

AMM**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

THE BIG PICTURE - LOOKING AHEAD

The U.S. economy continues to recover from the recession of 2008. Extremely low interest rates are helping to fuel growth, and the Federal Reserve has indicated that rates will remain low for an extended period of time. Fourth quarter earnings for the majority of S&P companies beat analyst expectations and corporate profit strength has continued into the first quarter, which provides validation that we are in a bull market for stocks. Housing continues its (slow) healing, and global stock markets have sent a strong message that a sustainable economic recovery is in the cards.

CLIMBING A WALL OF WORRY

Nevertheless, investor skepticism about the durability of the recovery remains high. This is evidenced both by high levels of "cash on the sidelines" and record flows into bond mutual funds. **Flows into bond funds represent a clear choice by investors to eschew the perceived riskiness of the equity markets for the perceived safety of the bond market.** In 2009, bond funds took in an estimated \$357 billion. Not only was this more than the prior 5 years combined, but it happened during one of the strongest (and fastest) stock market rallies in history. When (not if) interest rates begin rising to more normal levels, we expect long maturity bonds, and mutual funds that own long-term bonds to perform poorly, suffering price declines. This is why we are minimizing exposure to longer-term bonds that lock in today's historically low interest rates.

Alternatively, while not a scientific observation, **we recall the high level of investor optimism and strong flows into stock funds at the dawn of the new millennium, 2000.** This period ultimately became characterized by the phrase "irrational exuberance". We all know what followed. A negative decade for U.S. stock returns, marked by the bursting of the tech bubble, 9/11, the inventory recession of 2002, the housing/credit bubbles and the great recession of 2008. The current environment is a far cry from those frothy days that marked the beginning of the last decade. Contrarily, we view this environment of caution and doubt as supportive of continued stock market strength. Our reasoning is simple: With an estimated \$9 trillion dollars parked on the sidelines, earning almost nothing, there is plenty of capital that should eventually begin flowing back into the markets. If history is any guide, as markets move higher, investors will eventually be feeling confident enough to go back in, ironically at higher prices. Unfortunately, "buy low, and sell high" is one of those concepts that sounds easy but runs contrary to human nature.

