



Investment Advisors, Inc.

SGL Investment Advisors, Inc. is a locally owned Registered Investment Advisory firm headquartered in Missoula, MT. SGL Investment Advisors, Inc.'s professional money managers, backed by 45+ years of collective experience, personally work with clients to individually structure their portfolios to fit within their risk tolerance profiles. They maintain an open door policy towards personal meetings throughout the money management process. Our in-house research department focuses on constructing portfolios that limit downside risk while maintaining an eye for capturing market upside. Our clients include institutional pension plans, trusts, non-profit endowments, 401K & profit sharing plans and high net worth individuals.



Precious Metals in Times of Economic Distress

Authored by Ather Bajwa

Gold is considered to be the world's oldest currency. Although the US dollar might be considered as the world's reserve currency, the most revered one continues to be gold. Gold is the one global currency that cannot be printed and is limited by its supply. Even in today's current economic environment, the US dollar continues to hold its own against most major currencies. It has continued to strengthen against almost every global currency since the start of the recent economic turmoil. Precious metals have performed even better. For example, demand for gold continues to outpace supply. Annual mine production of gold over the last few years has been close to 2,500 tonnes. About 2,000 tonnes goes into jewelry or industrial production, and around 500 tonnes goes to retail investors and gold funds. Annual demand for gold is approximately 1000 tonnes in excess over mine production, which has come from central bank sales and other disposals.[†]

As the US and other global economies continue to face the credit crisis and significant recessionary pressures, their response has been swift and in tandem. Central banks and world governments have been using conventional as well as unconventional

Fiscal Balance and Public Debt Projections for 2009
(% of GDP)

	Overall fiscal balance		Public debt	
	Pre-Crisis	Current	Pre-Crisis	Current
Canada	0.8	-1.5	61.0	63.0
China	-0.9	-2.0	13.4	22.2
France	-2.5	-5.5	63.0	72.3
Germany	-0.5	-3.3	61.1	76.1
India	-5.0	-8.5	69.8	82.7
Italy	-2.3	-3.9	104.1	109.4
Japan	-3.7	-7.1	194.2	217.0
U.K.	-2.1	-7.2	42.9	58.2
U.S.	-3.2	-8.5	63.4	81.2

Source: IMF

Table 2

have continued to stagnate. Concerns regarding protectionism, lowered international trade and falling foreign direct investment have caused the World Bank to lower its economic outlook for the world to a 1-2 percent recession for 2009.

Precious metals are an important investment tool in the current economic environment offering substantial diversification benefits, and in times of uncertainty represents an important asset class. Higher spending today is leading to increased borrowing and greater inflationary pressure in the future. On an inflation adjusted basis* gold prices are less than half their valuations as compared to their peak in early 1980.

The recent strength in precious metal prices is reflecting both investor concerns regarding the long-term strength of the US Dollar, global economic prospects and government ability to solve this crisis. If the situation improves, global spending will likely create inflation putting pressure on currencies and possibly increasing precious metal demand. A combination of greater uncertainty about the direction of interest rates, the credit crisis, further weakening of global asset prices and ballooning deficits are likely to keep precious metal prices high for the near future.

Global Stimulus Packages (% of GDP)

	2008	2009	2010	Total
Canada	0.0	1.5	1.3	2.8
China	0.4	2.0	2.0	4.4
France	0.0	0.7	0.7	1.4
Germany	0.0	1.5	2.0	3.5
India	0.0	0.5	*	0.5
Italy	0.0	0.2	0.1	0.3
Japan	0.4	1.4	0.4	2.2
U.K.	0.2	1.4	-0.1	1.5
U.S.	1.1	2.0	1.8	4.9
Average	0.5	1.6	1.3	3.4

Source: IMF, *Pending

Table 1

measures to ease the crisis. The US Federal Reserve lowered interest rates to close to zero percent, it has expanded its balance sheet to trillions of dollars in attempts to purchase commercial paper, mortgage backed securities and other consumer debt. The Bank of England lowered interest rates to 0.5%, the lowest in its 300 year history. At the same time global governments are attempting to ease the crisis by offering large stimulus packages and increased spending, see Table 1. Investors around the world remain skeptical as to the effectiveness of central banks and world governments greatly increased role. Asset prices, such as real estate and equity,



[†]World Gold Council, *The Economist





Current Portfolio Strategies

Investment Advisors, Inc.

