

HEADWATER INVESTMENT CONSULTING, INC.

Review & Outlook

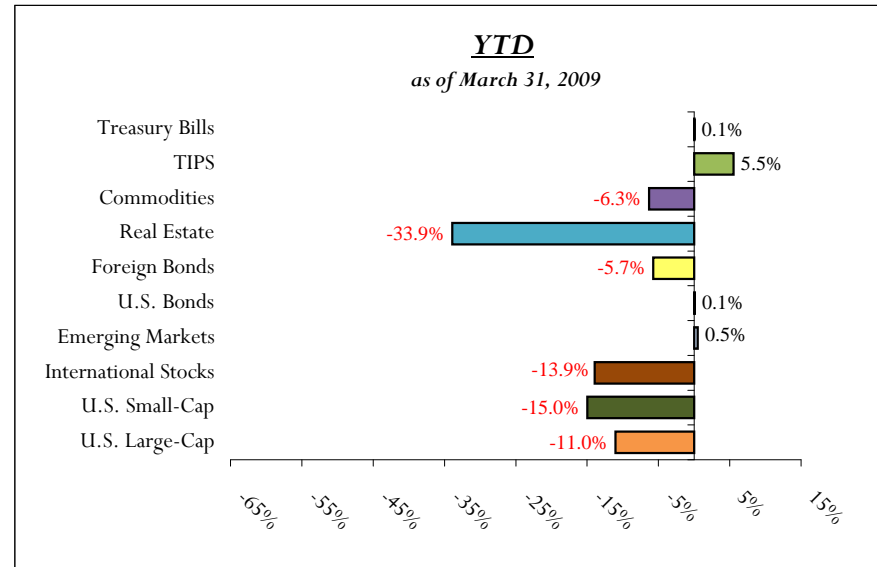
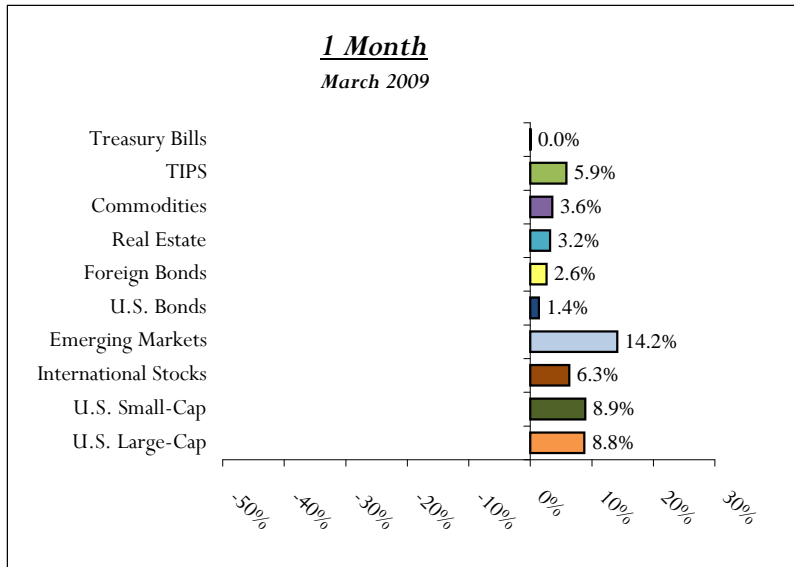
1st Quarter 2009