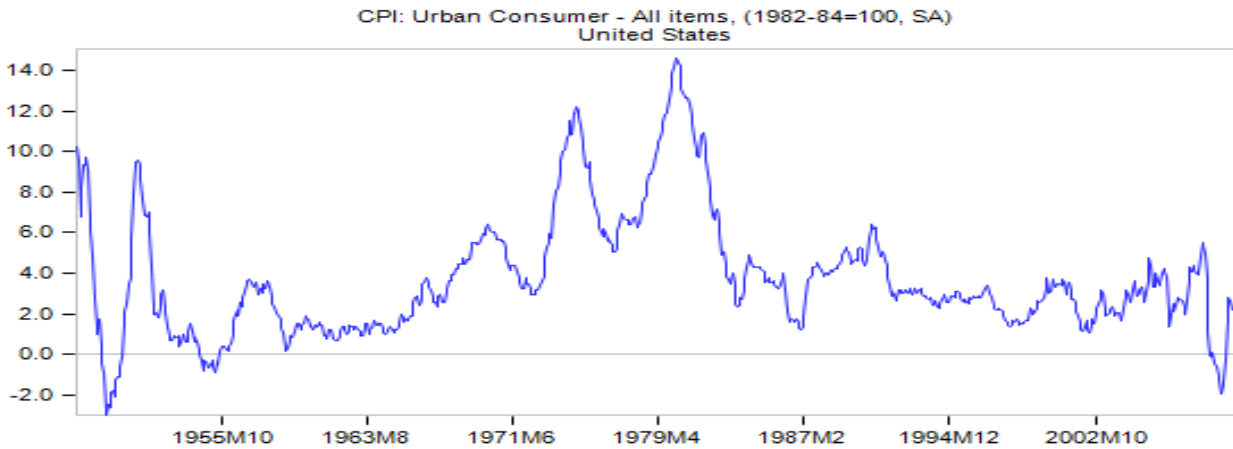
THE ECONOMY AND THE MARKET: STILL EARLY IN THE CYCLE - REASONS FOR OPTIMISM

After a robust 12 months for stock returns, most market participants are questioning the durability of the stock market advance. While longer-term concerns remain, we believe there is reason for the bull market to continue. Research conducted by JP Morgan Asset Management suggests that the average bull market lasts 68 months, with markets rising 176%. The current bull market that started in March 2009 is barely 12 months old and has so far retraced approximately 70% from the panic lows. Still, investor sentiment is far from exuberant, inflation is not problematic, and many stocks remain modestly valued. In fact, the majority of stocks trade well below their 2007 highs (many at less than 1/2). A review of some key economic data suggests that the recovery is in its early stages and that more market upside remains.

(OVER)

1. Inflation: Inflation is low. While this is partly indicative of a weak job market and declining consumer confidence, it also provides room for policy makers to maintain a low interest rate policy. Low rates provide fuel to the economic growth engine. As long as inflation remains in check, we believe these low levels can be maintained. As we wrote in our 1st quarter communication, “while the data suggests that runaway inflation is not a short-term threat (<1 year), we are concerned about the massive fiscal deficits and zero return on cash savings for an extended period of time”. At some point down the road, we expect inflation expectations to move markedly higher. Accordingly, we have positioned a portion of most diversified portfolios in inflation indexed and commodity oriented assets.

Chart A*



2. Jobs & Consumer Confidence: Payroll employment increased by 162,000 in March (Chart B). While the unemployment rate has remained steady at 9.7% (due to an increase in labor force participation), there is a trend in the direction of employment (Chart B) from fewer job losses through the second half of 2009 now giving way to job gains. Ultimately, the trend in jobs should have a more meaningful affect on consumer confidence (Chart C). Through the first stages of the recovery, consumer confidence has remained one of the weakest economic indicators. This is normal given its status as a lagging indicator. The reading which has averaged around 70 over time (typically more than 100 during expansionary periods) is still at a very low 52.5. We expect that a continued strengthening in the jobs market will have a positive effect on consumer psychology.

Chart B*

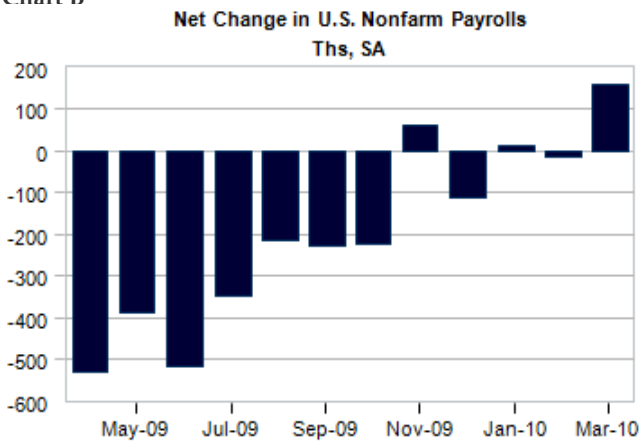
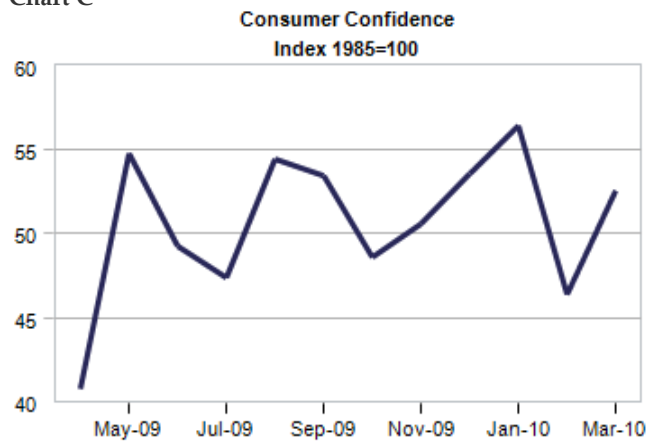