Released April 1, 2009

GROWTH + PORTFOLIO

Designed for the risk tolerant investor with a mid to long-term investment time horizon

Targeted Performance in a Market Cycle: greater than 100% of S & P 500 upside performance with 100% market risk

Approximate Average Equity Beta (β) > 1

Current Allocations (appx.); 75% stocks, 19% fixed income, 6% cash

Strategic Outlook; Due to historically low valuations in the stock market, SGL Investment Advisors, Inc. feels it is an appropriate time to introduce a more flexible and aggressive portfolio class. The Growth + will not be constrained within concrete asset allocation targets but will rather be driven solely by market opportunities. To simplify, if there is an attractive opportunity to maximize returns in BBB rated fixed income, the Growth + category will focus in that arena. A client in this portfolio should also expect more exposure to growth oriented small and mid capitalization firms. Within this class, SGL Investment Advisors, Inc will also seek out alternative investment vehicles. As one would intuitively expect, an investor in this class should anticipate greater volatility than in other portfolios.

Recent Purchases; Nordic American Tanker (NYSE:NAT) owns and operates 12 double-hull Suezmax oil tanker ships. It is a relatively small company that holds very little debt and passes on close to 100% of its net income in dividends to shareholders. It is an extremely simple business model that has yielded 14% to shareholders over the last five years via dividends.

GROWTH PORTFOLIO

Designed for the risk tolerant investor with a mid to long term investment time horizon or a risk neutral investor with a long-term outlook

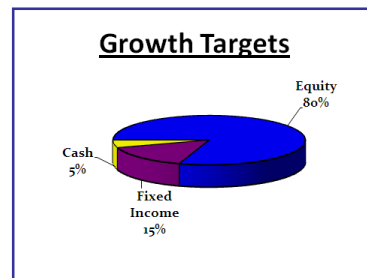
Targeted Performance in a Market Cycle: 100% of S & P 500 upside performance with 85% downside risk

Approximate Average Equity Beta (β) \geq 1

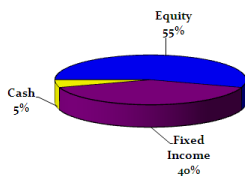
Current Allocations (appx.); 70% stocks (U/W), 20% fixed income (O/W), 10% cash

Strategic Outlook; With high volatility in the equity markets, we continue to remain cautious towards moving into stocks. We are tracking a wide range of blue-chip names that continue to be priced at historically low valuations, and are looking to bring our equity allocations up to their conservative target levels (80%) in the short to mid term. We also continue to find good value in investment grade bonds. Risk premiums for high quality corporate debt are again widening, presenting good total return potential with select credits.

Recent Purchases; Amazon.com (NASDAQ: AMZN), an online retailer, registered their best Christmas season ever despite the very difficult consumer environment. Year over year, the online retailer posted an 8.7% increase in profits to \$225 million. Ebay, AMZN's primary competitor, has recently retreated in a sense back to their purely auction format. Amongst those two giants, the traditional online retail pricing niche now belongs solely to Amazon.



Total Return + Targets



TOTAL RETURN + PORTFOLIO

Designed for the risk tolerant investor with a mid term investment time horizon or a risk neutral investor with a mid to long-term outlook

Targeted Performance in a Market Cycle: 80% of S & P 500 performance with 60% downside risk

Approximate Average Equity Beta (β) = 1

Current Allocations (appx.); 45% stocks (U/W), 50% fixed income (O/W), 5% cash

Strategic Outlook; Similar to the Growth category, we remain cautious towards moving too quickly into the stock market due to the volatility experienced on a daily basis. In Total Return + we are also moving towards our minimum equity target (55%), incrementally moving into high quality stock positions when the market batters

valuations to a point where we simply can no longer ignore them. We also continue to supplement our fixed income portfolios with FDIC insured CDs to provide additional principal stability.

Recent Purchases; McGraw Hill Companies, Inc (NYSE: MHP), a reputable publishing company, announced a dividend increase payable on March 11 despite a difficult operating environment. We believe MHP's core business of textbooks will provide a stable revenue base as more people elect to return to school to enhance their occupational marketability. MHP owns Standard and Poor's, which publishes a wide variety of market research materials in conjunction with their widely recognized indexes, including the S & P 500. This largely online information resource should fuel revenue growth for the parent company.

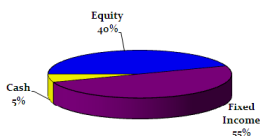
Current Portfolio Strategies



Released April 1, 2009

Investment Advisors, Inc.

Total Return Targets



TOTAL RETURN PORTFOLIO

Designed for the risk tolerant investor with a limited investment time horizon, or a risk averse/neutral investor with a mid to long term outlook

Targeted Performance in a Market Cycle: 65% of S & P 500 upside performance with 50% downside risk

Approximate Average Equity Beta (β) ≤ 1

Current Allocations (appx.); 35% stocks (U/W), 55% fixed income (O/W), 6% cash

Strategic Outlook; We continue to aggressively seek out bargains in the short-term corporate bond market. Due to mid term inflationary expectations, we are targeting average portfolio durations of 5 years or less in all portfolios. Due to overstated credit concerns towards some select cash flow

positive institutions, SGL Investment Advisors, Inc. continues to find very attractive short-term yields. We're also incrementally edging towards our minimum equity targets (40%) in Total Return as well.