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ASSET CLASS PERFORMANCE



Index Performance as of: 3/31/2009

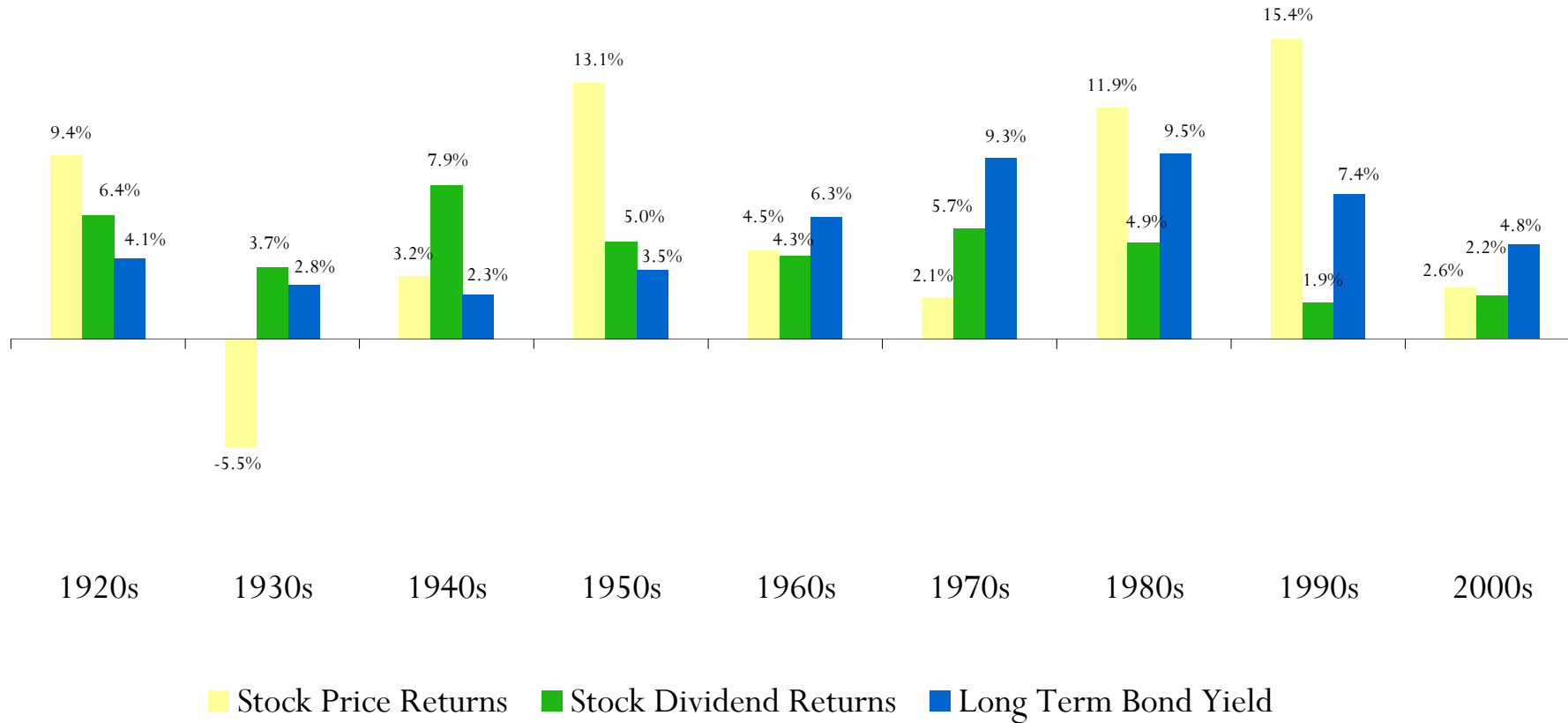
| | <u>1 Mo</u> | <u>3 Mo</u> | <u>YTD</u> | <u>1-yr</u> | <u>3-yr</u> | <u>5-yr</u> | <u>10-yr</u> |
|-----------------------------|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|---------------------|
| <i>U.S. Large-Cap</i> | 8.8% | -11.0% | -11.0% | -38.1% | -13.1% | -4.8% | -3.0% |
| <i>U.S. Small-Cap</i> | 8.9% | -15.0% | -15.0% | -37.5% | -16.8% | -5.2% | 1.9% |
| <i>International Stocks</i> | 6.3% | -13.9% | -13.9% | -46.5% | -14.5% | -2.2% | -0.8% |
| <i>Emerging Markets</i> | 14.2% | 0.5% | 0.5% | -48.4% | -10.2% | 3.4% | 5.5% |
| <i>U.S. Bonds</i> | 1.4% | 0.1% | 0.1% | 3.1% | 5.8% | 4.1% | 5.7% |
| <i>Foreign Bonds</i> | 2.6% | -5.7% | -5.7% | -6.4% | 7.4% | 4.4% | 5.5% |
| <i>Real Estate</i> | 3.2% | -33.9% | -33.9% | -60.7% | -27.0% | -9.4% | 3.7% |
| <i>Commodities</i> | 3.6% | -6.3% | -6.3% | -45.0% | -9.8% | -3.3% | 6.4% |
| <i>TIPS</i> | 5.9% | 5.5% | 5.5% | -2.0% | 5.7% | 4.2% | 7.3% |
| <i>Treasury Bills</i> | 0.0% | 0.1% | 0.1% | 1.0% | 3.4% | 3.2% | 3.2% |

