CURRAN VIEWS

A publication of Curran Investment Management

November - December 2008

What Are We To Do?

by Thomas Curran

Investors, including professionals, are frightened. Recent dramatic declines in share prices have shaken confidence in business and government. The people urge action. Do something! Do anything to help get us out of this mess!

During stressful times like these, we are frequently asked what is Curran doing as the market trades lower and lower. Our response is we are strategic long-term investors. As such, we buy the highest quality companies because they represent the best chances for success. They are less likely to fail over the long run.

We define quality each time we invest one of your dollars. It is highest quality which assures us that we will achieve your financial goals and objectives. To do so we must minimize risk but not so much that we inhibit growth.

Because we buy and own the highest quality companies we have confidence that our investment selections will provide you with the long term results you seek. We can not and do not try to "leap tall buildings" like so many of our competitors used to advertise. Only last year Merrill Lynch "bragged" how they were the largest underwriter of mortgage securities in the world!

What does it mean to define quality? It must be quantifiable. Performance for our Core Equity composite has exceeded the returns of the S&P 500 after fees from its inception in June 1998 through September 30, 2008. Our Core Equity composite return was 3.59% as compared to the S&P 500 return of 1.92%.

In addition, there must be evidence that performance was not achieved by assuming too much risk.

At Curran, we believe our record speaks for itself when we consider that our definition of quality never allowed us to own the following companies in spite of their popularity among institutions and individual investors:

Enron

American International Group

Bear Stearns

Lehman Brothers

Merrill Lynch

General Motors

Ford

Circuit City

Morgan Stanley

Others we owned but sold more than a year ago and most years ago include:

Wachovia

Fannie Mae

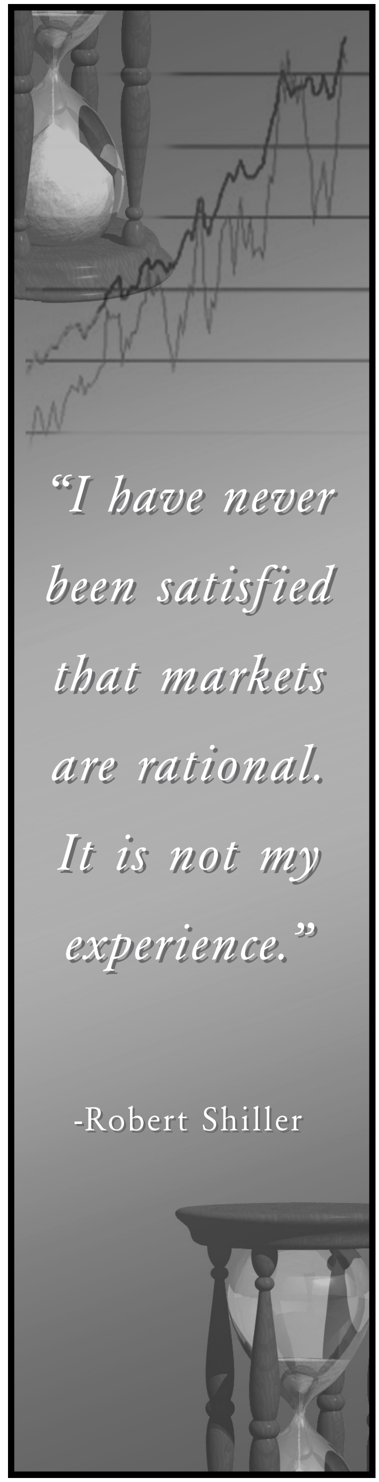
Freddie Mac

Citigroup

When Curran builds your portfolio and/or advises you, we thoroughly analyze each company against our quality standards. Approximately 350 companies meet our standards for possible purchase. It also means more than 8,000 do not!

Why is this critically important to understand our investment process? When the market is gripped by excessive fear, confidence in our quality standards will make a significant difference in your ability to withstand the emotional stress caused by severe market declines. It means we have good reasons to believe our investment choices will survive and recover thereby giving us confidence to both hold and to buy additional shares at bargain prices.

Sometimes it may appear we are not doing enough to defend your portfolio against short-term market losses. To achieve your objectives we must stand firm to defend your portfolio even when it seems the entire investing community doubts! We do so confidently knowing that history tells us



our strategy works. Why would we take action which negates our thorough research in the construction of a strong and resilient portfolio to achieve your objectives?