Recent Purchases; General Electric Capital, the financial arm of a well-diversified conglomerate, bonds due in August 2009 were purchased @ 99.805 to yield approximately 4.6% annualized. Although GE is certainly in the news a lot lately, their recent incremental credit downgrade only served to buoy these bonds. In exchange for a 4.6% return, shouldering 7 months of risk with a AA- rated company is extremely compelling. Market bids have risen to nearly 101 in under a month's time.

CAPITAL PRESERVATION PORTFOLIO

Designed for the risk averse/neutral investor with a limited to mid-term investment time horizon

Targeted Performance in a Market Cycle: 50% of S & P 500 performance with 35% downside risk

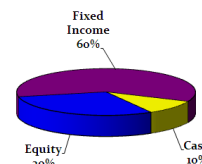
Approximate Average Equity Beta (β) < 1

Current Allocations (appx.); 25% stocks (U/W), 65% fixed income (O/W), 10% cash

Strategic Outlook; We're still finding short term A rated or better bonds that offer yields reflective of overstated credit risk. As well as attractive corporate offerings, we continue to locate FDIC insured CDs that offer principle protection and steady income streams. These CDs serve almost as cash equivalents, yet yield multiple times more than current money market fund rates with all the liquidity of corporate bonds.

Recent Purchases; In mid-January, SGL Investment Advisors, Inc. purchased a number of Medtronic (a > \$30B medical device manufacturer and distributor) convertible bonds. Convertible bonds pays interest, just like a conventional bond, but offer the added feature of including the option of converting into stock at a given price level. The particular convertible matures in 2013, is rated AA- and was priced to yield over 4%. It represents an attractive yield for a very highly rated company with the added potential upside of capital appreciation if there is a market rebound.

Capital Preservation Targets



Income Targets



INCOME PORTFOLIO

Designed for the investor in search of current income and/or preservation of principle.

Targeted Performance: Customized income portfolios to meet a variety of income needs.

Approximate Average Equity Beta (β) ~ n/a

Current Allocations (appx.); 98% fixed income, 2% cash

Strategic Outlook; The Income portfolio is designed to be a customizable portfolio that suits an individual's particular needs. Whether a client's high current income requirements necessitates an aggressive bond portfolio or preservation of principle calls for a FDIC insured CD portfolio – the income portfolio attempts to fill that niche. We have built successful all FDIC insured CD portfolios

as well as a portfolio designed to generate tax – free income through investments in Montana municipal bonds. Any and all permutations of the above approaches are possible.

Recent Purchases; One example of an attractive FDIC insured CD was an odd-lot offer on a 4.6% coupon CD due on 03/12/13.

Although the CD is callable (and is likely to be called) in June of this year – it was still priced to yield over 3% till call. Either yield far surpasses comparable offerings for FDIC insured pieces of similar maturities, and subsequently it was certainly worth absorbing the odd-lot into the portfolios.

(U/W) – Underweight relative to targets, (O/W) – Overweight relative to targets, (E/W) - Equalweight relative to targets



Who's to Blame?

Authored by Joshua Denney

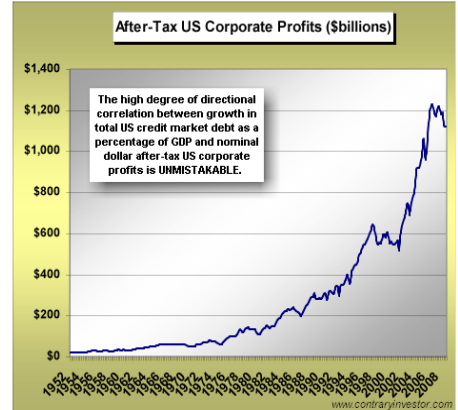
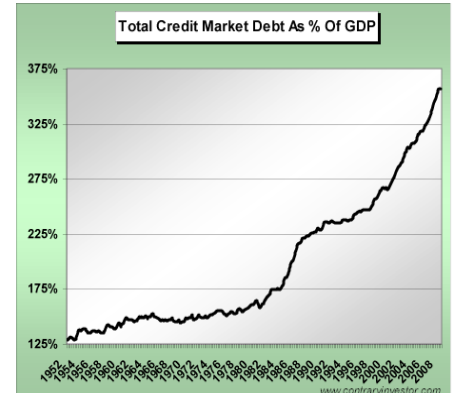
Investment Advisors, Inc.

