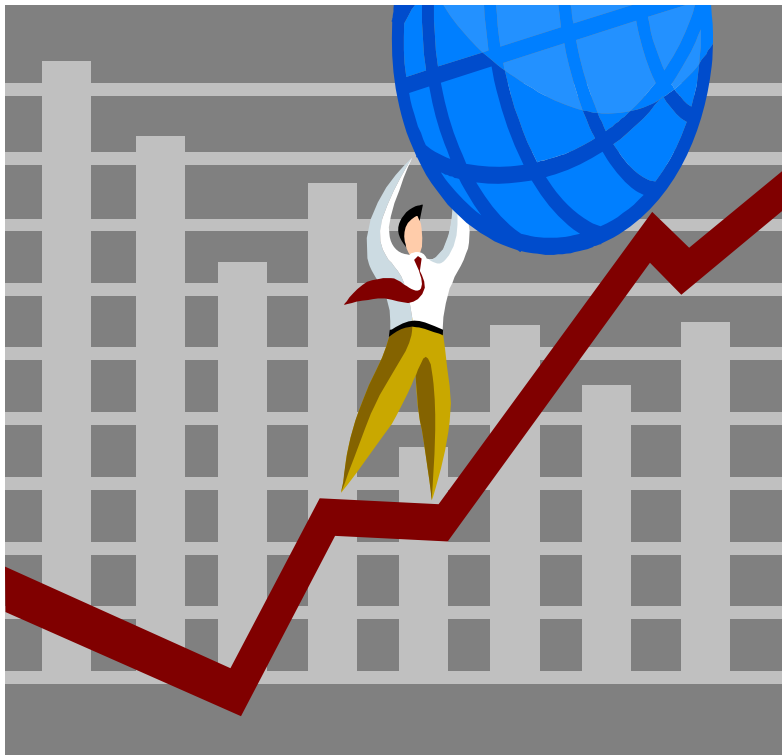


# Select Emails to Clients during the Panic of 2008-2009



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## Select Emails to Clients during the Panic of 2008-2009

*Since the beginning of market turmoil in September 2008, Weyland Capital Management has communicated through timely emails to its clients in order to attempt to:*

- *Bring clarity to the complex and difficult issues that confront global economies and their capital markets, and to possibly*
- *Assuage some of the fear that investors held during this historic crisis.*

*Although we weren't perfectly prescient, our clients found the communications to be useful, especially given the hype and sometimes disinformation prevalent on cable business news. Most importantly, it allowed our clients to stay to the path and to slog ahead through this very difficult investing period.*

*We present them here for your review.*

**September 16, 2008**

Given yesterday's historic events in the market, we thought you would be interested in our current thoughts on the situation and our actions and plans for your investments with us.

Obviously, the markets are under stress. The federal government has tried to make things as smooth as possible and has had some success – although on 500 point down days it is not so apparent. That the Fed believes Lehman could go bust without systemic failure is actually a good thing. It means that they think the system can handle the stress.

The Fed is meeting today and may significantly alter its policy statement or even reduce rates. If they do, this action may ease the strain on the markets for now. The problem that needs to stop being a problem is the falling real estate market. There have been signs of relief on this front, but the market is ignoring this so far as the fears of another financial company collapse take center stage.

As far as our clients' portfolios are concerned:

- We have reduced equity weightings by approximately 13% on a relative basis across the firm.
- We are currently poised to reduce by an additional ~10% or even more should events lead us to this action.
- Client's cash in money market accounts are invested in US Treasury Bills.
- Schwab in no way resembles Lehman Brothers or Merrill Lynch. They do not trade their *own* account and are simply a discount brokerage. In fact, they are doing rather well given all the trading that is occurring (ie they are collecting a LOT of commission income).

We are following the markets closely and will not fail to make changes if we deem them prudent. What we are very afraid of is a violent snap-back rally that invariably happens after periods of stress. The question that we struggle over is whether that snap-back rally begins today or only after the Dow loses another 1000 points.