Chart C*



* Source: Moody's, Economy.com

EQUITY OPPORTUNITIES / PORTFOLIO HIGHLIGHTS

Many major market components remain severely depressed from their 2007 highs. Significant opportunities remain for patient, value conscious investors. Below we have highlighted two recent additions to AMM portfolios. One large well established global financial company, and one smaller, lesser known business with high growth potential. We feel that both stocks offer above average upside from current price levels. Most clients have exposure to these issues directly or through ownership of the Fallen Angels Value Fund.

Citigroup Inc



Citigroup is in the early stages of a turnaround. Shares suffered significantly throughout the credit crisis of 2008 as investors questioned the solvency of the business. Citigroup's earnings power has taken a major hit over the last several years as their loan loss provision has risen from \$6.32 billion in 2006 to \$38.7 billion in 2009. As the economy recovers, we believe that these provisions will come down providing a boost to earnings in the coming years. We began acquiring shares in the first quarter at a small premium to the company's tangible book value of \$3.87 per share. Over the last 20+ years, Citigroup has traded at an average premium to tangible book of more than two times (at times trading as high as 5 times this value). Our initial price target is \$8.

Shanda Games Limited



Shanda Games is a Chinese based online gaming company. The company was spun-off from its parent, Shanda Interactive Entertainment (SNDA), in 2009 and is down approximately 40% over that time frame. Shares gapped down more than 15% on March 1st after the company offered disappointing 1st quarter guidance. Nevertheless, we view GAME as an attractive opportunity at current price levels. The company generates solid free cash flow, has no debt, and profit margins topped 30% over the last twelve months. GAME has a current earnings yield of 12% which is very high for a business that analysts expect to grow at approximately 18% over the next few years. Given the strong fundamental qualities of this business, we view the current valuation as very compelling. Our initial price target is \$13.

FIRST QUARTER 2010 IN REVIEW

Domestic stock markets produced strong gains in the first quarter of 2010, extending the recovery in stock prices that started about a year ago. For the quarter the S&P 500 gained 5.4%, International stocks (EAFE) gained 0.9% and Bonds (BarCap US Aggregate Index) gained 1.8%. Longer-term Tax-free, Treasury, Government Agency, and High Grade Corporate bonds continue to trade at historically high prices and low current yields. Interest rates, like everything else, are cyclical. When rates normalize down the road, we expect to once again be buyers of long-term bonds.

2010 ROTH IRA CONVERSION

In 2010, any investor (regardless of income level) can convert their existing Traditional IRA into a Roth IRA. Effectively, this will allow investors the benefit of tax free distributions at retirement. The drawback is that the amount converted today will be taxed in its entirety (though the law allows these taxes to be deferred until 2011-2012). The decision about whether or not to take advantage of this opportunity is specific to your tax and financial situation. Please contact your AMM Investment Advisor to learn if the Roth Conversion is appropriate for you.

As always, we thank you for entrusting AMM to help you achieve your investment and retirement objectives. If you have any questions, concerns, or comments, please do not hesitate to contact us.

Your Portfolio Management Team

Gabriel Wisdom
Managing Director

Michael Moore
Chief Investment Officer

Jim Rhodes, CFA
Executive Director

Mickey Christian
Executive Director

Tom Jolls
Executive Director

Joseph Dang, Esq.
In-House Counsel

Glenn Busch
Portfolio Manager

Adele Canetti
Portfolio Manager

Bryan Case
Financial Advisor

Allen Kay
Financial Advisor

Robert Frazier
Financial Advisor

Vicki Moore
Operations Manager

AMERICAN MONEY MANAGEMENT, LLC

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

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

www.amminvest.com

Tel: (858) 755-0909

Tel: (888) 999-1395

Fax: (866) 364-1084

E-mail: info@amminvest.com