



The THOUGHTFUL INVESTOR

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Second Quarter

April-June 2008

Market & Investment Update

U.S. stocks ended June and the second quarter with sharp losses. Surging oil prices and ailing financial firms continued to fuel concerns about profits and the economy. The Dow lost 10% in June, 7% in the second quarter and 14% year-to-date. The broader market S&P 500 fared better than the Dow, but only slightly. After eight brutal months on Wall Street, the Dow's slide came close to 20% from its October peak.

The good news is that Wall & Company's stock managed programs were all UP for the second quarter and all are UP year-to-date. Only our Bond program has had a small decline this year – but far smaller than the overall equity market. Our tactical strategies continue to produce solid returns for our equity investors.....even during this down market. This is the value of “defensive investing” during volatile periods.

Stock market declines are normal. Over the long-term, stocks have provided investors with excellent returns. Equities have managed to keep pace with inflation over time, whereas bonds and other fixed income investments have not. But, the price an investor must pay for strong long-term performance is market volatility. Stock prices simply do not move up in a straight line. Since 1900, the Dow has declined 20%, entering “bear” territory 31 times or once every three years on average. All the more reason why equity investors should incorporate defensive investment strategies as part of their overall long-term investment plan.

Wall & Company management programs, net-after fee annualized model returns ending 6/30/08, are presented in the following chart. See additional performance disclosures on page 4.

PROGRAMS	2nd QTR	YTD	3 Year	5 Year
GGPVA	3.76%	5.09%	11.29%	9.71%
WGO	4.84%	3.83%	9.84%	6.15%
WGO II	5.09%	2.58%	11.34%	7.61%
BAP	1.10%	-2.60%	2.47%	3.04%
S&P 500 (TR)	-2.72%	-11.92%	4.40%	7.58%

Presidential Election Years Are Historically a Good Time to Invest

Before you write off the potential for further investment gains in 2008 in light of the housing market's continuing slump, high oil prices and a slow economy, there's some promise from a four-year trend known as the Presidential Cycle.

In a nutshell, the Presidential Cycle says that markets tend to go up as elections approach and the current administration does everything it can to stimulate the economy. The goal is to have voters go to the polls with jobs

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The Best Loss Strategy: Move On

Every investor and every investment approach will have losers - positions that drop in value, or never realize their potential. How those losers are managed is typically the difference between a successful or unsuccessful portfolio.

The #1 mistake investors make is holding on to a losing investment waiting to get back to break even. After all, as long as the position isn't closed, it's just a paper loss and somehow that doesn't seem as painful to many investors. But there are two problems with that approach. You lock up capital that could be growing and you risk losing more money.

The poster stock of the fallacy of waiting to get back to break even may well be Lucent Technologies. After being spun off from AT&T in 1996, Lucent Technologies' stock gained 892% in value. A market-beating performance like that naturally wins a lot of fans. Lucent was America's fourth most widely held stock in December of 1999 when it reached a high of \$77.78. By January 10, 2006, its stock traded for just \$2.76.

Lucent's downfall started with a November 2000 announcement that the company had to restate

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Email Investment Scams are Huge; Don't Be a Victim

If you use email, you've undoubtedly received at least one email, if not hundreds of emails, promoting investments. Recent statistics show nearly 25% of email spam is currently related to investment fraud. That 25% clearly says there's a lot of money to be made in these scams and that people continue to fall for them.

To make certain you are not a victim, here's a quick primer on "pump and dump," the most common email investment fraud.

The SEC defines pump and dump as the following: "Pump and dump scams involve the recommendation of a company's stock through false and misleading statements (the pump). Misled investors then buy the stock, creating demand for the stock and often causing its price to soar. Fraudsters then sell off their shares (the dump), usually leaving investors with worthless, or near worthless, stock."

There's nothing new about pump and dump schemes. They've been around as long as markets have existed. The difference today is the scale at which they are being used on the internet and the innovations the con artists have used to get past spam filters and natural skepticism.

Virus and spam filters look for repetition in messages. Thousands of emails with the same wording or exactly the same image are easy to detect. To get around the repetition, spammers began to use pdf attachments and then introduced graphic images with slight variations. The latest tools include video files, although often the spam is nothing more than a brief message with slight variations to avoid the spam filters.

The goal of the con is to make the recipient think they have received a

genuine stock tip. Because the emails are sent to millions of addresses, it doesn't take much response to move the stock price, particularly if it is a micro-cap stock trading for pennies. In fact, an investor who takes the precaution of looking at the stock's price action may be encouraged by what appears to be a recent upward trend. But when the dump happens,



the trend collapses and the investors are left with a loss, often virtually their entire investment.

Next time you receive an email along the lines of the following, often with grammatical errors...

"Hi I hope this is your email. I was pleased to meet you the other day. I expect you was excited about New York. So much so much happening all the time, lot of great opportunities. And speaking of opportunities, the deal I was speaking about yesterday involves a company known as..."

or,

"This one is on the move. Watch it Thursday 29th of May.

My new big pick is Angstrom Microsystems Big News Expected out Friday. We expect this to give it a BIG push we are looking for.

