PRING TURNER
CAPITAL GROUP

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Stretched Down So Far – Can Only Go Up From Here!

The last few weeks' market collapse has been a gut wrenching time for all of us. The velocity of the price decline has literally been historic. Pring Turner Capital portfolios are bruised but they are not broken. We strongly believe early October marked the final "give-up" stage by investors in this credit crisis and market decline. We also believe investor capitulation signals the end of this vicious bear market. **Bull markets always follow bear markets.** You will see better days soon, and this letter will explain our rationale for a positive outlook.

Nearly three years ago, in our quarterly newsletters we began warning about real estate speculation and the consumer's use of mortgage equity withdrawals to borrow and spend excessively. But, even we have been shocked by how deep the tentacles of speculative real estate financing penetrated and rocked the global financial world. The speculation consequently bred a credit crisis that has suddenly been fatal for many overly leveraged banks, brokerage firms, insurance companies, and even government-sponsored institutions. **However, there are many positive factors that once this crisis phase passes, will support a stronger stock market and economic rebound.**

- **Powerful global central bank actions will reverse today's financial logjam.**
- **The 50% oil price decline is a huge stimulant for the world economy. It quickly removes a heavy burden and acts like an enormous tax cut.**
- **Financially healthy corporations and value investors are using market weakness as an opportunity to acquire bargains.**

Where Are We Now?

In our January newsletter, we forecasted 2008 a transition year where we would move from a bear to a bull market. We believed the sharp stock market decline into the summer was the turning point, but we were clearly early and did not anticipate the collapse of many big name financial institutions and strain put on the financial system this fall. The result will be an economic slowdown deeper and longer than we expected. Our research pinpoints the recession began December 2007 and at 11 months old, the economic slide is already well advanced. Our business cycle model is quickly advancing to the point when the stock market, in its role as a leading economic indicator (stocks historically lead the economy by 6 to 9 months), has

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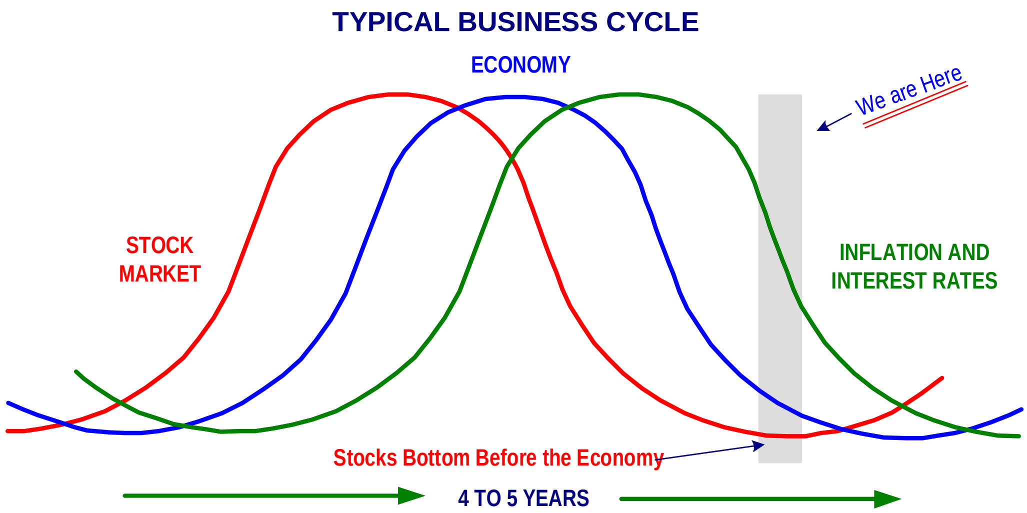
fully discounted the breadth of the current recession. **The stock market is still on track (despite the recent rout) to start a new bull market in 2008, in alignment with our January forecast and following the typical business cycle sequence.**



