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The Economic Cycle Research Institute's Weekly Leading Index has begun to stabilize

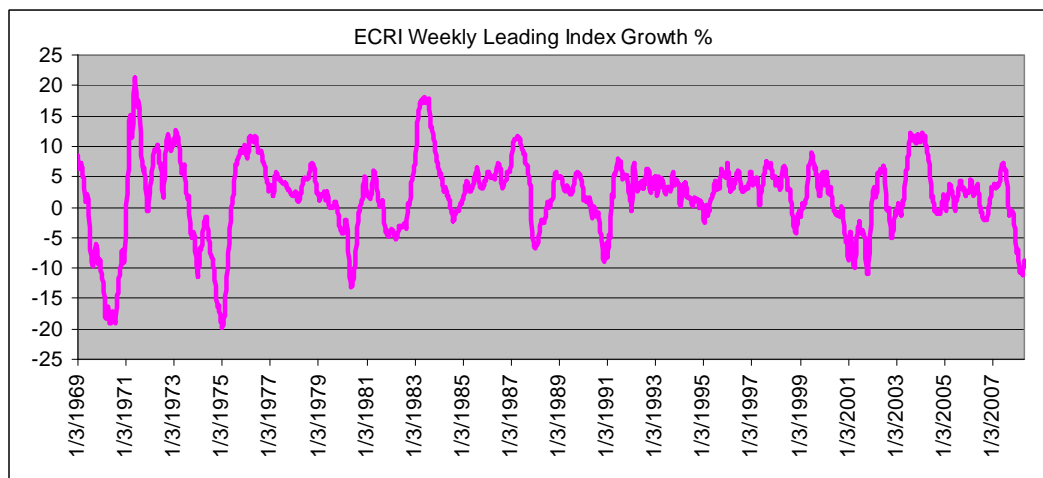
2008 1st Quarter Review

In the March issue of St. Louis magazine, due to the support of our successful clients, we were honored as a top wealth manager in the St. Louis area. Although I'd prefer better performance for clients in the 1st quarter to the mention in St. Louis magazine, it was a pleasure to receive the award. And we have made back quite a bit of the performance ground we lost in the 1st quarter in April alone. Updated performance numbers are available on the MSAM website:
<http://www.msam.net/products.htm>.

The 1st quarter certainly turned out to be a lackluster earnings quarter as was both expected by investors and reported by companies. We used the 1st quarter period to continue to add to names which we have great conviction about, especially in the technology area. We also worked to get portfolios in a position to have reasonable cash levels to invest as the market looks beyond the economic downturn.

Current Observations

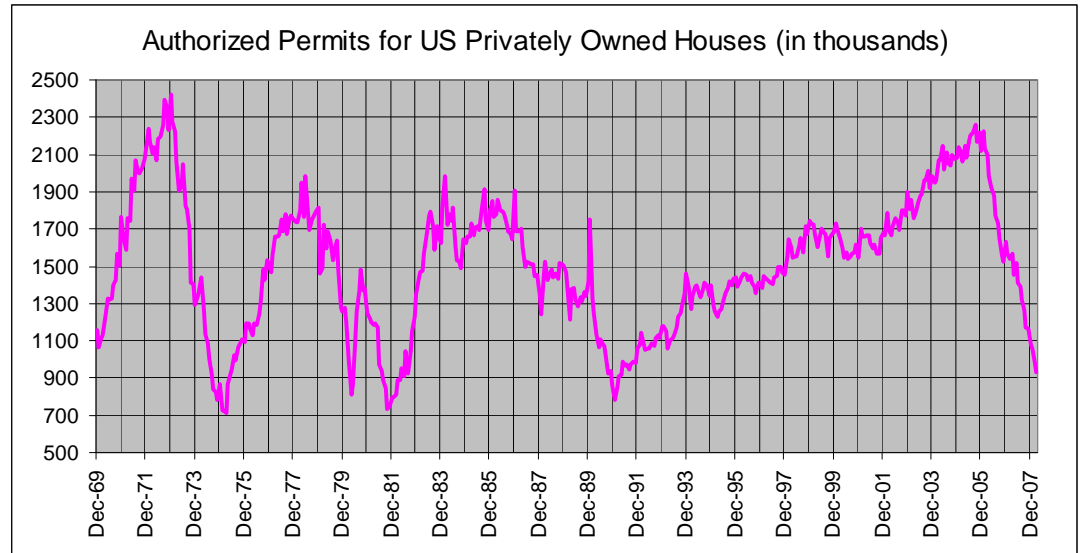
1: Each Friday, the Economic Cycle Research Institute (ECRI) releases its Weekly Leading Index (WLI). The WLI is a measure of economic growth that has proven its worth in the past as a leading economic indicator. The average lead time between a WLI trough and the subsequent beginning of economic recovery is about a quarter. Recently, the WLI has begun to stabilize, with the growth % bottoming at -10.9% in early April and recovering to -8.7% in late April. While it may be a little early to call it a trough, stabilization is a positive. For additional perspective, the last 2 recessions lasted 8 months.



