Moloney Securities Asset Management

Where trusted investment management meets individual client needs

Quarterly Newsletter **May 14, 2009**

In This Issue

- 2009 1st Quarter Review
- Current Observations
- 2009 2nd Quarter Preview

MSAM on the web:
http://www.msam.net/
Stay up to date with MSAM including the latest performance figures.

Financial Conditions continue to improve

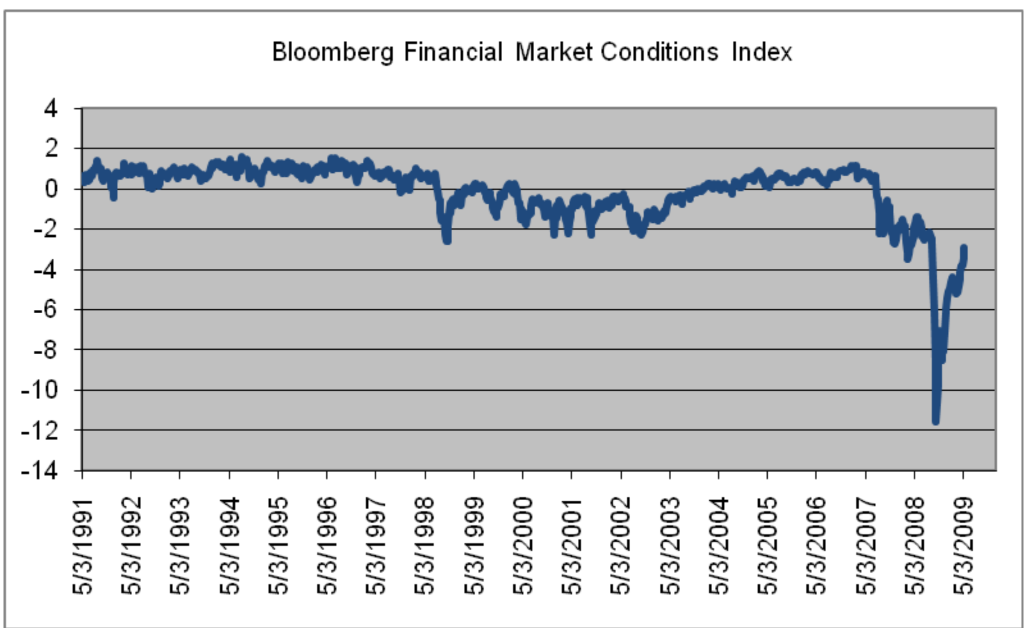
2009 1st Quarter Review

Although the first two months of the quarter created a great deal of emotional expense for us as investors, the market low close for the S&P 500 on March 9 marked what will likely be the bottom for this business cycle. A primary turn in economic indicators was evidenced in the first quarter, not in their absolute levels becoming positive, but in their rate of change starting to move in the right direction. In other words, things are improving, but from very low levels. This turn created the foundation upon which to build a market and economic recovery. It also offered validation that a big part of the market crisis we've faced begins with the confidence, and the sentiment, of market participants.

The MSAM Growth composite outperformed the market in the first quarter by a measurable amount with a positive return. Updated performance numbers are available on the MSAM website: http://www.msam.net/products.htm.

Current Observations

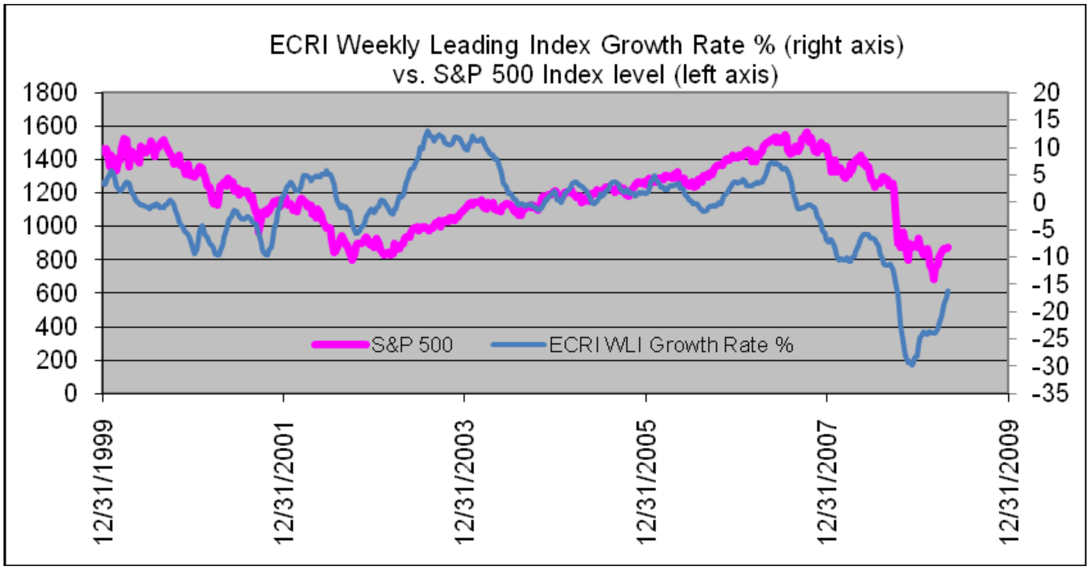
Returning to a chart we reviewed in last quarter's newsletter, the Bloomberg Financial Conditions Index has continued to improve.