Please bear with me while I reference work done by a group of Israeli researchers about soccer and specifically goal keepers. The title of their research is “Action Bias among Elite Soccer Goalkeepers: The Case of Penalty Kicks.” It will soon be published in the *Journal of Economic Psychology.*

The researchers considered 286 penalty kicks from games played between the best teams.

Consider the following:

- In most cases a penalty kick results in a goal being scored.
- The goal keeper has only 0.2-0.3 seconds until the ball reaches the goal. This means the goal keeper must anticipate which direction the ball takes if a save is to be made.
- It is assumed the goal keeper is very experienced and knows how to react.

Results show goal keepers successfully stop penalty kicks only 14.7% of the time. Data shows goal keepers jump left or right at about the same rate. It is interesting that only about 5% of the time do they stay in the center of the goal.

Most interesting is the probability for success doubles if the goal keeper does nothing and stays in the center.

Eli Malki, the lead researcher in the study, gives the following explanation:

> **“An identical negative outcome (a goal being scored) is perceived to be worse when it follows inaction rather than action. By acting the goal keeper believes he did his best to stop the ball. On the other hand, if the goal keeper stays in the center (his normal position) it appears to the crowd like he did not do anything to stop the ball. Because the negative feeling of a goal scored is amplified when staying in the center, the goal keeper prefers to jump to one of the sides even though it is not optimal.”**

Researchers call this action bias!

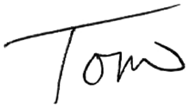
Investor tendency is to favor selling when the market is faced with massive declines in spite of data that clearly shows how difficult it is to time the market. In spite of the evidence, investors frequently sell into market declines even though they know by doing so they are reducing their expected returns. They feel better taking action even though it is not likely to achieve optimal results.

We at Curran are guarding your portfolio during these very trying times. We demand rational behavior of ourselves and you expect us to do the same. We have done our homework and know what to expect. While you may think we are doing nothing, we are not going to take action to satisfy our or your action bias. We will only take action if it is rational and based upon solid information.

Eventually this bear market will fade into the archives and be simply another example of a temporary decline caused by one thing or another.

One statistic which I think we should all be mindful of is: Bear markets end approximately 11 months before unemployment peaks. I caution you to remember news is likely to get worse even while a new bull market takes hold. Each time I have witnessed major declines I remember clearly so many saying they will wait until the news gets better before they buy stocks. When the news does get better I would expect the market to be about 30% higher.

We continue to recommend patience and discipline in our investment strategy. Our outlook is for a full recovery that favors companies that are prudently managed and have long records for achieving consistent and reliable earnings.



Kevin T. Curran Appointed as Director of Research

Kevin T. Curran was recently appointed as Curran’s Director of Research in addition to his Vice President duties.

Kevin will continue to work closely with Tom as part of the Investment Committee. Kevin helps formulate the firm’s investment strategy and ensures adherence to our investment discipline. Kevin markets the firm’s investment management services to consultants.

As a graduate of Lafayette College with a degree in Government and Law, Kevin obtained a Master of Business Administration with an emphasis in Finance at the highly respected NYU, Leonard N. Stern School of Business.

Kevin has passed all three levels of the CFA (Chartered Financial Analyst) Program and been awarded the prestigious Chartered Financial Analyst designation.

Important Changes to FDIC Insurance

The Emergency Economic Stabilization Act temporarily increased the basic limit on deposit insurance for all account ownership categories from $100,000 to $250,000. This increase is effective from October 3, 2008 to December 31, 2009. IRAs and certain other retirement accounts for which the deposit insurance limit already was $250,000 prior to October 3, 2008 will continue to be insured up to $250,000. After December 31, 2009 those ownership categories for which the limit was $100,000 prior to October 3, 2008 will revert back to the $100,000 limit.

What is FDIC Insurance?

The FDIC (Federal Deposit Insurance Corporation) is a U.S. federal agency that protects you against the loss of your deposit accounts (such as checking and savings) if your FDIC insured bank fails.

The basic FDIC insurance amount is $250,000 per account holder per insured bank and $250,000 for certain retirement accounts deposited at an insured bank. These amounts include principal and accrued interest.

The FDIC does not insure money invested in stocks, bonds, mutual funds, life insurance policies, annuities or municipal securities, even if these investments were purchased from an insured bank.