Source: Economic Cycle Research Institute, Bloomberg

2: We continue to monitor housing market conditions. Currently, while the level of new housing permits has yet to bottom, it is reaching low levels comparable to the low point of previous housing downturns: 1974, 1981 and 1990. Stabilization in permits, albeit at a low level, along with a stabilization in home prices, which some leading indicators have begun to point toward, will likely be the catalyst to end the current economic slowdown.

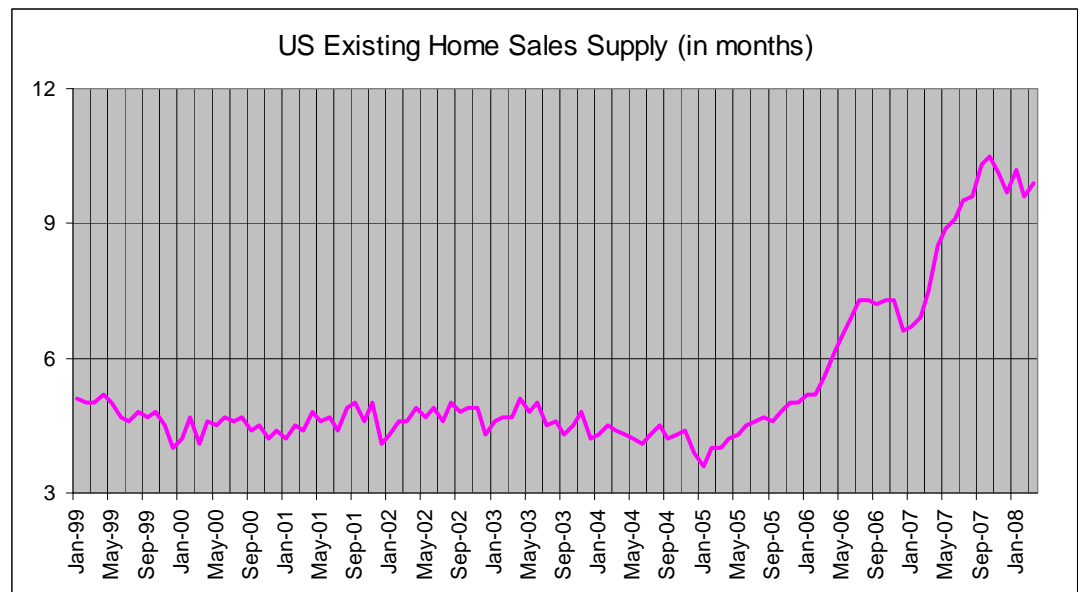
Housing permits have yet to bottom but are nearing prior housing downturn lows



Source: US Dept. of Commerce, Bloomberg

3. We are beginning to see some flattening in the supply of existing homes for sale. Since its low in early 2005, supply has steadily increased over the past 2+ years as demand tapered off. Data through March 2008 shows this supply is beginning to trend downward, signaling that the gap between housing supply and demand may be beginning to thin out.

Existing supply of homes for sale appears to have peaked.



Source: National Association of Realtors, Bloomberg

Adding more confidence to this theory, Alan Greenspan recently added the following regarding the housing market, ``It will not be until early 2009 that we will

get close to having eliminated most of this, but it is very likely that home prices will stabilize well before that." The first step to ending this downturn is identifying the trough and finding the floor. While it is evident that the end of the struggle will take more time, we believe the floor is near.

4. In the past quarter, we have seen mixed retail data. In February, US retail sales were down, while the Bloomberg same store sales (SSS) index rose over 1.5%. March figures showed the opposite trend, as SSS disappointed but overall retail sales beat estimates and rose 0.2%. The International Council of Shopping Centers Index has shown similar results, reporting a SSS decrease of 0.5%, but a total store sales increase of 6.1%. So what exactly is happening in the retail market?

In light of the current economic environment, it appears consumers are 'trading down'. Discounters and warehouse clubs have enjoyed both increasing sales figures and positive returns. However, department stores and specialty retailers have seen their stock price plummet and drastic same store sales decreases. A similar trend can be noticed with food and beverages, as consumers are not necessarily buying less volume, but rather opting for cheaper, generic brands.

March 2008

Bloomberg SSS Index	%Change
DEPARTMENT STORES	-10.6%
SPECIALTY/APPAREL	-7.5%
DISCOUNT STORES	-0.2%
WAREHOUSE CLUBS	4.0%

Source: Bloomberg

It is a little early to tell whether the consumer trade down effect reflects the extent of the downturn in this economic cycle, or if there is still further to go. We are most interested in watching how consumers opt to spend the economic stimulus rebate checks they will receive in May.

2008 2nd Quarter Preview

An additional .25% rate cut from the Fed this week, and economic data that doesn't look as bad as many had expected, has shifted conversations of many investors to look beyond the current downturn. Although growth indicators like the Weekly Leading Index are still in negative territory, the turn in direction of those indicators has had a very positive impact on market sentiment recently.

Financials have also begun to recover as many CEO's in recent earnings conference calls have suggested that the credit crunch related writedowns are nearer to the end than the beginning. It is also notable that the financials have not had any problem raising capital to bolster their balance sheets: A large bank secondary share offering was increased by 50% after being well oversubscribed.

Accommodative policy, stabilizing economic data and confirmation that companies are adjusting to the current environment should offer the opportunity to realize some positive feedback from stock prices this quarter.

Consumers have "traded down" in their spending patterns

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