The problems facing the market are indeed historic and serious. However, there are positives that the media isn't talking about. Oil prices and interest rates have fallen significantly and have reduced these "taxes" to consumption. Further, the financial restructuring, while violent, is progressing quickly, and should leave the financial system ultimately in much better shape: less bloated, more transparent, and less levered. The US is poised not to repeat Japan's mistakes of the 1990s, and that's a big positive.

We very much appreciate the trust you put in us and are doggedly committed to do everything in our power to preserve and grow your portfolios. One benefit of investing your money with an independent advisor is that in times like these, while we are of course worried, we are investing all of our time in studying the markets and determining what are the best and most prudent steps to take to keep our clients' portfolios intact. We are not distracted by the prospect of losing our jobs.

Keep your fingers crossed.

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**October 20, 2008**

Polly reminds me that many of our clients have not been with us since 2002-2003 and that they may get a sense that we are a “market timing” shop. Nothing could be further from the truth. Based upon our proprietary database of global asset class returns, we have built [an investment model that we adhere to]. However, where we are different from most sophisticated quantitative investors (and lazy institutional investors), and where we believe we add true fiduciary value is in determining when the model is under severe stress. When it is in stress, we cut exposure to the markets due to the possibility of “systemic risk” or “tail risk”. These periods, and they’re not many, are times when markets are severely dysfunctional and can implode, just like they’ve done in the past four weeks.

The last time that we were in a defensive mode like this was in 2002-2003 when the S&P 500 lost 50% of its value.

We view these periods not as permanent, but rather as temporary periods reflecting a “discontinuity” in the market and in nearly all quantitative investment models. Once we get through this process, and we hope we’re nearly there, the markets and investment models begin to function again. Then we re-invoke the model, hopeful not to lose any relative return – although getting back in can be a two step forward, one step back type of process with buys and sells, as we wrote you last week.

If you have any questions, please call us.

Now regarding the markets:

We are hopeful that a bottom in the markets has either just passed us or is just in front of us. But whether the low was a week ago Friday or will occur in the next several months, we do remain very optimistic for the long-term.

There have been only five times in modern capital market history in which markets performed as badly as they have recently. That means a bear market like we’re in right now occurs about once every fifteen years. Pretty historic times, indeed. Lucky us.

Instead of looking in the rearview mirror, we think it’s important for our clients to start thinking about what will happen in the next cycle.

As I mentioned above, bear markets like we’re in, on average, occur once in every fifteen years. But in looking at the historical record, you see that severe bear markets seem to come in pairs and this is no different.

A most severe bear market occurred in 1929-1932 during the Great Depression. It was followed by a severe bear market five years later in 1937.

The next severe bear market was in 1970, followed by another about five years later in 1974-1975.

Fast forward to 2000-2003 and we get our next severe bear market. Five years later in 2008 we find ourselves in its pair.

Here's what happened in each of these paired-bear markets. On entering the first bear market (of each pair) the stock market was quite over-valued – too expensive: this was the case in 1929, 1970 and 2000. During these first bear markets the stock market was cut down to a somewhat more reasonable valuation. Then there was an extended bear market rally that lasted roughly five years. In the second bear market, markets became long-term cheap. We forecasted this potential scenario and the difficulty of responding to it preemptively almost four years ago in our Q4 2004 market commentary:

*The potential problem for stocks is that like many markets they have a propensity to go from being over-valued (like stocks were in 2000) to under-valued, rather than stopping at "fairly" valued. In other words, they over-shoot. Given this historical "guideline", I therefore believe that the stock market may, at one time or another in the next 10 years, be "cheap." The problem for me as an investor is the uncertainty of whether that process will occur in 7 weeks or 7 years. It really is impossible to tell, and unfortunately it's too expensive to wait on the sidelines until the market becomes cheap.*

Now, this cycle is unique in some ways and very similar to these earlier cycles in other ways. But the key is that, after even the worst periods, the stock market came back.

\* \* \*

For those more technically oriented, we are on the edge of our seats waiting for tomorrow's final cash settlement of Lehman Brothers' credit-derivatives auction.

