

April 22, 2010

WHAT A DIFFERENCE A YEAR MAKES!

One year ago investors were suffering through the worst stock market decline since the Great Depression and bracing themselves for Armageddon as discussions of economic crisis and financial panic dominated the headlines. Just one year later, the stock market has sustained a dramatic recovery and gradual improvement in economic news is slowly becoming more visible. We realize many investors were understandably skeptical when at that time we forecast a strong stock market. In our April 22, 2009 client letter we stated:

“We believe we have witnessed the end of the second most vicious bear market of the last century. The stock market will climb a ‘wall of worry’ even as unemployment worsens. History teaches the market will keep moving higher even though the gloomy economic news continues.”

Further, we pointed out if investors waited for the comfort of an “all-clear signal” of upbeat economic news they will have missed a huge portion of the stock market advance. And here we are twelve months later, the economic news is finally improving and a slow recovery is becoming more evident. In fact, the stock market advance has been one of the strongest ever. The markets and economy are following the road map we described in the April 2009 client letter. For the rest of 2010, we see the economy continuing to grow, albeit at a slower pace and stocks may experience a choppier period ahead.

In our experience, this cyclical bull market is the most disbelieved and unloved stock market rise ever. For example, on March 24th Bloomberg news service announced in a survey that remarkably *only* 3 in 10 investors saw the value of their portfolios rise over the past year. The other 7 out of 10 fearful investors, acting on their emotions, either sold in panic and sat on the sidelines or abandoned equities for the presumed safety of treasury securities. Ironically, those seeking safety were surprised to learn that Treasury bonds were actually the *only* asset class to *lose* money last year as interest rates moved up and bond prices declined. **On the other hand, the typical Pring Turner client experienced one of the best twelve-month performances in the firm’s 33-year history!** This outstanding performance is directly due to your steadfastness and resolve to stick with your investment plan while others succumbed to their emotions. Your resolve coupled with our disciplined approach and decades of experience were critical to your positive results.

WHAT’S NEXT FOR YOUR PORTFOLIO?

Never ones to become too complacent, we have recently observed cautionary signals from some of our reliable market indicators. The major trend for the stock market is still up, but after a thirteen-month run this bull is naturally winded and deserving of a rest. Since March of last year, the stock market has rocketed higher without a correction of more than a few percent. Our research analysis shows investors should expect a deeper price decline than experienced

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to date. **Bottom line, to protect and stabilize your portfolio we are temporarily taking a more defensive posture.** Any market retreat now should be considered “the pause that refreshes”. This pause will provide us the opportunity to reinvest later and add to your solid 2010 portfolio gains.

PERFORMANCE SUMMARY			
THROUGH EQUITY SECULAR BEAR MARKET			
<i>1/01/00 — 03/31/10</i>			
	Return	Risk Measures*	
		Beta	Standard Deviation
Pring Turner Performance (Net of Fees)	+81.85%	.49	9.71%
S&P 500 (Including Dividends)	-4.2%	1.0	17.69%
<i>* As measured over 10.25 years by two traditional risk benchmarks</i>			
<i>See Performance Disclosure Below</i>			

We are pleased you have given us the responsibility to protect and grow your wealth during this most difficult ten-year period. Pring Turner is especially proud to report strong performance because your returns were also generated *with only* half the market risk. We look forward to the challenges and opportunities to do even better for you in the next ten years. Thank you for your continued confidence and trust.

PRING TURNER HIGHLIGHTS

It was a very busy quarter for Pring Turner. The year started with us hosting a well-received client reception where we presented our market outlook. By popular demand, this fun gathering will likely turn into an annual event. Later in January, we gave an extensive research presentation to the San Francisco Technical Security Analysts Association regarding our cyclical and secular outlook for the markets. This was followed in March by a similarly informative talk at the invitation of the San Francisco Chapter of the American Association of Individual Investors. Likewise, Martin was a featured speaker at investment conferences in New York, Montreal, and Las Vegas. We look forward to the opportunity to share our knowledge, research and skills at future speaking events. Our recent presentations are available to view on the home page of our website at www.pringturner.com. By the way, if you have not visited our website lately, please do so as we have made major upgrades to improve the content and further explain our methodology. We welcome your comments and suggestions for improvement.

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