Source: Bloomberg

Leading Economic Indicators are improving

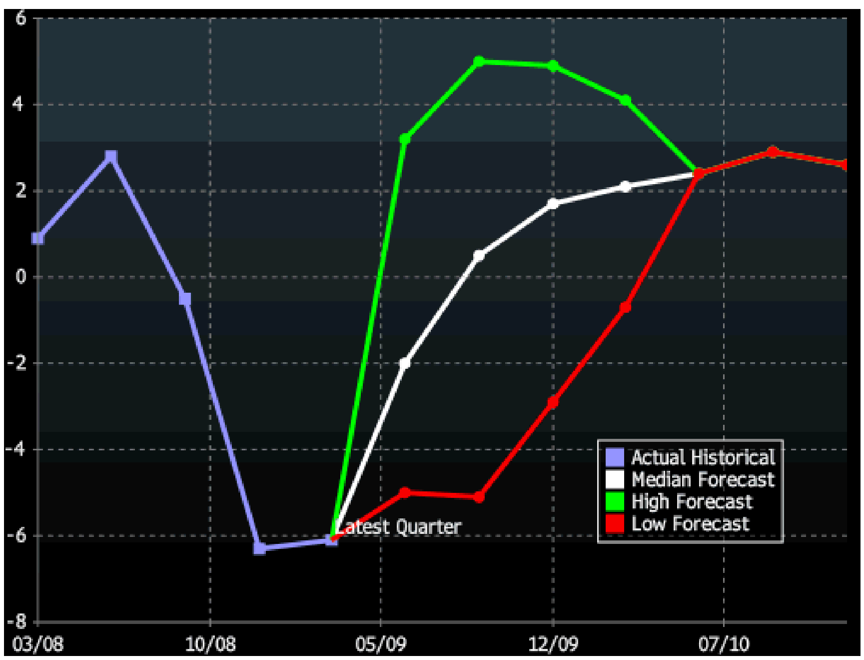
Turning to the leading economic indicators, ECRI's Weekly Leading Index, after reaching its low late last year, confirmed a turn for the better in the first quarter. The stock market has, since early March, followed this trend.



Source: ECRI, Bloomberg

Economist GDP forecasts are improving

Economists are also forecasting improvement in their Quarterly Year over Year GDP estimates for the economy.



Source: Bloomberg and participating economists in their survey

Although forecast GDP is not expected to turn positive until late 2009, the direction has proven to be important as investors have begun to look across the valley toward an economic recovery.

Analyst earnings estimates are beginning to discount a recovery

Better financial conditions, improved leading indicators, and more positive economic forecasts have begun to show up in the company earnings estimates from stock analysts. Broadly, earnings growth appears to be near its trough when reviewing estimated quarterly and year-over-year earnings estimates.

	Q1/09	Q2/09	Q3/09	Q4/09	FY09	FY10
S&P 500 Index Growth	-34.1%	-35.0%	-22.7%	69.1%	-16.0%	24.2%
S&P 500 Ex-Financials	-33.2%	-33.2%	-29.7%	-7.9%	-25.7%	19.5%
Consumer Discretionary	-90.8%	-50.2%	-2.1%	6.1%	-31.0%	82.3%
Consumer Staples	-3.4%	5.4%	-4.8%	-4.2%	1.6%	7.0%
Energy	-59.9%	-67.0%	-67.9%	-35.1%	-60.1%	43.6%
Financials	-42.0%	-47.8%	667.3%	130.9%	777.7%	65.4%
Health Care	1.2%	1.1%	-2.3%	-0.5%	0.2%	10.2%
Industrials	-36.5%	-39.2%	-31.6%	-21.1%	-32.5%	6.5%
Information Technology	-28.3%	-27.2%	-22.0%	7.7%	-16.0%	16.5%
Materials	-74.8%	-71.8%	-69.0%	104.8%	-61.7%	81.7%
Telecommunication Svcs	-14.4%	-24.5%	-16.7%	-14.5%	-19.8%	6.8%
Utilities	0.5%	-6.0%	3.3%	-1.9%	-2.0%	8.8%

Source: Standard & Poor's, Bloomberg

2009 2nd Quarter Preview

We finally ended topping the headlines each day with talk of bank balance sheets as the results of government bank stress tests were revealed in early May. With the uncertainty related to the financial system and the worst case now framed, we've started to move forward and return to talk of recovery and a return to economic growth. Most corporate earnings results in the first quarter actually came in better than expected.

While government intervention to lessen the economic downturn may also dampen the recovery somewhat, the direction is positive. As investors, we just need to be prepared to climb the "wall of worry" as things improve.

The first six weeks of the second quarter have produced some of the best percentage returns we've ever experienced in Moloney Securities Asset Management Growth portfolios. While stock prices never go in a straight line in either direction, the current environment represents the greatest leverage we can get with our investment dollars. We'll continue to put our research and decision making to work to take advantage of current investment opportunities.

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