If it goes well, we will probably do some more nibbling. Top on our list for the next tranche are corporate bonds, an asset class which usually is considered sleepy, but one that has been decimated over the past ten months, and especially the last six weeks. FYI, corporate bond performance, compared to US Treasuries (total return basis), over the past ten months has been worse than July 1932. That's a data point that also points to the severity of the pain out there. And, as we have argued, the promise of tomorrow.

\* \* \*

Another item that we are waiting for on the edge of our seats is the election. Our opinion is that the market has fully discounted an Obama or a McCain win. What is unresolved and may be in an issue is whether the Republicans lose their ability to filibuster in the Senate. This has investment implications as well as recognition of income implications in terms of whether to recognize capital gains and/or income, say from IRA distributions, in 2008. Stay tuned.

Finally, over the next couple days/weeks we will be making security sales in taxable accounts in order harvest losses. The purpose of this is to reduce any capital gains taxes that clients would be required to pay. Also, to the extent we can, we will realize losses on a carry forward basis to reduce capital gain taxation in the coming years. This paid off well for our clients in the last downturn. It may even pay off more this time as there may be a tax-arbitrage opportunity where current capital losses are worth up to 35% of their value in reduced taxation, but may be worth 45% next year.

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**November 3, 2008**

Markets seem to have put in at least a short-term bottom in the past few days. During the last four days of October, markets rallied with tentative signs that the credit markets are becoming less frozen. Our core portfolio holdings (those investments that we chose to hold) performed admirably, some up 20% or more in the four days. For most clients, we nibbled a little on Friday.

But we must take care not to get too excited as the problems that confront the real economy are still severe and remain quite opaque.

Currently our equity weightings are approximately 55% of normal. Our risk models are recommending that if, and only if, we get continued good news that we eventually raise our equity allocations to 75% of normal. The earliest this could be achieved probabilistically, is over the coming month to six weeks. Then if we get continued resolution to problems, we would gradually add to our equity positions in Q1 2009. We hope that this is so.

As we have mentioned in our previous email blasts, the gradual repositioning of our portfolios will likely mean that we will trail our benchmarks in the short-term as the market recovers. Although we don't like trailing them, we want to be most careful to ensure that the bulk of the problems are behind us before we are fully deployed again.

Our clients' holding period is not forever like Warren Buffet's, and many of our clients rely on their portfolios for living expenses, [therefore] we choose to wade back into the market in a disciplined and gradual manner. Should you have any questions or comments regarding this strategy or wish to become more or less exposed to equities during this volatile period, PLEASE call us.

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**November 24, 2008**

### **Looking for a Ladder**

Like all kids in the early sixties, I played Chutes and Ladders. I loved it. I loved to count and I loved the possibility of landing on a square with a ladder, jettisoning up a couple or more levels, closer to victory. I don't think I ever fell on the square with the longest ladder which meant you skipped about ten rolls of the die. But I'm pretty sure I landed a few times on the square with the longest chute which meant you had to repeat about ten turns. (I never understood why the chutes should be bad: I mean going down slides was about the most fun thing to do at a playground. I recently learned the game originated in India and was called Snakes and Ladders. Now that makes sense.)

Anyway, every investor in the world today is looking for that blessed ladder as global capital markets have cruelly pushed us down the longest chute ever.

It is very difficult to understand how much wealth has been lost over the past two months. No investor (except those on the lunatic fringe) ever believed in the possibility of the immediate and total destruction that has befallen the financial world. To give you a sense of how surprising and how wicked it has been, the bearish David Kostin replaced the perma-bull Abby Joseph Cohen as Chief Strategist at Goldman Sachs about a half year ago. At the time he presented his bearish forecast for the S&P 500: it would fall to 1160 before rebounding to 1380 by year's end. The S&P 500 closed at 800 on Friday; to reach 1380 by year's end, the market would need to post an immediate 73% gain.

But that is, as they say, history.

### **Where's the Bottom?**

If the markets close the year out at the level they did on Friday, 2008 will go down as the worst year ever – even beating out 1931. Comparisons to the Great Depression are something as a professional investor that I NEVER DREAMT I'd have to make. But we have two essential questions that we must address: (1) How bad can it get? and (2) What comes after?