CAPITAL MARKET HISTORY: OVER 10 YEARS OF RETURNS BY ASSET CLASS

| Year | Inflation | Money Market | Large Co. Stocks | Small Co. Stocks | Int'l Stocks | Emerging Markets | US Bond Market | Foreign Bonds | TIPS | REIT | Home Prices ¹ | Commodities |
|-----------|-----------|--------------|------------------|------------------|--------------|------------------|----------------|---------------|------|-------|--------------------------|-------------|
| 3/31/2009 | 0.7 | 0.1 | -11.0 | -15.0 | -13.9 | 0.5 | 0.1 | -5.7 | 5.5 | -33.9 | -2.8 | -6.3 |
| 2008 | 0.7 | 1.5 | -37.0 | -33.8 | -43.4 | -54.5 | 5.2 | 10.1 | -2.4 | -37.7 | -16.4 | -35.7 |
| 2007 | 4.1 | 4.8 | 5.5 | -1.6 | 11.2 | 36.5 | 7.0 | 10.1 | 11.6 | -17.6 | -9.1 | 16.2 |
| 2006 | 2.6 | 5.1 | 15.8 | 18.4 | 26.3 | 29.2 | 4.3 | 6.5 | 0.4 | 36.0 | 0.7 | 2.1 |
| 2005 | 3.4 | 3.3 | 4.9 | 4.6 | 13.5 | 30.3 | 2.4 | -5.8 | 2.8 | 13.8 | 15.5 | 21.4 |
| 2004 | 3.3 | 1.4 | 10.9 | 18.3 | 20.3 | 22.5 | 4.3 | 9.8 | 8.5 | 33.2 | 16.2 | 9.2 |
| 2003 | 2.0 | 1.1 | 28.7 | 47.3 | 38.6 | 51.6 | 4.1 | 14.4 | 8.4 | 36.2 | 11.4 | 24.0 |
| 2002 | 2.5 | 1.7 | -22.1 | -20.5 | -15.9 | -8.0 | 10.3 | 18.1 | 16.6 | 3.6 | 12.2 | 26.0 |
| 2001 | 1.6 | 3.7 | -11.9 | 2.5 | -21.4 | -4.7 | 8.4 | 0.2 | 7.9 | 12.4 | 7.9 | -19.5 |
| 2000 | 3.4 | 6.3 | -9.1 | -3.0 | -14.2 | -31.9 | 11.6 | -2.6 | 13.2 | 31.0 | 14.1 | 31.8 |
| 1999 | 2.7 | 4.9 | 21.0 | 21.3 | 27.0 | 64.1 | -0.8 | -5.1 | 2.4 | -2.6 | 10.8 | 24.4 |
| 1998 | 1.6 | 5.0 | 28.6 | -2.6 | 19.9 | -27.7 | 8.7 | 17.8 | 4.0 | -17.0 | 9.1 | -27.0 |
| 1997 | 1.7 | 5.3 | 33.4 | 22.4 | 1.8 | -14.0 | 9.7 | -4.3 | --- | 19.7 | 5.4 | -3.4 |
| 1996 | 3.4 | 5.3 | 23.0 | 16.5 | 6.1 | -3.9 | 3.6 | 4.1 | --- | 37.0 | 1.9 | 23.2 |
| 1995 | 2.5 | 5.8 | 37.6 | 28.5 | 11.2 | -6.9 | 18.5 | 19.6 | --- | 12.2 | -0.4 | 15.2 |
| Average | 2.5 | 3.9 | 9.2 | 8.4 | 5.8 | 5.9 | 7.0 | 6.6 | 6.7 | 11.4 | 5.7 | 7.7 |
| Risk | 0.9 | 1.8 | 22.3 | 20.7 | 22.4 | 33.9 | 4.8 | 9.0 | 5.8 | 23.4 | 9.5 | 21.5 |

¹ Home Prices through January 2009

RETURNS BY DECADE SINCE 1920S



HOW DID WE GET SO CLOSE TO THE "BRINK?"

