

800-443-7624

ST. GERMAIN
INVESTMENT MANAGEMENT

Leading InvestorsSM

QUARTERLY COMMENTARY ON INVESTMENT
SPRING 2008

Growing takes time. But what if you just can't wait?

In a tough market, growing wealth also takes growing patience. Whether you're young or old, new to the market or a seasoned investor, there's simply no dressing up the truth: Growing money, like growing up, is filled with fits and starts. And it can't be rushed.

In a VERY tough market, growing wealth also may compete with "getting by." Many people who put money away for retirement are now thinking about borrowing it back. In a year of belt-tightening, we're beginning to hear the question: "**Is it okay to borrow from my retirement plan?**"

It's an important question, because credit is tight, and expenses are high.

The answer is likely to be "yes, you can" — because of course, the money is yours. Whether you SHOULD borrow from your plan is a different question, and it's one our advisors can help you answer. There may well be hidden costs — including tax with penalties — should you change jobs before



full repayment and the loan becomes a distribution. We can also help you compare your loan interest to the rate of return on your account, to understand what value you may be losing in the equation.

Give us a call. Together, we'll weigh your options and come to the right solution.

Inside:

2 The sounds
of silence

4 Chief Investment
Officer commentary

St. Germain Investment Management
PO Box 15649
Springfield, MA 01115-5649

THE SOUNDS OF SILENCE

Why haven't you called your financial advisor?

Silence speaks volumes. For many people, it's easy to be vocal and involved with your financial planning during the up markets. But now with the "R word" on everyone's minds, many of our clients have remained quiet — at the time when they should remember the importance of staying in touch.

So the question is — *Why haven't you called?*

Maybe you feel like there is nothing you can do to avoid what's happening in the financial markets.

Or maybe it's because you are afraid of hearing bad news. Whatever the reason, your choices are clear: You can hunker down, weather the storm and see where you come out when the rain clouds clear. Or you can steer your own course.

We're not suggesting you move money around madly to capture short-term gains. We're suggesting you take care of business in a difficult market in the same way you do when the wind dies down. Review your investment strategy. Plan your estate. Update your beneficiary forms. Plan your debt reduction. Add insurance — or cancel it — based on your current needs.

The point is, **just because the market is volatile doesn't mean you should be.** Reacting to a bad market by failing to review your financial affairs on a regular basis means not being properly prepared for the future. It's really that simple. So what *should* you be doing?

Take advantage of your resources. The point of having a qualified financial advisor involved is the skill and discipline he can bring to the process. Even if you haven't used an investment advisor in

the past, there are three primary benefits to having St. Germain as your planning partner:

- **The St. Germain Total Financial Advisory** process was created specifically as a simple, effective method for reviewing your full financial outlook on a regular basis. A Certified Financial Planner® gathers and reviews your retirement plan, investment accounts, savings, mortgage, estate plan, debts and more, all with an eye to creating balance, yield, risk management, security and personal comfort.
- **3 Certified Financial Planners** means you are sure to find a comfortable fit with your St. Germain advisor. CFP professionals are trained in financial planning, estate planning, insurance, employee benefits, retirement planning, income taxes and investment planning. They also must remain current on new laws affecting wills, trusts, taxes, investment products and a wide variety of other issues that may affect you.

- **The process is completely free** and carries no obligations of any kind.

Now is the time to step forward and take control. If you've been putting off calling your advisor, call St. Germain today and ask for your free Total Financial Advisory.



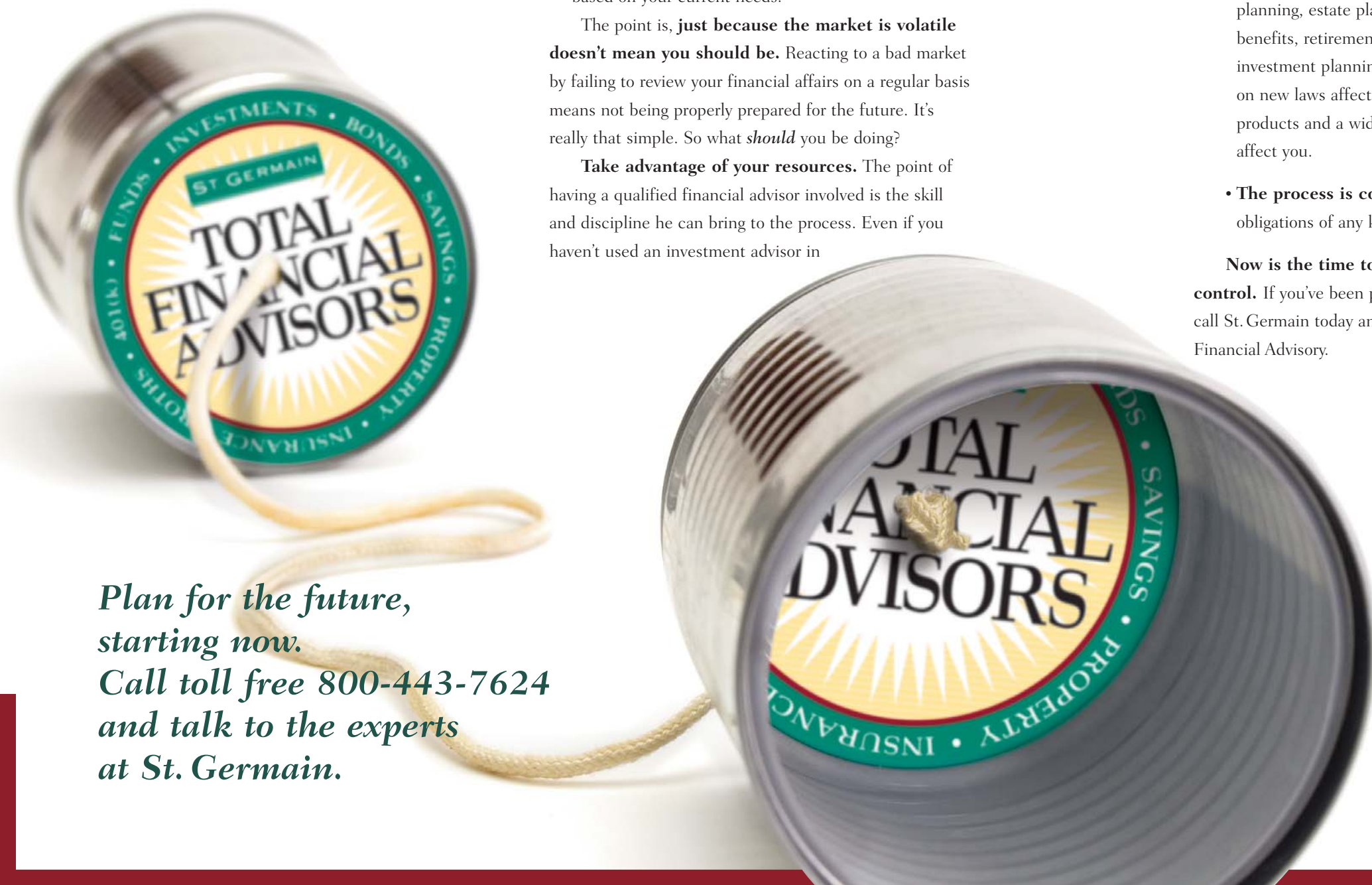
Steady, sustainable growth.