There are really no models that can reliably predict fair value right now. All models are saying that all investments are very cheap and that this is the best time in a lifetime to invest. That probably is true; however, we also know that things could get worse before they get better. So what is the bottom, is it 741 on the S&P 500 that we experienced on Friday? Or is it 600? Or 400?

In an attempt to answer this *unanswerable* question, about six weeks ago we turned to one of the "old" books of investing, Jeremy Siegel's Stocks for Long Run. What we wanted was a model that was not earnings, dividend, or book value based as these metrics can become skewed in times of ultimate stress. We found the best metric was Total Market Capitalization to Gross Domestic Product. Basically,

this metric compares the total wealth of the stock market to our economy's income. This is a good metric as it goes back over 100 years.

What this metric shows (a PDF file of Siegel's work through 2001 is attached to this email) is that the stock market has twice achieved a high value of ~160-170% to GDP. The first time was 1929 and the second was, you guessed it, 2000. More importantly, it also shows where the market has fallen to in times of crisis, and it's pretty consistent: 40% of GDP. It touched this 40% level three times: (1) after WWI, (2) after the Great Depression and the beginning of WWII, and (3) after the oil embargo and super bear market of 1973-1974.

Our interpretation of this is that this is the zone where stock prices are so low that there are no more sellers. The good news is that this level seems unbreachable. The bad news is that this level equates to a level on the S&P 500 of about 550-600 or about 25%-30% less than where we closed on Friday.

Given our conservative posture, this would result in a loss to our portfolios of about an additional ~8%-10%. Keep in mind that we don't need to get there before embarking on a new bull market.

### **The Morning After**

We used another method to frame what returns could be over the coming years. Using our database of stock market returns going back to 1802, we assumed that the period 2000-2014 will equal the WORST 15 year period in the past two centuries (which we still think is a stretch given the implementation of aggressive liquidity measures by the Fed and other Central Banks). The good news is that to match that most bleak period, equity returns would have to be +10%/year over the next six years.

On the possibly wee-bit too positive side (but who knows), if we are in fact in a 1930s environment, you may ask what the bounce was like after the equity markets found their lows in June 1932. Below are the total returns of the major U.S. asset classes over the almost five year period from July 1932 through May 1937.

<u>Asset Class</u>	<u>Total Return</u>
US Large	383%
US Large Value	513%
US Small	1,009%
US Small Value	1,181%
Corporate Bonds	61%
Treasury Bills	1%

Clearly staying in Treasury Bills too long can be disappointing.

### **The End of the Year**

So while we are constructive on the eventual future, we must maintain our discipline and get through this storm. What worries us is the possibility of Citibank going “belly-up”. The seriousness of this situation was spelled out on two side-by-side headlines on Bloomberg.com on Friday. First Headline: Citibank too big to fail. Second Headline: Citibank – too big to rescue. We are monitoring this situation closely along with GM et al. We don’t want to take any more chips off the table but at the same time if we believe the markets have an appointment with significantly lower prices, we will take action.

Finally, as a Republican, I will gladly say some kind words about President-elect Obama. Timothy Geithner is a solid choice for Secretary of Treasury and the same goes for Larry Summers as top White House economic advisor. Further, and more importantly, I have no doubt that Obama is coming to grips with the fact that he has to be the President the country needs and not the President that he necessarily wanted to be. This is evidenced by the reported cancellation of the repeal of the Bush tax cuts. Repealing those tax cuts, although desired by many Democrats, would have spelled disaster to the economy. Good decision.

### **Finally...**

As people we tend to find our true balance in hard times. Family and friends become overwhelmingly important, as they should.

In that spirit we here at Weyland wish you the happiest Thanksgiving. We didn’t cross the Atlantic like the Pilgrims did. But we have survived a perilous tsunami. And it seems fitting, to give thanks for our survival.

To better days ahead (and a BIG ladder).