- September 7, 2008** – The Treasury Department seizes Fannie Mae and Freddie Mac.
- September 14, 2008** – “Black Sunday”: Lehman Brothers fails; Merrill Lynch agrees to be acquired by Bank of America.
- September 16, 2008** – Forced takeover of AIG with \$85 billion loan; Reserve Primary Fund breaks \$1.
- September 17, 2008** – \$145 billion redeemed from money market funds; T-bill rate goes to zero.
- September 19, 2008** – Treasury backs money market funds with \$50 billion – asks Congress for \$700 billion.
- September 21, 2008** – With Fed approval, Morgan Stanley and Goldman Sachs convert from investment banks to traditional bank holding companies.
- October 3, 2008** – Congress passes revised financial rescue package, the Emergency Economic Stabilization Act of 2008 - The Federal Deposit Insurance Corp. hikes deposit insurance limits on bank account to \$250,000.
- October 7, 2008** – Fed announces will support commercial paper market with direct purchases.
- October 13, 2008** – The federal government plans to inject \$250 billion into U.S. financial institutions, and guarantees some bank debt for three years.
- November 23, 2008** – Treasury announced an additional injection of \$20 billion of fresh capital into Citigroup. Also, government will assume responsibility for \$306 billion in troubled assets.
- November 26, 2008** – The federal government pledged to pump another \$800 billion into ailing credit markets. The Fed plans to purchase up to \$600 billion of debt issued or backed by Fannie Mae, Freddie Mac, Ginnie Mae and Federal Home Loan Banks. In addition, with support from the U.S. Treasury, the Fed will provide up to \$200 billion in financing to investors buying securities tied to student loans, car loans, credit-card debt and small-business loans.
- February 17, 2009** – *American Recovery and Reinvestment Act* signed into law. The \$787 billion stimulus – two-thirds in additional spending and one-third in tax cuts
- February 18, 2009** – President Obama unveils his “Homeowner Affordability and Stability Plan.”
- February 27, 2009** – President Obama 2010 budget proposes Federal expenditures of \$3.6 trillion and increases the Federal deficit to \$1.371 trillion
- March 19, 2009** – Federal Reserve announces a major expansion of balance sheet purchases. \$1.25 trillion of mortgage-backed securities, increasing the Term Asset-Backed Securities Loan Facility (TALF) up to \$1 trillion and the purchase of \$300 billion of longer dated treasuries.
- March 23, 2009** – The FDIC, the Federal Reserve, and the US Treasury announced the Public-Private Investment Program for Legacy Assets. The program is designed to provide liquidity for so-called "toxic assets" on the balance sheets of financial institutions. Using \$75 to \$100 billion in TARP capital and capital from private investors, the Public-Private Investment Program will generate \$500 billion in purchasing power to buy legacy assets with the potential to expand to \$1 trillion over time.

