



3-Month LIBOR (London Inter-bank Offered Rate): previous five years.

The S&P 500 has declined by 4.5% since the end of the quarter, but the range of market Fair Values has not changed. Since our estimated fair value at the March 31st quarter end, Market Earnings estimates are up 5.7%. The decline in value and increased volatility of the Market even while Earnings estimates have increased indicates to us that investors are responding to news rather than fundamental change in economic conditions.



We believe that the recent market pullback is an opportunity for investors with longer time horizons to invest in a fundamentally strong market with stable long-term growth prospects for a relatively lower price. We do not believe a near-term bounce-back is out of the question, as the European Union resolves uncertainty surrounding its stance on open-market intervention (i.e. buying Greek bonds to limit the impact of default). Please do not hesitate to call with any questions or concerns you may have. Thank you for the confidence you have placed in WHM Capital Advisors as your financial advisor.