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**January 15, 2009**

Since the low in the market on November 20, our portfolios have gained an average of ~7% through yesterday. We want to protect that gain and add to it. Yesterday the S&P 500 closed at 842 exactly midway between its recent low and recent high. Historically, it is very rare for a new bull market to begin if the market takes back more than half its profits from its prior bear market low. We are hoping for a bounce sometime today. However, if we don't get it we will again take defensive measures.

We understand very well the need to end this year in the green regardless of how challenging the year may be. And we aim to achieve precisely that. As we noted in our 2009 Outlook and Strategy we believe that bonds will more likely outperform particularly in the first half of the year. As we reduce our positions in equities we will add to our bond position. This will not only increase return in our opinion but will reduce volatility as well. Also remember, a bond constitutes a "promise to pay" which means a bond holder gets paid before an equity holder.

We believe the stock market's fever will break sometime in the middle of the year, if not before. We aim to grow our portfolios, albeit with a conservative posture, until that great day arrives.

Please call me or Frank if you have any questions, comments or concerns.

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**February 18, 2009**

Needless to say we are watching the markets very closely this morning. We are at a level on the S&P 500 that has been traded at for only seven days over the past twelve years.

We have spent the past five months making our portfolios increasingly resilient. Yesterday, when the S&P 500 finished down 4.5% and global stocks down 5%, our average portfolio was down only about 1% and remains nearly flat for the month of February.

Clearly, if the market takes off from this point, we will not gain as much. However, we must remain guarded to the risks that still present themselves. We continue to overweight corporate bonds and gold to moderate volatility.

Even though we believe the market may struggle for a bit more time, we continue to believe that they will regain their footing later this year when the stimulus package (as imperfect as it is) begins to kick in.

Over the longer term, we continue to believe that world leaders and central banks will be successful in repairing the balance sheets of the banking system. Although we've seen the use of tools rarely used and some new ones as well, it is our opinion however, that the political consensus has not yet been created to pull out the "big guns" – but such a consensus will emerge.

When balance sheets have been repaired, that will create the foundation for robust and sustained investment returns. [So] by protecting your capital today while staying moderately invested, we are confident that you will be rewarded for your patience and courage.

Please don't hesitate to call if you have any concerns, questions, or comments.

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**February 23, 2009**

We need art just like we need a good dentist. In other words, we need it *bad*.

Art can create a window that frames reality.

This fact hit me when I went Googling for a movie script. I couldn't believe how well the script describes the point in time that we find ourselves in today, though it was written over a generation ago. To me, it "proved" again the wisdom of the early Greek philosophers, like Empedocles, who believed in the inevitability of cycles.

You'll remember this movie scene of the TV anchorman speaking to his viewers. Tell me that this comedic, cum tragic, passage doesn't describe today:

**BEGIN QUOTE<<**

I don't have to tell you things are bad. Everybody knows things are bad. It's a depression.

Everybody's out of work or scared of losing their job, the dollar buys a nickel's worth, banks are going bust, shopkeepers keep a gun under the counter, punks are running wild in the streets, and there's nobody anywhere who seems to know what to do, and there's no end to it. We know the air's unfit to breathe and our food is unfit to eat, and we sit and watch our TVs while some local newscaster tells us today we had fifteen homicides and sixty-three violent crimes, as if that's the way it's supposed to be.

We all know things are bad. Worse than bad. They're crazy.

It's like everything's going crazy. So we don't go out anymore. We sit in the house, and slowly the world we live in gets smaller, and all we ask is please, at least leave us alone in our own living rooms. Let me have my toaster and my TV and my hair-dryer and my steel-belted radials, and I won't say anything, just leave us alone.

Well, I'm not going to leave you alone. I want you to get mad --

I don't want you to riot. I don't want you to protest. I don't want you to write your congressmen; because I wouldn't know what to tell you to write.

I don't know what to do about the depression and the inflation and the defense budget and the Russians and crime in the street.

All I know is first you got to get mad. You've got to say: "I'm mad as hell and I'm not going to take this anymore. I'm a human being, goddammit. My life has value."

So I want you to get up now. I want you to get out of your chairs and go to the window. Right now.