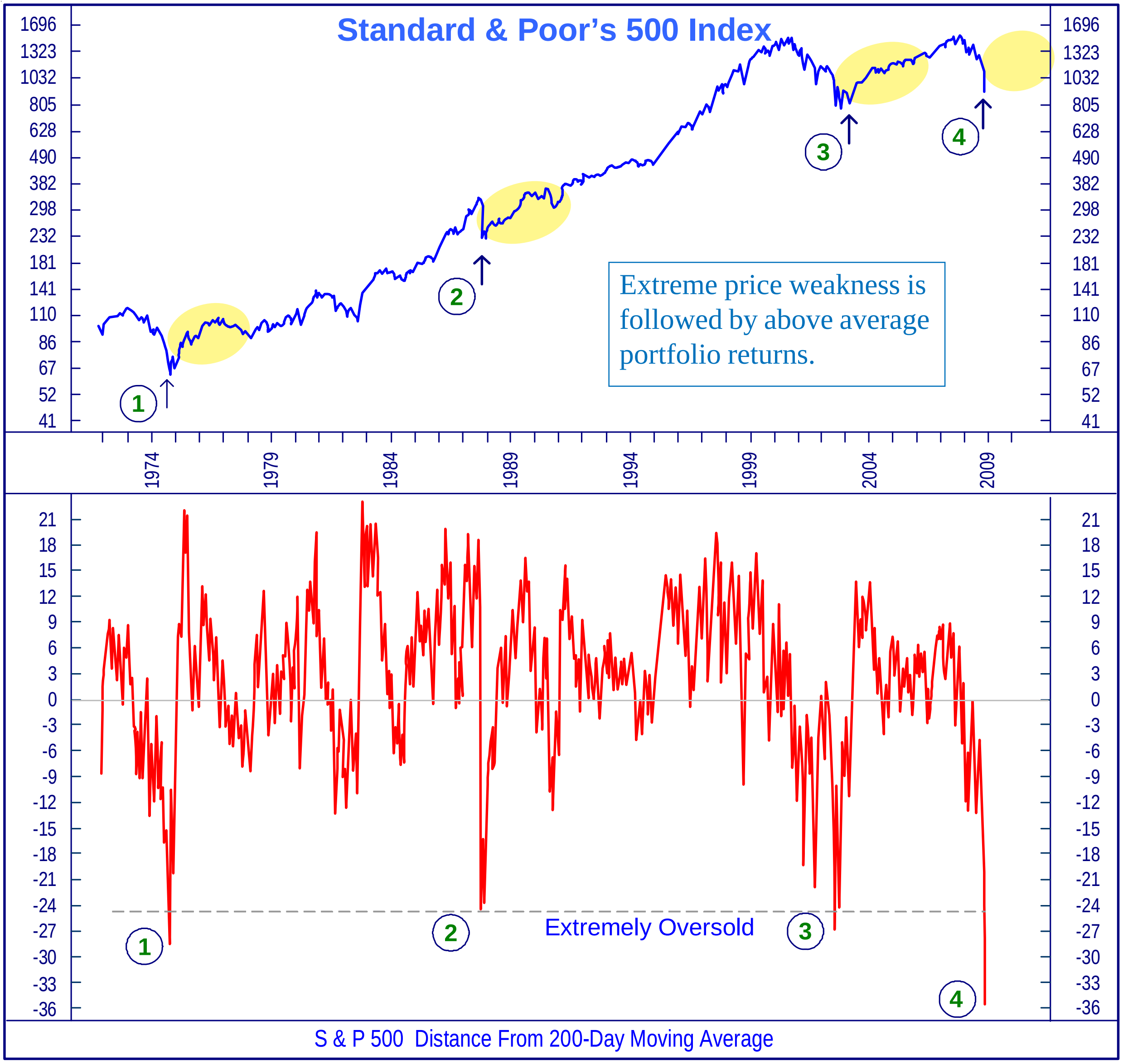
What To Expect Going Forward

Panics or crashes, while sharp and frightening, are always short lived and the economy and stock market always recover. The crisis has finally caught the attention of global financial authorities, and they are coordinating a massive response to offset the turmoil. It will take time for recent government actions to take effect, ***but it will take effect***. Making a stock market bottom is a healing process that takes time. We do expect volatility to remain high a little longer, then settle down before the market embarks upon a substantial multi-year advance. **Despite widespread investor feelings of doom and gloom today, our research clearly calls for above average returns over the next several years.** (The data and charts on the next page illustrate and support our positive long-term outlook.)

We understand and share the emotional roller-coaster you are on. We also know these especially rough markets do come along, albeit infrequently. Your portfolio is designed and structured with many layers of risk protection. This protection, compared to the general stock market, includes higher quality, greater income, and better intrinsic value all designed to weather periodic financial storms. You have just come through the most difficult part of the storm. Investors who stayed the course after these prior panics were all well rewarded with substantial portfolio gains in the following years. Our expectation is to see new benchmark highs in your wealth in the next bull market. We thank you for your patience and courage.

Historic Bear Market Declines
Lead to Above Average Portfolio Performance

This sell-off has again created a rare oversold condition (only four times in forty years) where prices have dropped more than 25% below their average price over the last year (200-day moving average). This decline is similar to experiences with other panics and major bear markets as in 1974, 1987, and 2002. The chart illustrates that prices are stretched to levels we have only seen at major bear market bottoms. Like a taut rubber band, we expect prices to snap back sharply into year-end.



	Date	Distance Below 200-Day Moving Avg.	3 Month Forward Returns	6 Month Forward Returns	12 Month Foward Returns	Ultimate Bull Market Peak
1	10/03/74	-28.8%	13.5%	30.9%	38.0%	86% (27 months)
2	10/19/87	-24.8%	10.9%	14.7%	23.2%	59% (29 months)
3	07/23/02	-27.0%	12.8%	12.3%	26.0%	100% (56 months)
4	10/10/08	-35.8%	?	?	?	?

Concept Courtesy of Ned Davis Research & Stanford Group Research

Significant Stock Market Advances Following Major Bear Markets