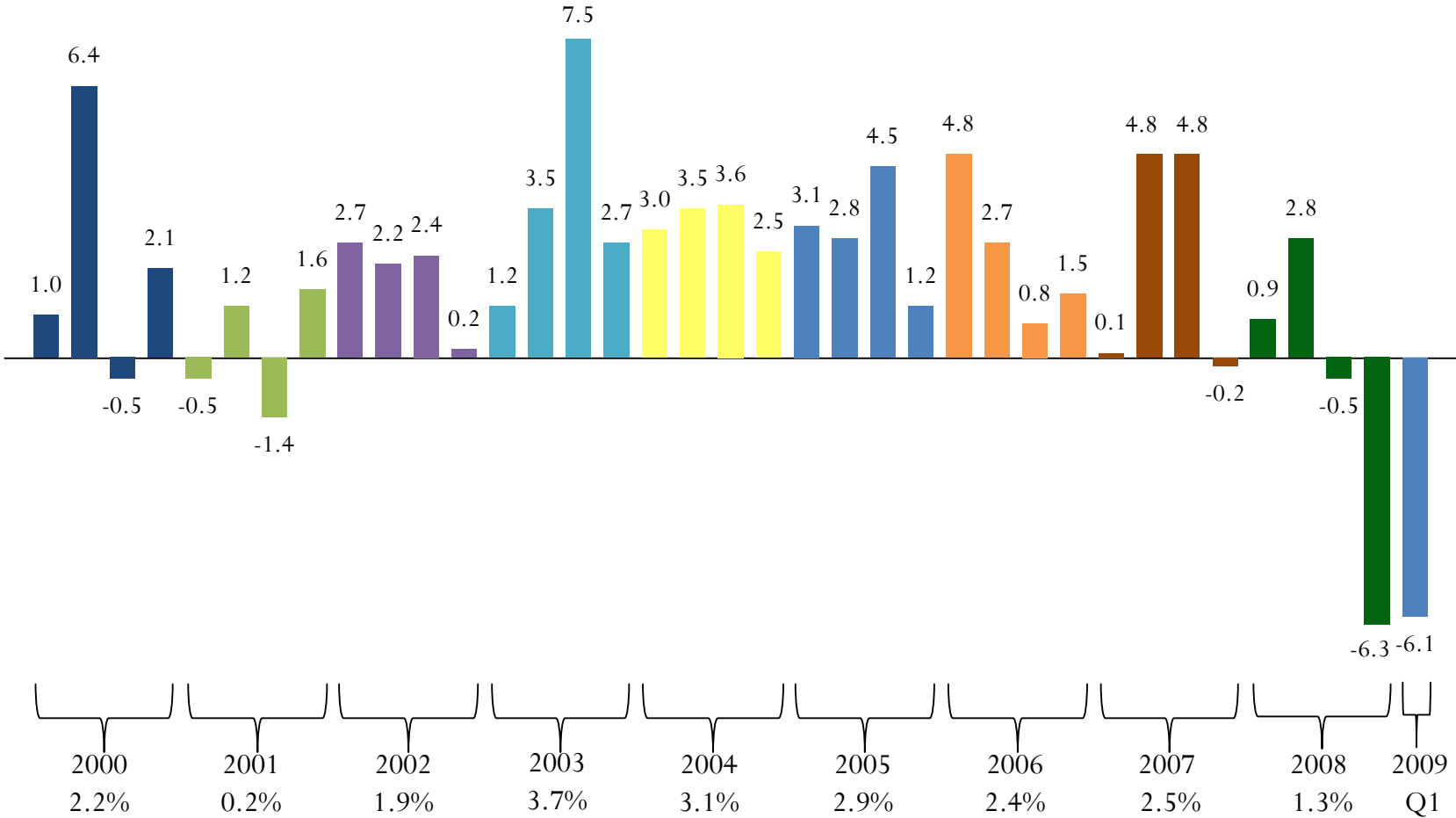
COMPARISON TO GREAT DEPRESSION

| | 1929-1934 | 2008 |
|--------------------------------|-----------|------------------|
| Economic Growth | -25% | -6.30% |
| Unemployment | 24% | 7.60% |
| Home Foreclosures ¹ | 44% | 10% |
| Bank Failures | 9,000 | 36 |
| House Price Declines | 30% | 26% ² |

¹ Foreclosures based on urban, owner-occupied homes on which there was a first mortgage were in default.

² From August 2006 – December 2008

GROSS DOMESTIC PRODUCT: QUARTERLY AND ANNUAL PERCENTAGE CHANGES (2000 - 2009)



Gross Domestic Product (GDP) is the output of goods and services produced in the United States. Quarterly estimates are expressed as seasonally adjusted annual rates.

DISCLOSURES & DEFINITIONS

* Statistical data is gathered from Morningstar Principia and/or the fund manager's web site. All information contained in this document is compiled from sources believed to be reliable and current.

* Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of a portfolio.

* As with any investment, the holder of each fund is subject to various risk factors. These factors can be explained on a fund by fund basis.

* The performance data shown represents past performance, which is not a guarantee of future results. Current performance may be lower or higher than the data cited.

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- Large-Cap Stocks -** A U.S. large company stock index measured by the S&P 500. It is made up of a group of 500 of the most widely traded stocks in the U.S., as chosen by Standard & Poor's.
- Small-Cap Stocks-** Measured by the Russell 2000 which is the dominant small-cap index in the U.S. The index is comprised of the smallest 2000 stocks in the Russell 3000 Market Index.
- International Stocks-** An international stock index measured by the MSCI EAFE. It is comprised of stocks from developed markets in Europe, Australia, Asia, and the Far East.
- Emerging Markets -** An international stock index that tracks non-developed markets throughout the world. It is measured by the MSCI Emerging Markets Index.
- U.S. Bonds -** A measure of the Total U.S. Bond Market by the Lehman Aggregate Bond Index. It takes into account corporate, government, mortgage and asset backed securities.
- Foreign Bonds -** Measured by the Citi World Gov't Bond Index. The fund is comprised of primarily investment grade bonds from around the world.
- Real Estate -** Measured by the FTSE NAREIT Index which is a composite of Real Estate Investment Trusts traded on U.S. exchanges.
- Commodities -** Performance is represented by the PIMCO Commodity Real Return Strategy Fund, which uses the DJ AIG Commodity Index as a benchmark.
- TIPS -** Performance is represented by the Lehman Brothers US Treasury Inflation Protected Securities Index. TIPS are government bonds that have adjustable coupon payments based on the rate of inflation (as measured by the CPI).
- Treasury Bills -** Short-term government issued securities with maturities less than 90 days. Because they are government issued, T-Bills are free from default risk.

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