



# NCM Client Notification

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A publication of Northern Capital Management, Inc.

To our Clients:

To be sure, days like today are unnerving. We have included a few graphs in an attempt to show you what the bottom to a market looks like. Clearly, nobody knows the exact day or level which will mark the final bottoming....but what we are experiencing appears consistent with the normal process.

The first graph reflects the performance of the Dow Jones Industrial Average over the last ten years. Other index performance lines such as that of the S&P 500 would follow a similar pattern. The circle encompasses the last six months of 2002 and the first three months of 2003.

As you can see, in a bottoming the market will vacillate in a broad range, sometimes for months, before one of the positive surges actually holds and the overall market moves higher. This is the pattern we are presently attempting to identify.

We have placed a square around the volume of trades. As you can see, typically early in a bottoming volumes spike and then towards the end settle down. The spike characteristically is classic individual investor capitulation. The point at which the pain is too much to bear.



We have placed a elongated hexagon around this year's market activity.

It is notable how condensed and traumatic the drop and bottoming process (if that is what is occurring) has been. Notice the early bottom spike in volume which is now tapering.

The 2008 potential bottom is almost impossible to decipher because it has been so compact and violent. It is possible we will continue in this range for the next several months, which would create a picture similar to 2002 and 2003. In an effort to make this year's pattern clearer the graph below is market activity on a

year to date basis.

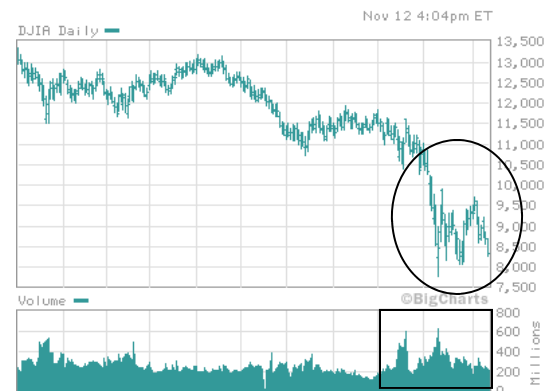
If the market were to turn up in the next two months and hold, it would be a rather short bottom. This is possible.

It is also possible we will remain in this yo-yo trading range for the next five to seven months as the market attempts to predict the timing of the recovery.

It is important to keep our wits about us as we retest lows. It may occur several more times prior to the rise that sticks. We want to make certain we are invested when that occurs. Getting whipsawed is not a good option.

Losses are not losses until locked. Please make certain you read our last Client Notification related to tax loss harvesting, as some may falsely conclude from our trades we are capitulating. We are not.....just moving laterally.

Finally, the most recent trade in your accounts is moving our final block from pure international funds and into a fund which invests in 270 US financial institutions. Again, we may be early with this trade, but we believe the sector has tremendous bounce potential in the recovery....better than the bounce which will occur in international holdings.



We will continue to keep you posted. We will also continue to remind you as we flirt with the low end of the range about potential profits to be had over the long term if an investor can bear to commit new capital to their portfolio.

Investment Committee  
Northern Capital Management, Inc.