I want you to go to the window, open it, and stick your head out and yell. I want you to yell:

"I'm mad as hell and I'm not going to take this anymore!"

>>END QUOTE

Thank you to Paddy Chayefsky (for his script of the movie Network) for articulating the Zeitgeist of 1974 and 2008 just right. I can't tell you how much I laughed and cried when I read it. FYI, here is a YouTube link that Suzanne found to the movie scene: <http://www.youtube.com/watch?v=dib2-HBsF08>

Anyway just like the 1973-1974 "depression" (that Chayefsky wrote about) did end, and just like the Great Depression did end, so will today's problems also end. Actually, right now I think we're finally beginning to see, the beginning of the end.

With the markets retesting their lows of November 20, the "pitch" of the economic argument is getting more heated as analysts and policy makers focus even more intently. What I call "big gun" solutions are gaining more traction in the market place of ideas whether they are Nouriel Roubini's call to nationalize the banks temporarily and/or Paul McCulley's call on the Fed to turn on the printing presses to support asset prices.

(LATE BREAKING NEWS: Monday's Wall Street Journal article regarding U.S. taking over up to 40% of Citibank.)

Nobody really wants to see inflation come back after having price stability for over two decades, especially not Paul Volcker who was our successful warrior against it (he said as much last week in a speech at Columbia University). But, I really don't see a solution without inviting that frightening guest back to the "party".

At the highest level our problem is that there is simply too much debt in the world in relation to world GDP (and a lot of that debt is illiquid and untradeable). Just like a stretched homeowner who has an income of \$100k but debts of, say \$500k, we need either to (1) restructure our debts or (2) increase our income. In short, we need to get to a healthier ratio of debt to income. What makes matters worse is everyone realized this at the same time and hit the "Save" button all at once pounding our economy into the vortex of what Keynes called "the paradox of thrift" when a weak economy makes people save which in turn creates an even weaker economy.

In the U.S. this debt to income ratio has been skewed before because of debt acceleration, as happened in World War I, World War II and the "guns and butter" era of the Vietnam War and the Great Society programs. The debt to income ratio has also been skewed by the fall off of national income like during the Great Depression. But the problem is the same: too much debt, too little income.

In the periods after WWI and WWII as well as the Vietnam Era, inflation was ignited, which reduced the value of debt. To use a simple example, suppose you have mortgage that has remaining principal of

\$500k. Now assume that inflation is running 10%/year. This means that your principal is being discounted on a real inflation-adjusted basis by 10%/year or roughly \$50k/year. It doesn't take long under this scenario for debts to come into line with income.

In the Great Depression, FDR devalued the dollar vis-a-vis gold by 69% when most of the world was on the gold standard. This had the impact of reducing our external debts substantially. Unfortunately, before he did this he confiscated all gold from U.S. households. However, for stockholders there was a "silver lining". Beginning on April 19<sup>th</sup> 1933, the day after gold export licenses were stopped and devaluation could then be inferred, the stock market began a three month period when large cap stocks nearly doubled and small cap value stock tripled.

Today, we're not on the gold standard and although it would not be impossible to set up a system whereby global currencies could be fixed again and revalued at a par value that would create a more reasonable debt to income ratio, it is more likely that the Fed and other central banks will be forced to use their power to print money.

Inflation is hated because it erodes the value of cash, bank deposits, and any other non-invested savings.

For investors, on the other hand, the return of inflation and its concomitant effect on debt reduction will create opportunities in equities, consumable commodities and precious metals. Eventually, even real estate will recover.

The bottom line is that we will solve this debt to income problem as we have in the past. We may think things today are uniquely bad, but they are exactly the same as they have been in the past. Just like the movie Network seems like it was written for today's reality, the script for the solution to our problems today was written long ago when the Romans debased their currency, the Denarius, 2000 years ago. As Empedocles would have agreed, the more things change, the more they stay the same.