AGMS at \$1.20

This Company has preformed very well in the past. With all the new intrest

in this Company we only see it as a matter of time and this Company should Rocket and show A Strong Rebound. We think the Time has come."

remember that you are one of millions to receive the same message.

If the message is unsolicited, it is virtually certain to be spam. Even if it appears to come from someone you know or a legitimate domain,

check first. It is very easy for spam senders to mimic legitimate email addresses.

Never invest on the basis of information you receive in an email or resources such as web sites, phone numbers, etc., included in the email. Look for independent resources and even then question their integrity. Pump and dump schemes have included falsified web sites, fake press releases and analyst reports, misleading news coverage, inaccurate blog

postings, false phone numbers and websites to "regulators," and a host of other imaginative techniques.

Most unsolicited spam recommendations involve stocks quoted on the OTC Bulletin Board (OTCBB) or in the Pink Sheets. These stocks are often illiquid, thinly traded and volatile, making it easy to manipulate prices with a pump and dump scam. Information and financials for the companies underlying the stocks are often sketchy at best making it difficult to make an informed investment decision.

As much as you might want to believe in fate or providence, a total stranger is not going to send you a great investment tip. Given the impersonal nature of the internet, they are also not going to feel the slightest remorse for your loss if you act on that tip.

The Best Loss Strategy: Move On *continued from page 1*

its financial statements as a result of accounting irregularities. By July 2001, the SEC was investigating its accounting practices, and several former, high-level managers had been sanctioned by the SEC or were under criminal indictment.

Lucent's rise had been so spectacular that many investors kept their faith in the company, holding on as their investments were whittled to virtually nothing. Ultimately, the company was merged into a French firm, Alcatel, but the merger did little good for shareholders as the combined company posted losses and launched a major restructuring.

The problem with holding on to an investment that is falling in value is that you have no way of knowing how far the decline could be or what factors are behind the decline that might not yet be public. Sometimes the company isn't the problem, it's the sector. But whole sectors can stay down for years. Even if the market turns back up, leadership may have rotated to another industry, leaving the investment underperforming.

Making up losses is also a lot harder than many investors understand. It doesn't take a 50% gain to make up a 50% loss. It takes 100%.

At the center of the founder of *Investor's Business Daily* William J. O'Neil's investment philosophy is a stop loss of 8%. Any time a stock declines 8% from its prior high, it is time to sell, he maintains.

As long as investors limit their losses, they have the opportunity to invest in another company with a positive price trend. If the first stock reverses its trend and shows good price momentum, you can always buy back in. But you can't always count on a recovery. This is the great fallacy of buy-and-hold investing. Many stocks have gone all the way to zero, even in a bull market.

Mathematics of gains and losses	
If the DECLINE is	It takes the following GAIN to break even
-25%	+33%
-33%	+50%
-50%	+100%
-75%	+300%
-90%	+900%

The greatest value of professional management is helping investors know when it's time to sell to preserve your gains and your financial security. We don't look backwards and say "But Lucent has done so well in the past, surely it will continue to outperform." All that matters is how the investment is performing today. We may not be able to see the future, but by actively monitoring client investments we can limit losses and strive to focus your investments in areas that are doing well.

Presidential Election Years...*continued from page 1*

and a feeling of economic well being – increasing the odds that the party in power will remain in power. In the two years following a presidential election, the stimulants have to be paid for and tough economic decisions made. As a result, the first two years of an administration are often the hardest on the financial markets.

A very simplistic cyclical investing strategy is to buy the Dow Jones Industrials 25 months before each presidential election and sell at the end of November, as the euphoria of the election results begins to wear off. From 1942 to 2006, this would have always have produced a gain.

The difficulty in using cycles is that several cycles can be impacting the market at the same time. Looking at just one cycle gives you an incomplete picture of the forces in action. What gives the Presidential Cycle a little more credibility is the ability of the federal government to influence the economy on a short-term basis. On a long-term basis, it's a different story. The costs of economic stimulus inevitably come home to roost.

As with any investment approach that looks back at history to determine buy and sell points, past performance is not a guarantee of future returns. There is always the potential for loss as well as gain. The DJIA is an index and cannot be invested in directly.

2010 Holds Special Challenges for Wealthy

In 2010, the estate tax is scheduled to fall from its current 45% level to 0% for 12 brief months, only to jump back up to 55% in 2011. Given the millions of dollars that will be at stake, a little planning may be in order.

In 2008, the first \$2 million of an estate is excluded from federal estate taxes. In 2009 this rises to \$3.5 million. The remainder is taxed at 45%. In 2010, the entire estate is exempt from federal estate taxes (state taxes may still apply). Barring new legislation, in 2011, the amount exempt from federal estate taxes reverts to \$1 million while the tax rate on the excess will be 55%.

You may want to consider ulterior motives in an heir's suggestion that you take up sky diving or other high

hazard entertainments in 2010. It also could be a year when you need a different will, one that takes into account the potentially greater value of your estate without the erosion of taxes. A second issue may be your living will – the document that states what life-prolonging medical care you wish to receive. Depending upon what is at stake, you may want special provisions saying keep me alive until 2010.