The St. Germain Investment Philosophy:

- A conservative, disciplined approach with asset diversification is the means to lasting stability.
- Explosive growth is not a sustainable long-term objective.
- We will not be tempted by the flavor of the day, be it subprime mortgages, collateralized debt obligations or auction-rate securities. We believe that preservation of capital **needs to be part of the equation.**
- Investment advisors should not be encumbered by bundled solutions, products, sales quotas or sales commissions. St. Germain advisors are free to offer individual solutions to individual investors to meet their present and future goals.

Visit our website at stgermaininvestments.com to learn more about our firm and other information about investment management.

*Plan for the future,
starting now.
Call toll free 800-443-7624
and talk to the experts
at St. Germain.*





NOT ALL THE NUMBERS ARE SCARY

BY TIMOTHY W. SUFFISH

CFA, CPA, VICE PRESIDENT

While it's been a roller coaster of a ride for the market as a whole, blue

chip stocks have held up surprisingly well during the continuing market volatility. If you've been following the market headlines for 2008, the S&P 500 at its low point on March 17th, was down over 13% for the year. This qualified as one of the worst starts ever for the U.S. stock market! Fast forward to April 28th, and the S&P 500 is down less than 5%. Blue chip stocks, like those that we hold for our clients, are down even less. While we never feel good about a difficult market, and you can't spend relative performance, **we are encouraged at how the market has become more "constructive" in recent weeks.**

As we've been saying in conversations with many of you, the market and economy are struggling with two issues:

1. A slowing economy with a potential recession
2. Ongoing credit issues

The mainstream media pays more attention to the first point due to its effect on jobs, spending and consumer confidence. But to us, the larger issue for the market and economy is in the second point. Although we are not yet in recession (and potentially won't know until after the fact), it is important to remember that *the business cycle has not been repealed*. A very active Federal Reserve has insulated our economy from the dramatic boom and bust that we used to experience. By gently pushing on the "gas" (lower interest rates) or the "brake" (higher interest rates), the Fed has smoothed out our economy for much of the past twenty-five years. Based on current levels in the market, a garden variety recession will not hurt the market, as stock valuations are very supportive. If we don't have a recession,

these attractive valuations will lead to good performance from the stock market, as the economy begins to accelerate once again.

This brings us to the larger issue: the mortgage/credit situation. In the past seven months banks and brokerages around the world have written down over \$250 billion of mortgage related securities. This is a stunning number, and evidence of the foolish lending policies that have existed for most of the past five years. The issue today though is the policy response and its effect in the market. A recent pulse of the market suggests that concerns are subsiding, as interest rates are moving back up and stocks are rebounding.

If recent actions by the Fed, White House, and Treasury succeed in "fixing" the credit issues, the market will respond very favorably. And yes, if the U.S. dollar finds some footing, the price of all commodities, oil included, will come down dramatically. For now, we'll just have to wait and see just how well these fixes play out not only in our economy, but in global economies as well. Stay tuned!

Leading Investors is published by D.J. St. Germain, Inc.

For a subscription or change of address, call the appropriate number below.

1500 Main Street
Springfield, MA 01115
413-733-5111

100 Pearl Street
Hartford, CT 06103
860-727-9530

Toll Free **800-443-7624**
www.stgermaininvestments.com

St. Germain Investment Policy Committee

This team is responsible for your portfolio management:

Paul J. Valickus, CFA, CFP, President, Director
Michael R. Matty, CFA, CFP, Chief Investment Officer, Director
Timothy W. Suffish, CFA, CPA, Vice President
Louis Bartenstein, Vice President

St. Germain Client Service Group

Paul J. Marchese, Senior Vice President
Brendon C. Hutchins, CFP, Vice President
Patricia M. Faginski, Assistant Vice President
Amy Santarelli, Manager, Client Services