



NCM Client Notification

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To our Clients:

Again we enter one of those unnerving market periods where we are trading at the lower end of the range. These are the hardest points at which to keep our wits about us

As we have indicated, we believe the market is bottoming....but no long term investor can make that determination for certain.

Looking at the current economic environment, conditions are tough. But in reality it is the political situation which is causing the problem. We are in a lame duck Congressional session and a 62 day presidency with automakers on the brink.

We think the next six weeks are not going to be enjoyable. However, we are extremely optimistic the new Democratic Congress will hit the ground running with two critical pieces of legislation.

The first will be an economic stimulus bill the size and scope of which the nation has not witnessed since the New Deal. We believe it will not rely on an economic shot in the arm (like sending tax rebate checks), but instead will focus on many critical areas including infrastructure projects. This makes the bill a multi-year proposition and not a brief injection.

Second, without question a mortgage foreclosure relief bill will pass. This will begin to place a floor on declining home prices....a phenomena the Bush administration has been slow to recognize as the primary cause of both the credit crisis and recession.....and yes we said it, recession.

Generally, the market attempts to guess at recovery and begins a sustained ascent six months prior to economic stabilization and recovery. Our outlook is stabilization will occur in the second half of 2009 suggesting the market will begin to recover at some point in the first half of the year.

The question then becomes, over the next eight weeks in particular can we avoid turning the emotional pain of the markets into realized financial losses. This will occur only if we sell.

Our objective during this time is to identify the grossest market dislocations and move or be prepared to move into them when the time is right. Our Investment Committee continues to actively work to identify such opportunities to allow us to recover as robustly and rapidly as possible.

These are not easy times and we again find ourselves peering at a likely market nadir. Our message remains constant. If you have new funds available, invest now. If you are invested, consider getting more aggressive. If nothing else, hold tight. But do not make the mistake of selling depressed share prices.

We will keep you posted.

Investment Committee
Northern Capital Management, Inc.