

January 22, 2010

Year end 2009 is the right time to pause and reflect on economic events that stabilized global economies and are laying the foundation for future growth. Almost all international equity markets benefited from the recovery, resulting in double digit rates of return; the same cannot be said for many investors who remained on the sidelines. For many the prospect of a financial apocalypse still proclaimed by some economists, market pundits, and politician's remains. Throughout 2009 we have sided toward optimism, so in the New Year we ask again, haven't we already experienced the worst of it?

Should one extrapolate from a scenario of "doom" that only the emerging countries like China and India will survive the disaster, leaving the economies of developed nations behind? Returning to an "old" theme, we are encouraged by the current global economic landscape, believing US GDP is dependent on worldwide growth, particularly in Asia. US companies that can source more of their revenue from overseas sales will prosper; in turn their success will revitalize other segments of the domestic economy. From nuclear and hydro power plants to airplanes and tractors, the US will continue to provide valuable goods and services to a global clientele.

Like all good things, the prospects for domestic recovery and spending will take time to transpire. Many industries and businesses will need to restructure and rebuild from the ground up. As an example, auto manufacturers will have to rethink and evolve a business model that builds quality, environmentally friendly, and affordably priced cars to stay competitive on a global scale. The task may be daunting to GM but don't discount Tesla Motors. Transitioning the energy industry to be less harmful to the environment and rebuilding the power grid will also provide opportunities and new jobs.

We have already seen the worst of the downturn and the future looks promising. This is underscored by recent positive economic data, such as US GDP returning to growth after four consecutive quarters of contraction and unemployment beginning to stabilize. We continue to sort through opportunities for value investments and are committed to providing the best strategy to weather these tumultuous times. With financial markets recovering and investor panic slowly subsiding, new buying power will enter the market as investors who have been fearful return. Current market valuations provide a good opportunity to recommit money to the market for those who are underinvested.

We take pride in our 2008 and 2009 performance. Over the last five years, more specifically the last 18 months, our investment philosophy and value approach were tested in the most difficult of markets. During this time we remained committed to our investment philosophy and produced positive results.

**"The investor of today does not profit from yesterday's growth." - Warren Buffet**

McCullough as a growth and income manager subscribes to Mr. Buffet's comment. Through these tumultuous times we have sought "new" growth opportunities and remain committed to that view, advocating that our clients remain invested. If you worry about all the "doom & gloom" that might happen, you will miss out on all the good things that do happen. McCullough is currently accepting new clients.