

# THE VIEW FROM PRINCETON

*Market Commentary ♦ July 4, 2009*

The events, turmoils, and traumas of 2008 have obviously cast an enduring overhang of foreboding clouds. For Americans it seems more like an unshakeable shadow. The bedeviling aspect of one's shadow is that it is a precise projection of one's own profile, however unflattering a greed-stuffed, bulbous waistline might appear. The contemporary American shadow-cast profile is in such contrast to the traditionally depicted tall, spare, smiling Uncle Sam leaning toward you. The recent shadow is not the posture of a disciplined fit-to-serve-the-nation system; rather it is a profile of privilege allowing the marketplace to serve itself above service to all others.

The present moment is 2009, going on 2010. As simple and obvious as this statement is, it seems to be too seldom taken into account — only because 2008 follows as a bad specter, perhaps. America and investors are best served looking forward to the sun, not rearward toward our shadow. Emotionally speaking, leaving 2008 behind should not be so difficult, irrespective of the bruisingly rough treatment accorded personal investors and financial institutions. It should be possible to see 2008 as the year that removed risk from the marketplace (not all of it), removed wildly excessive leverage (not all of it), removed irresponsible attitudes and activities from financial institutions (not all of it) and challenged national supervisory authorities around the world to accept as a lesson, “never again”.

For the stock market, the first two quarters of this year have been a step down and a larger step upward. The table (in familiar format) reveals such.

<u>Name of Index</u>	<u>CLOSING PRICES</u>			<u>% CHANGE *</u>	
	<u>12/31/08</u>	<u>3/31/09</u>	<u>6/30/09</u>	<u>Last Quarter</u>	<u>Year To Date</u>
DJ Industrial	8,776.39	7,608.92	8,447.00	11.01%	-3.75%
S&P 500	903.25	797.87	919.32	15.22%	1.78%
DJ Wilshire 5000	9,087.17	8,113.10	9,424.92	16.17%	3.72%
Nasdaq Composite	1,577.03	1,528.59	1,835.04	20.05%	16.36%
Russell 2000 Growth	257.07	231.51	285.18	23.18%	10.93%
Nasdaq Biotechnology	729.54	682.81	749.58	9.78%	2.75%
Nasdaq Telecommunications	146.29	150.89	188.07	24.64%	28.56%

Data source: Telemet

\*Not adjusted for dividends

It is paradoxical that so many wounded investors continue to respond as though there is more risk now in the marketplace than there was in the years that preceded 2008. Nothing could be further from reality than such an inverted appraisal of risk. It seems better to look back on 2008 with gratitude for what was accomplished, with forgiveness for the roughness of the market's chastisement, with sympathy for governmental errors given the precariousness of the dynamics, and with hopefulness for the completion of the task still to be done.

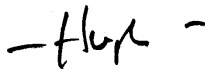
We look to 2009, and sequels, to bring days of convalescence when time — and time alone — effectively supports the task of restoration. Count on this. Survival of the financial system is no longer an issue. There is no need for more liquidity, merely a change of attitudes (which will surely eventuate) that will support the releasing of liquidity for investing. There is little or no need for new securities legislation, just resolve to impose with a firmly impartial hand present laws and the regulations that extend these laws into daily activity.

Many major enterprises have sufficient cash to afford a broad choice of strategic investments in an environment allowing advantageous costs in building or in acquiring other enterprises. Reconstitution of the depressing economic effects is happening in degrees that show only slight evidence still; yet, act in a cumulative way. The financial crisis had its roots and deepest after-effects in America. Asian and Southern Hemisphere nations were not so severely affected, and now show more evident signs of improvement. Expected improvement elsewhere should be supportive to expectations for America.

The quarter that just ended was quite satisfactory for our clients, helped by a fairly broad elevation of share prices. We always purchase shares on both a client-by-client basis as well as a case-by-case valuation basis, and the shares we have been purchasing for our clients since November have responded well in this recovery phase. Novozymes A/S, FEI Corporation and Cerner (among others) contributed significantly to our performance this quarter. While we are still positive on Cerner's fundamental outlook, we booked our profits as it approached its twelve-month high and redeployed the gains in stocks with equally favorable prospects but more favorable valuations.

While some of our client holdings in the telecommunication space (Verizon and AT&T) have lagged in responding, these provide a very nice yield and downside protection. We expect these to catch up. Invested positions seem justified at today's prices in investment quality securities (many affording high dividend yields) and in securities that have extraordinary prospects ahead for the products and services provided. This quarter's first stage advance points toward the days when the pull of growing earnings will be lifting these share prices further.

With enduring best wishes,



R. Hugh A. Fitzpatrick



James Fitzpatrick

As an ever elevating celebration: *"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are "Life, Liberty and the pursuit of Happiness. — That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed.*

*.....And for the support of this Declaration, with a firm reliance on the protection of Divine Providence, we mutually pledge to each other our Lives, our Fortunes, and our sacred Honor."*

Signed by fifty-six stalwart persons July 4, 1776, and subsequently (in their hearts) by many millions of Americans who became beneficiaries of such courage and idealism.