



NCM Client Notification

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To Our Clients:

It is never easy to endure a market that has gotten so brutal so fast. The House delay in passing the bailout bill, which they ultimately did pass, did little to help. Cathy McMorris needs to be voted out of office as one who voted against the bill both times.

With reference to the market, valuations are becoming insanely low. We are experiencing a broad based sell-off which is being driven by panic selling. This is no different than past panics. While we have the capacity to look back at those incidents with a cool head and can logically see the benefits of holding tight through them, it is hard to maintain that same perspective right now.

In all likelihood you will see two actions taken by the Fed and the government:

First, the Fed will lower interest rates by 0.5% to 1% soon....perhaps this week. They normally meet on October 28th and 29th.

Second, it is very likely you will see a new government stimulus package.

We continue to maintain a long-term perspective and believe that buying into these panics is very opportunistic. If clients have additional funds to invest, now is a very appealing time. If any clients would like for us to increase their portfolio risk levels, please notify us.

Finally, we are beginning to receive panicky client calls and e-mails appealing to us to become more conservative. This means we will lock in losses already incurred. In our minds we are nearing capitulation....which marks the market nadir. Fear is as destructive as greed.

We will act in whatever fashion you wish. But if you defer to our experience we are not going to budge beyond our existing planned moves. These include taking advantage of interest rate distortions in the bond market, adding money to financials, adding money to healthcare, and finally eliminating our pure international exposure.

Please try and maintain perspective.

Northern Capital Management, Inc.
Investment Committee