



Defining QualitySM

FANTASIES OF THE PAST:

- Financial sector earnings could be consistently driven by excessive use of leverage, not by prudently deploying capital. (Citigroup, Inc.)
- Securitization did not disperse risk but concentrated risk. (American International Group, Inc.)
- Cash could be described as available for investment when a more appropriate description would have included short-term debt scheduled for payment. (General Electric Co.)
- Unrealistic balance sheet asset values to support excessive leverage. (Merrill Lynch)

REALITIES OF THE PRESENT:

Do not expect reliable information from Wall Street. The “Street” has been consistently defending themselves against their imprudence. Why should anyone believe overpriced talking heads speaking on behalf of their companies enabled by tax payer life support?

The removal of so called *toxic assets* on the balance sheets of banks will do little to help unclog the banking system. The real need is to replace capital that has been written down.

The massiveness of *quantitative easing* (QE) has been lost in translation. Printing money is the better term to describe what the Federal Reserve is presently doing. Currently QE exceeds President Obama’s sponsored economic stimulus by more than two times. QE is printing money. QE does not require approval by Congress and it is not borrowed. It is created out of *thin air*.

Inflation is cause for concern, not deflation.

WHAT SHOULD INVESTORS WORRY ABOUT AND AVOID?

Investors should worry about the bond market and should not buy fixed income with maturities exceeding five years. Curran’s fixed income has an average maturity of 2-3 years.

WHAT SHOULD INVESTORS BUY?

Investors should buy high quality stocks based on exceedingly strong balance sheets. In spite of miserable economic news, investors should never forget the Dow Jones Industrial Average increased almost 400% in five years beginning in 1932. The Crash of 1929 was eventually followed by a spectacular bull market.

The fantasies of the past were directly responsible for the bear market. They are history. We are in the early stages of a new bull market in stocks now because actions by the Federal Reserve and Congress are succeeding in stabilizing the economy. As a result confidence is slowly being restored in the financial markets.

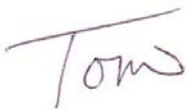
Now as in crisis of the past during the watch of Allan Greenspan, the solution to economic challenges is even cheaper and even more abundant credit. Wise investors understand that solutions and its consequences are connected. Over the past 15 years the credit markets, through the Federal Reserve, provided the "medicine" to remedy problems with lower interest rates and very abundant credit.

Each time it worked. The consequence was a series of bubbles. The equity markets will benefit now as it did to previous reductions in interest rates. Curran is confident equity investors will be rewarded. However the next bubble may be forming now in the credit markets.

In the short run purchases of bonds by the Federal Reserve will push down rates influenced primarily by quantitative easing (printing money). The likely result is inflation at rates not experienced since the early 1980s. Eventually the velocity of money will increase on money supply that has ballooned to offset and remedy the recession. Then inflation will become apparent to all.

Our outlook for the equity markets is very optimistic. In fixed income we expect rates to remain low over the next year but inflation concerns will likely overcome longer maturities earlier leading to higher rates.

Our high quality strategy and philosophy continues unabated. Curran offers portfolio management for investors seeking high quality strategies in both fixed income and equities.



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