



NCM Client Alert

MAY 2, 2007

A publication of Northern Capital Management, Inc.

Dear Clients,

We are taking a moment to send out this special client alert due to recent market performance. Unlike many alerts, the catalyst for this communication is positive market performance as opposed to negative performance.

Assuming Dow Jones Industrial Average is somewhat reflective of the overall market, it is notable the index has closed up in 21 of the last 24 trading sessions....a feat not matched since 1968.

While early in this cycle it was the opinion of the Investment Committee that the market was beginning to reflect a disconnect between its performance and a weakening economy, economic releases of the last couple of days suggest a soft landing is very much a possibility.

So this brings us back to the likelihood of a correction. If we had to guess, it is very likely there will be a pullback in the coming weeks. However, it is the opinion of the Committee that assuming we receive confirming reports of economic revitalization in the coming days, weeks and months - a decline will be a temporary and necessary market event that will set the stage for the next positive move.

If the economic reports turn negative, market conditions could remain difficult.

At this point the Committee has elected to NOT make market moves in an attempt to time any correction. History and experience tells us this effort would be fruitless. However, we want our clients to be psychologically prepared. In the words of our trader and Investment Committee member Sarah Miller, "[I think it would be advantageous *before* the correction occurs to explain how market corrections can be natural events. Before the correction, the majority of investors use clear logic. During a correction, an investor's thinking can be warped by emotions. My 2 cents.](#)"

Very well said.

If you wish to have us make your account more defensive, you will need to call. Otherwise, we will use our best judgment moving forward.

Signed,

Jim, David and the Northern Capital Management, Inc. Investment Committee