I can't count how many times I've heard the question "Who's fault is this?" over the course of the last 6+ months. Was it those bonus-receiving AIG employees at the financial products division? Perhaps it was the subprime borrower who signed a mortgage he should have known he couldn't afford once the 'A' in his ARM kicked in. Maybe we should look at Bill Clinton for strengthening the enforcement provisions of the Community Reinvestment Act or George Bush for pushing Fannie Mae and Freddie Mac to allow no down payment loans for low-income borrowers. Certainly Fannie and Freddie deserve the brunt of our ire. And where was the alphabet soup montage of financial industry regulatory agencies as this bubble was swelling, isn't it their job to anticipate this sort of eventuality?

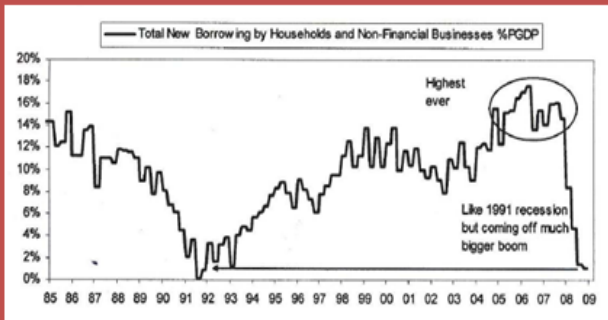
It's human nature to want someone to blame, we need the outlet. It's simply easier for us to manage our consternation if it has a face, name or specific logo. But I've come to the conclusion that the culprit is more conceptual in nature. Therefore, the answer to the above referenced question has become "We systemically misassessed the risks of excess leverage". Not as clean as "It's political party X's fault" or "Those hedge fund managers", but ultimately more to the point. And perhaps more importantly, it's an answer that's more constructive in the sense of ultimately learning from our mistakes and therefore not recreating them.

Few of us as individuals or business units can exist without some form of leverage. Most of us have credit cards, few of us could have paid cash for the houses we live in. We use debt to pursue intangible assets such as a college education. Leverage also fuels the American entrepreneurial complex, debt financing is the most common form of start-up capital. Large institutions are no different, most rely to some extent on revolving credit lines and access to credit markets in the form of bond offerings. And at the very root of that dynamic, we find the supply side of leverage – the banking system. Leverage is the primary product that banks produce, over 2/3 of a traditional bank's assets are usually held in their loan portfolio. Leverage, in and of itself, is a necessary part of capitalistic progress and not a destructive force. It fuels growth, providing much needed liquidity with which we can maximize potential.

The problem, whether it be in our individual households or in the offices of a multi-billion dollar corporate complex, arises when we overextend our leverage to the point that it's no longer sustainable if economic inertias shift. With debt comes the assumption of risk. A home purchaser should accommodate in her budget projections for the potential risk that her home's value may not continue to increase into infinity. A corporation should not create a debt service dynamic that exceeds its income projections in times of lean demand. And since they are at the root of leverage, banking institutions ought to plan for the risk of worst-case scenarios. Situations change at an ever-increasing rate in today's world – and change equals risk. To summarize, I'll borrow an overused cliché – "The only constant is risk".



Growth & Contraction of Leverage



So now the economy is now in a deleveraging cycle. Households, non-financial corporations, and banking institutions alike are in the process of purging debt from their balance sheets. It is more difficult to refinance existing debt, whether you're a homeowner or a corporation looking to refund a bond issue. Governments and central banks around the world are attempting to provide leverage to their respective banking systems to ensure that the flow of credit remains somewhat healthy. There are certainly signs that those efforts are having an effect. Numerous corporate borrowers have brought successful bond offerings to the credit markets in the last three months. Rates on a 30-year fixed rate mortgage have again dropped below 5%. And in the short-term, the appetite for U.S government debt remains very strong. Although few of us like to see our government assuming such massive liabilities, at least it's cheap debt for the moment!

Our world is full of prime examples of individuals, corporations and banks that never used leverage irresponsibly. Individuals living in homes they can comfortably afford while they wait for housing prices to resume a more sustainable appreciation pattern. Corporations with cash rich balance sheets and very little debt. Conservatively run banks that never overextended credit beyond what their internal risk management processes allowed. These risk conscious people and business were, are, and will be prosperous in the mid to long term. These entities have one thing in common – they generated these cash returns without the excess leverage many others depended on. They were able to prosper without excess debt, and now are well positioned to grab market share from those who ignored the risks of leverage and are now paying for it.

It is these sorts of companies that SGL Investment Advisors is focusing their research on. For example, the Berkshire Hathaways of the world – a company that prospered without irresponsible leverage and will continue to generate cash regardless of credit market conditions. In his colloquial fashion, Warren Buffet has been known to say "Only when the tide goes out do you discover who's been swimming naked". The tide is going out or perhaps is already at it's low point. Ultimately it will come back in to a level of natural equilibrium. And the companies that managed the risks of their leverage responsibly will go swimming in the cash benefits of their fiscal prudence. With their suits on, of course!