We recommend taking a look EVERY year at your current net worth, will, and where you would like to see your assets go if the unforeseeable happens. With a little pre-planning, you can make certain the assets you have worked to accumulate go where you like while minimizing the tax bite.

PERFORMANCE REPORT

WALLCO DYNAMIC ASSET ALLOCATION ILLUSTRATIONS

Second Quarter – Ending 6/30/08 (Total Annualized Returns Net After Maximum Fees)

Hypothetical Asset Allocations (Net after Maximum Management Fees)	2008 2nd Qtr	2008 YTD	3 Year	5 Year
Aggressive Growth Allocation 100% Global Growth Program (WGO)	4.84%	3.83%	9.84%	6.15%
Capital Growth Allocation 80% Global Growth Program (WGO) 20% Bond Allocation Program (BAP)	4.09%	2.54%	8.37%	5.53%
Balanced Growth Allocation 60% Global Growth Program (WGO) 40% Bond Allocation Program (BAP)	3.34%	1.26%	6.89%	4.91%
Conservative Allocation 40% Global Growth Program (WGO) 60% Bond Allocation Program (BAP)	2.60%	-0.03%	5.42%	4.28%
Preservation Allocation 20% Global Growth Program (WGO) 80% Bond Allocation Program (BAP)	1.85%	-1.31%	3.94%	3.66%
MARKET INDICES				
S & P 500 Composite Index (with dividends)	-2.72%	-11.92%	4.40%	7.58%
Lehman Brothers Aggregate Bond Index	-1.02%	1.13%	4.09%	3.86%
Lehman Brothers High Yield Index	1.76%	-1.31%	4.55%	7.15%
US Treasury Bill (3 months)	0.30%	1.40%	1.66%	2.39%

IMPORTANT DISCLOSURE INFORMATION W. Wall & Company, Inc. (“WCI”) performance results represent the actual results of two different existing WCI managed model programs (WGO and BAP) in various hypothetical asset allocations during the corresponding time period. The performance results reflect the reinvestment of dividends and other account earnings, and are net of applicable account transaction and custodial charges, the maximum investment management fee that would have been charged by WCI during the corresponding time period, and the separate fees assessed directly by each unaffiliated mutual fund holding that comprised each portfolio. WCI utilizes its model account programs to monitor how existing clients in these programs may have performed. Prior to 3/31/08, historical performance illustrated was partially allocated to investment programs that no longer exist. Programs include WGOII-A, ETF, BBH-S and BBH-B.

Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, or equal either the WCI performance results reflected or any corresponding historical index. The composition/percentage weighting of each corresponding WCI index (i.e. S&P, Lehman Bond) is also disclosed. For example, the S&P 500 Composite Index (the “S&P”) is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. Standard & Poor’s chooses the member companies for the S&P based on market size, liquidity, and industry group representation. Included are the common stocks of industrial, financial, utility, and transportation companies. The historical performance results of the S&P (and those of or all indices) do not reflect the deduction of transaction and custodial charges, nor the deduction of an investment management fee, the incurrence of which would have the effect of decreasing indicated historical performance results. The historical S&P performance results (and those of all other indices) are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a WCI portfolio performance meets, or continues to meet, his/her investment objective(s). A corresponding description of the other comparative indices, including the Lehman Brothers Aggregate Bond Index and Lehman Brothers High Yield Index (i.e. fixed income indices), is available from WCI upon request. It **should not** be assumed that WCI account holdings will correspond directly to any such comparative index. **Please Note:** The WCI hypothetical performance results do not reflect the impact of taxes. WCI’s model investment programs generally involve an above-average turnover, which could negatively impact upon any net after-tax gain experienced by an individual client in a taxable account.

For reasons including variances in portfolio account holdings, variances in the investment management fee incurred, market fluctuation, the date on which a client engaged WCI’s investment management services, and any account contributions or withdrawals, the

performance of a specific client’s account may have varied substantially from the indicated WCI composite model portfolio performance results. In addition, the underlying individual mutual funds which have comprised, and that continue to comprise, the model programs are subject to change at the discretion of WCI. Historical information pertaining to the underlying mutual funds and changes thereto is available from WCI upon request.

The hypothetical allocation results have inherent limitations, including: (1) the hypothetical results do not reflect the results of actual trading using client assets, and, (2) for various reasons (including the reasons indicated above), WCI’s clients may have experienced investment results during the corresponding time periods that were materially different from those portrayed in the model.

In the event that there has been a change in a client’s investment objectives or financial situation, he/she/it is encouraged to advise WCI immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by WCI) will be either suitable or profitable for a client’s or prospective client’s portfolio. **Accordingly**, no client or prospective client should assume that the above model portfolios (or any component thereof) serve as the receipt of, or a substitute for, personalized advice from WCI, or from any other investment professional.

All performance results have been compiled solely by WCI utilizing the performance results reported by each respective mutual fund (and other holdings) that comprised the portfolio, are unaudited, and have not been independently verified. WCI also maintains all information supporting the performance results in accordance with regulatory requirements. Information pertaining to WCI’s advisory operations, services, and fees is set forth in WCI’s current disclosure statement, a copy of which is available from WCI upon request.

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