

# Sound Investments Inc.

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**Kenneth A. Gilpin CFP**

3rd  
Quarter 2008

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Dear Client

In light of the unprecedented financial crisis of the last several weeks and the intensifying bear market, we feel it's important to share some thoughts with you. It is very painful to live through major market declines.

While I anticipate a slowdown and most accounts had at least 30 to 50% in cash, however it's never enough when the market drops like this.

We don't want to rehash all the gory details of the crisis – the losses that have roiled financial systems worldwide. Much is being written and we can add little here. The federal government is responding appropriately and aggressively to the crisis. Rather than pontificating on what went wrong, we believe our contribution is in discussing what to do now.

No one can possibly know exactly when this bear market will end. But, while the particular circumstances of bear markets differ, the outcomes tend to be fairly similar. Simply put, the stock market declines sharply, usually ending when the news is worst, most investors have given up hope and there are no more sellers. Then, stocks reverse course and the healing process begins.

It's important to know that markets have lost this much before and that things will get better. It's just a matter of time.

We expect this to last at least another 6 months, possibly longer. When will it end? This is a very difficult market to analyze. We believe the market will return to an uptrend within six months of the start of the next economic recovery. Although the timing of the recovery is uncertain, Our view is it could be underway next spring at the earliest. If that scenario unfolds; we could be looking at a stock market turnaround early in 2009. This bear market decline has been accompanied with an extraordinary flow of negative news. We are focused on looking for signs of a recovery in 2009 as investors go through the process of discounting economic prospects in advance of an improved economic outlook.

We have taken extraordinary steps to attempt to safeguard our client and shareholder accounts. We've thoroughly analyzed our investments and questioned custodians and fund managers to be sure that we are investing in regulated securities with good liquidity so that we can continue to respond to changing market conditions.

We continue to have the courage of our convictions. We know that stocks have fundamental values and we try to upgrade to stronger investments. Upgrading will lead



to strong gains. We know that it is critically important to be invested when the market turns around. It's important to have discipline.

It's important to remember that the U.S. economy remains the biggest, most resilient and adaptable in the world. Better days and better markets lay ahead.

It's also important to remember that I am here for you. Please call if you'd like to talk. We thank you for your continuing confidence.

Sincerely,

Ken Gilpin CFP  
President

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