\* \* \*

We continue to be defensively postured and on Friday became marginally more so. We made purchases for most clients in an "inverse S&P 500 fund" that will go up, when the market goes down. This position will serve as a "hedge" and will help mute the extreme volatility we are experiencing. We don't normally invest in ETFs that short the market but have utilized this fund to simplify the process of reducing overall market exposure temporarily without having to sell, and then buy back, many different equity asset investments that we continue to own and want to own when markets recover. Basically, it simplifies trading and saves on transaction costs.

Finally, regarding performance, let's review how Weyland has done since the low in the markets on November 20th. The Dow closed Friday at 7365 which was 2.5% lower than its November 20th close of 7552. Over that three month period, I am proud to say that our average portfolio was up 4.3%, or up over 18% on annualized basis (after all fees have been deducted). Further, this return was achieved

with a third of the S&P 500's volatility. In short, we have achieved a reasonable return with a much smoother ride in a difficult market. Our defensive posture has paid dividends.

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**March 9, 2009**

*Stocks are rallying this morning. It is very good to see green on the screen. However, as we've painfully grown to recognize, one day does not make a trend. Although we are very cautious right now (as is presented in our email blast below which was written on Sunday), we continue to watch markets closely this morning just in case a capitulation has occurred.*

We have heard from a number of clients recently who share our concerns regarding the pace of progress by policymakers in improving confidence in the capital markets. Here is a brief overview of our stance and our plans.

Sales of equity positions in our clients' portfolios over the past seven weeks have lowered our equity exposure to historic levels. As we mentioned last week, it is our opinion that the Fed and the Treasury are woefully behind the curve in terms of taking action. And unfortunately they have used up a lot of good will in the process.

Bernanke this weekend mentioned that the Fed "will forcefully deploy all the tools at (their) disposal." Not to sound glib, but what exactly is he waiting for?

What Bernanke needs to do is what Mervyn King at the Bank of England did on Thursday and commence with true Quantitative Easing (printing money). The Bank of England committed to buying Gilts (their Treasury Bonds) and UK Corporate debt. The UK corporate bond market immediately rallied. In fact, it rallied more on Thursday than it had on any day in over a decade.

We are currently positioned in such a conservative manner that, should the markets fall a similar amount during Q1 as they did during the historic period September-November 2008, we estimate our average portfolio would lose an additional 5%. But only 5%.

But this is not good enough – especially if this down leg in the markets continues. We have to be reasonably whole in order to profit when we get to the "other side". Therefore, should the markets fail to find strength this week, we have created trade files [whose intent is] to crash-proof our portfolios. Doing so will modify the portfolios for the objective of creating returns 2% greater than CDs, on an annualized basis, with ultra-low risk. This will allow us to ride out the rest of the storm until the stimulus works its way into the markets and policymakers regain their gumption.

Some clients with low-basis legacy holdings may want to consider taking gains this year, given remaining favorable tax rates. We will be in contact with you to discuss.

This has been, by far, the most difficult period for investors (and investment managers) in three generations. And we agree with Warren Buffett wrote last week, that "America's best days lie ahead." If those days are imminent and we're currently experiencing the lows in financial markets, then fine. But if those days are a bit delayed, we will at least be making a little money until they arrive.

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**March 23, 2009**

We are pleased to announce that when markets were being pummeled in the worst January ever followed by the worst February ever for equity markets, our average client portfolio beat 87% of balanced mutual funds.

Markets are up strongly this morning, and we are hopeful the rally that started nine days ago will continue this week. We don't necessarily believe this is "the big one", but it should be at least one heckuva rally nevertheless, and one in which we should be able to lock-in some profits.

Finally, we are heartened that Bernanke began Quantitative Easing (printing money/buying bonds) last week. This is a truly historic event. Unlike many, many experts who were surprised by this announcement, you know from our emails that we had been predicting this for some time. It's not a silver bullet, but it is a tool that will help. We will be discussing this, as well as Geithner's plan released today, in an email blast in the coming days.

Keep your fingers crossed.

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# Disclaimer

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**Past performance is not a guide to future performance and the value of investments and the income derived from those investments can go down as well as up. Future returns are not guaranteed and a loss of principal may occur.**

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