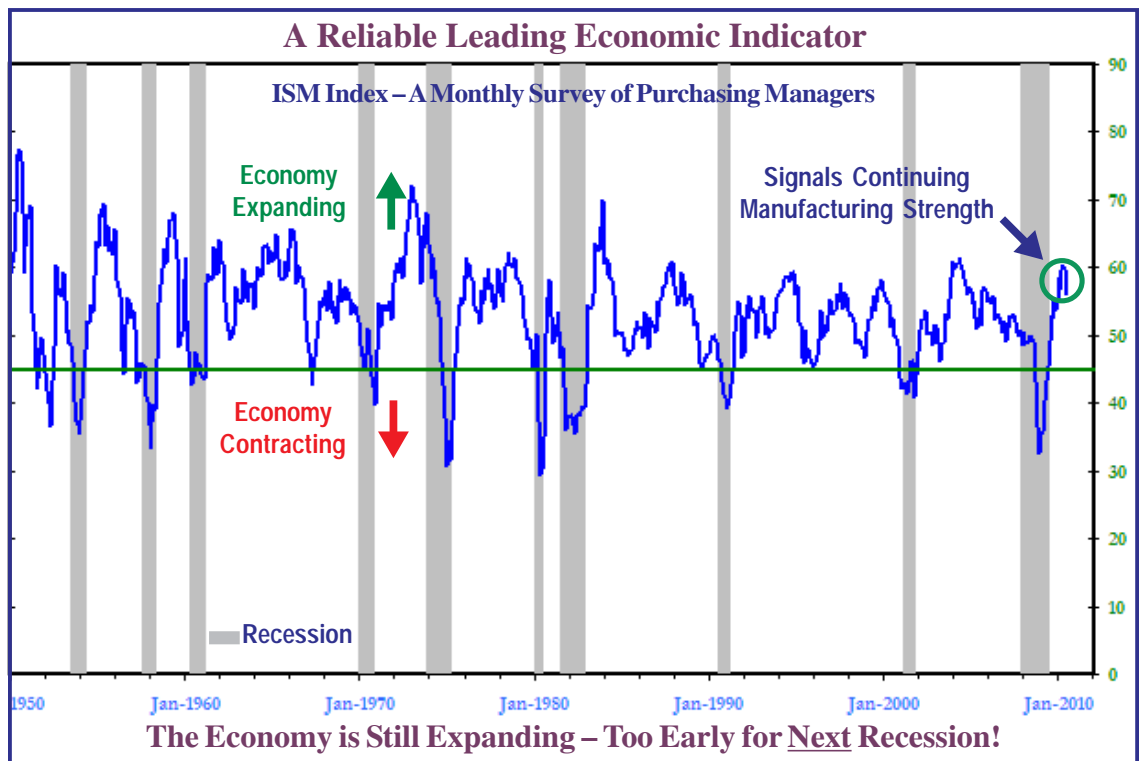


NEWS FLASH: THE SKY IS NOT FALLING!

The second quarter proved to be a real challenge for investors. A dramatic 17% stock market drop during the quarter was particularly rough, but not for the typical Pring Turner Capital client. Our April client newsletter warned “investors should expect a deeper price decline than experienced to date”. More importantly, we stated we would act to temporarily take a more defensive posture, and we did. The result was relatively stable portfolio performance and your valuable assets were protected during the market’s sharp decline. **Despite one of the worst quarters for stocks in the last decade, your portfolio (adjusted for any withdrawals or contributions) stayed within a few percent of achieving an all-time high valuation.**

A number of factors contributed to the steep market slide and increasing investor fears; the escalating European sovereign debt crisis, ongoing Gulf of Mexico oil catastrophe, and most importantly, fear the U.S. economy is slipping back into recession — popularly described today as a “double-dip” recession. Yet, history shows “double-dip” recessions are a rare occurrence (there has only been one instance in the last 90 years!). Still, a number of clients have expressed concern and asked our opinion on this probability.

As pointed out in our “Another Lost Decade” research report (November 2009), we do expect shorter expansions and more frequent recessions in the next decade. So, is this business cycle’s nascent expansion already over? Our research shows no recession is imminent, only a throttling back of the growth rate. Slowing down the rate of growth is not a recession. **Simply put, we will not experience a “double-dip” recession this year.**



One forecasting tool that anticipates changes in business conditions is the Institute of Supply Management Index (ISM index) pictured on the front page. The ISM survey (formerly known as the Purchasing Managers Index) is a monthly poll of members involved in corporate purchasing activities. The ISM index is considered one of the most reliable *leading* economic indicators available and is a valuable tool to monitor the level and direction of manufacturing activity. A reading higher than 50% indicates the economy is expanding. In contrast, a sustained reading in the low 40's warns of impending recession. The latest reading of 56.2% is down a few points from its peak but signals the economy will keep expanding, albeit at a slower rate. Our career-long dedication to seeking mastery of understanding business cycles and their influence on investments is one of Pring Turner's primary strengths. **Rest assured, our attention is focused on our economic dashboard, and we are prepared to make any necessary portfolio changes for you.**

TACTICS LOOKING AHEAD

After a strong bounce off recession lows it is normal for the expansion to gear down to a steadier pace. The financial markets are in the process of adjusting to a slower economic growth trajectory and for investors that means slightly different portfolio tactics. Income becomes more important. Dividends and interest will be an even more significant part of your total return (appreciation plus income). We continue the search for attractive dividend paying companies in order to build up the income side of your portfolio. **Dependable income is a key to consistent performance with less volatility.**

A second tactic to protect and grow your wealth is to recognize and act upon the increased market volatility. Without a doubt, the market has become a more volatile place. We are adapting to this quicker moving environment and being more active in making portfolio adjustments. *These adjustments are helping us better fulfill our mission to protect and grow your valuable assets.*

Once the clouds of uncertainty clear and the markets recognize a "double-dip" recession is not in the cards, we expect a sustained stock market advance. It may take a few more months before the market lifts off in earnest. But once the advance begins it will be led by quality, dividend-paying securities, many of which are core holdings in your portfolio.

We promise to continue working very hard to maintain your confidence and trust. As always, please contact us if there are any changes in your circumstances or you should have any questions about your portfolio.

Welcome Aboard

We welcome aboard all you new clients to the Pring Turner family. Our conservative style and successful performance through this turbulent decade is attracting more attention to our growing firm. If you know of any folks who are searching for help and want to learn more about our money management services, please direct them to our website at www.pringturner.com. We look forward for the opportunity to help others like you with their important investment needs. **Thank you for being an important part of our steady growth.**

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