



NCM Client Notification

JANUARY 30, 2009

A publication of Northern Capital Management, Inc.

To our clients:

You will once again receive a flurry of investment confirmations as our traders implement decisions made at the Investment Committee level.

These strategic moves are designed to:

- Eliminate short-term bond positions, which are dominated by government securities. We feel these types of bonds will become vulnerable at the point we begin to experience recovery and perhaps sooner;
- Invest available cash into both the bond and stock market;
- Rebalancing portfolios weighted too heavily in bonds, using proceeds to purchase extremely depressed stock fund shares.

As we review portfolios, we will additionally be looking for those which are positioned more aggressively than their stated investment objective.

As we have previously communicated, for over a year we have been holding off on any rebalances which would serve to lock in losses. This means some accounts may have more stock exposure than our stated target. We are reluctant to lock in long-term losses by liquidating depressed stock funds to bring accounts back into balance.

Rebalances in accounts will look to take advantage of extreme distortions primarily in the bond market. For example, most accounts will gain exposure to severely depressed municipal bond funds where negative sentiment regarding the health of municipalities has driven down valuations.

It is extremely important to recognize two points with respect to stocks and positions we take in your account.

First-

- Expect more bad news;
- Expect the market to test the low of 7,500;
- Expect at least six more months of turbulence;
- Expect recovery in the end.

Second-

The moves we are making in accounts have dual objectives. Clearly, if we can make money pre-recovery, we will attempt to do so. But a major driving force behind our upcoming moves is to position your portfolio to bounce as much as possible at the point of recovery. We are not making one month or two month bets. We are making one year, two year and three year bets.

Although it feels as if this will never end, it will. We will do the best we can to earn back losses experienced in 2008.

Investment Committee

Northern Capital Management, Inc.