The FDIC insurance limit applies to each account holder at each bank. Here is how the FDIC defines coverage for different account holders by some common ownership types:

Single accounts –Deposit accounts (checking, savings) owned by one person. FDIC insurance covers up to $250,000 per owner for all single accounts at each bank. For example, if an investor has both a checking account and a CD at the same insured bank in their name only, the two accounts are added together and the total insured is $250,000.

Joint accounts –Deposit accounts owned by two or more people. FDIC insurance covers up to $250,000 per owner for all joint accounts at each bank. Each co-owner shares are divided equally and when added together would result in $500,000 total in coverage for the joint account.

Certain retirement accounts –Accounts such as IRAs and self-directed defined contribution plans. FDIC insurance covers up to $250,000 for all deposits in such retirement accounts at each bank.

FDIC Insurance and Curran

As your advisor, Curran may invest in Certificates of Deposit from multiple banks on your behalf. Deposits at each insured bank are insured separately (whether you open the accounts directly from the bank or if the deposits are placed through Curran). This will allow you to maintain all of your CDs in a single brokerage account, thus eliminating the need to keep multiple accounts at various banks. Calculating deposit insurance can be complex, especially when you have multiple accounts or multiple ownerships.

At Curran, we monitor FDIC insurance limits closely for the CDs you own in various accounts at our firm. However, if you hold or purchase CDs at banks or brokerage institutions outside of our firm, you may unknowingly exceed your FDIC insurance limits by purchasing CDs or holding deposits through the same insured bank. For example, you may own $250,000 CD in a single account at Curran and also own a $250,000 CD by the same issuing bank in your joint account at another firm. This would mean you exceeded the $250,000 limit by $125,000. To avoid this, many clients have chosen to consolidate their CDs holdings with our firm to ensure they are within the FDIC limits.

CURRAN
INVESTMENT MANAGEMENT

Albany Office:
Omni Plaza 30 South Pearl Street
Albany, NY 12207
(518) 391-4200
(866) 432-1246
(518) 391-4242 Fax

Philadelphia Office:
2101 Market Street, Suite 2002
Philadelphia, PA 19103
(518) 391-4210

Cape May Office:
621 Lafayette Street
Cape May, NJ 08204
(609) 884-1560
(609) 884-2697 Fax

Thomas Curran
President & Chief Investment Officer
(518) 391-4291
tcurran@curranllc.com

Lisa Clifford
Senior Vice President
Director of Marketing & Business Development
(518) 391-4292
lclifford@curranllc.com

Kevin Curran, CFA
Vice President & Director of Research
(215) 923-9920
kcurran@curranllc.com

Andrew Black
Wealth Management Strategist
(518) 391-4280
ablack@curranllc.com

Chip Prestigiacomo
Relationship Manager
(518) 391-4267
cprestigiacomo@curranllc.com

Cristina Scheid
Relationship Manager
(518) 391-4226
cscheid@curranllc.com

Anne Riley
Relationship Manager
(518) 391-4248
ariley@curranllc.com

Teri King
Portfolio Administrator
(518) 391-4244
tking@curranllc.com

Danielle Saladino
Marketing Associate
(518) 391-4237
dsaladino@curranllc.com

Molly Garner
Operations Administrator
(518) 391-4270
mgarner@curranllc.com

Newsletter design: ***Mark E. Lang, TBEdesign.com***

It's Critical to Remain in Stocks Even in a Bear Market

By remaining in stocks, investors won't miss out on significant growth opportunities over the long-term.

AVERAGE ANNUAL RETURNS OF THE S&P 500 INDEX AFTER DECLINES OF 20% OR MORE (12/31/1956 - 12/31/2007)				
Market Bottom	**1 Year Later**	**3 Years Later**	**5 Years later**	**10 Years Later**
September 2002	22.2%	14.7%	13.4%	N/A
November 1987	18.8%	11.8%	13.4%	15.3%
July 1982	51.8%	21.3%	24.4%	14.8%
September 1974	32.0%	15.0%	11.5%	10.1%
June 1970	37.1%	13.0%	4.6%	4.3%
June 1962	26.7%	15.4%	10.6%	6.9%
Average Annual Returns	31.4%	15.2%	13.0%	10.3%

Source: T.Rowe Price.
Data Source: Monthly S&P 500 Index.
Declines of 20% or more from previous market peak, based on month-end index levels. Past performance cannot guarantee future results.