

AMERICAN MONEY MANAGEMENT, LLC

SEC Registered Investment Advisor

PO Box 675203, Rancho Santa Fe, CA 92067 | Tel: 888-999-1395 | Fax 866-364-1084 | info@amminvest.com | www.amminvest.com

Thank you for your confidence during this historic period of bank consolidations and disruptions. Like others before it, this crisis will eventually pass as will the many opportunities that it has presented for income and growth investors. As your portfolio managers and financial advisors, it is our job to maintain a realistic perspective while working to properly diversify your assets. It is also our duty to try and buy high quality stocks, bonds, and funds when they are attractively priced. For most of this year, we have generally held high levels of cash in the client portfolios and the mutual funds that we manage. Please be assured that we are doing our best to put this cash to work in securities of the highest quality while they remain on sale.

124 FINANCIAL CRISES SINCE 1970, ACCORDING TO THE INTERNATIONAL MONETARY FUND

Panics and shakeouts are natural occurrences in today's world. The IMF studied 124 financial crises dating back to 1970 and concluded that the faster a government takes dramatic action, the better it is for markets. Today, investors are selling; they want out at any price. Cash is king.

There have been hundreds of comparisons to "The Great Depression" as the press and the public conjure up every worst case scenario imaginable. It is natural human tendency to extrapolate the past into the future, assuming irrationally that whatever has gone down will continue to fall further. Recent events in the banking and financial sectors have created a wave of hysteria and alarm, and thousands of investors will likely regret locking in losses at current prices.

FORCES THAT CREATE OPPORTUNITIES - THE THREE "I'S"

Of the various forces that result in extremely depressed pricing opportunities, crashes and panics are the very best. Warren Buffett once remarked that in every market cycle there are three "I's": the *innovator* is the first "I" followed by the *imitator* and third, the *idiot*. During the last few years, many large investment banks created, sold and purchased for themselves irresponsible mortgage products. This time, Wall Street bankers were the third "I". The consequences for these banks have been significant. Two major investment banks have essentially failed (Bear Stearns and Lehman Brothers) while another (Merrill Lynch) was forced into selling. The commercial banking sector has been hit hard as well with the failures of Washington Mutual and Wachovia over the last several days. While headline grabbing, these failures are nothing new for financial capitalism.

WHAT WE'VE LEARNED FROM PAST MARKET CYCLES

The Wall Street Journal's Michael M. Phillips recently outlined what has happened so many times throughout U.S. history, "...the bubble pops, lenders freeze, depositors lose faith, and panic spreads." Beginning with the panic of 1792 when George Washington was president, the United States has a long history of stepping in when nobody else would. Back then, Treasury Secretary Hamilton coordinated a government bailout by borrowing money to buy troubled debt. Today's officials are putting together a rescue package that will essentially do the same thing. Similar panics drove prices to extreme levels again in 1819, 1841, 1907, 1933, and in 1989 due to the savings and loan crisis.

"THE FOUNDATIONS OF FUTURE WEALTH ARE LAID IN BEAR MARKETS." - KNIGHT KIPLINGER

Panics and shakeouts have produced many of the greatest opportunities for bargain hunters. As value-oriented investors, we generally want to be buyers on weakness. The best time to be a buyer is precisely when the market has turned irrational or overly pessimistic. It is never easy to do, because what you buy during bear markets may fall even further. Time, however, is the value investor's ally, and we will seek to take advantage of opportunities on behalf of our clients during what will no doubt be remembered as "The Panic of 2008."

We appreciate your continued confidence and look forward to helping you achieve your investment and retirement objectives. As always, please feel free to contact us if you have any questions or would like to review your portfolio.

Your Portfolio Management Team

Gabriel Wisdom
Managing Director

Michael Moore
Chief Investment Officer

Joseph Dang, Esq.
In-House Counsel

Jim Rhodes, CFA
Executive Director

Tom Jolls
Executive Director

Adele Canetti
Portfolio Manager

Glenn Busch
Portfolio Manager

Vicki Moore
Operations Manager

Erik Carter, CFP
Financial Planner

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Mailing Address: PO Box 675203, Rancho Santa Fe, CA 92067

14249 Rancho Santa Fe Farms Rd, Rancho Santa Fe, CA 92067

www.amminvest.com

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Fax: 866-364-1084

E-mail: info@amminvest.com