



NCM Client Notification

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That maddening Greek Crisis!

Dear Clients:

We have been monitoring the Greek debt crisis for over two months attempting to gauge whether or not it has the capacity to spill over into other parts of Europe. Clearly those fears were brought to bear this past week with the Dow's spastic fluctuations. Ironically, this is playing out in the backdrop of favorable US fundamentals.

Clearly the pivotal question is whether or not we should be concerned...which begs the question should you be concerned.

In all likelihood, the short term solution put forth by the European Central Bank (ECB) and International Monetary Fund (IMF) should serve as a good, solid band aid, but does not offer a solution because the underpinnings of the program constitute additional borrowing. This deal could easily fall apart in the coming months.

In the larger scheme of things, we (the US) and many members of the European Union are on an unsustainable debt path.

At this juncture, we cannot "trade" on this knowledge, meaning despite our belief (and the statistics bear this out) the US in on a path towards default, to move to cash or other defensive positions would prove costly in the near term.

However, we find it difficult to believe there is a major catalyst to pull the Euro back up meaningfully for any sustained period of time. The vulnerability of the system has been exposed.

Consequently, those funds most exposed to this currency will be liquidated in the coming months. We will reduce exposure to Euro currency economies, increase cash a bit and continue to add to hedges we have put in place over the last year to include precious metals.

We are very contemplative and research driven in our approach. In the end, our mission is to maximize your returns, but at reasonable risk.

We live in interesting times.

Investment Committee

Northern Capital Management, Inc.