

Mirror, mirror on the wall, which is the fairest investment of all?

Based on performance of the S&P 500 Index over the last 70 years, we compare two investment options:

- A) Holding equities for 20 years
- B) Holding municipal bonds of AA quality with 15 to 20 year maturities

About BPAM

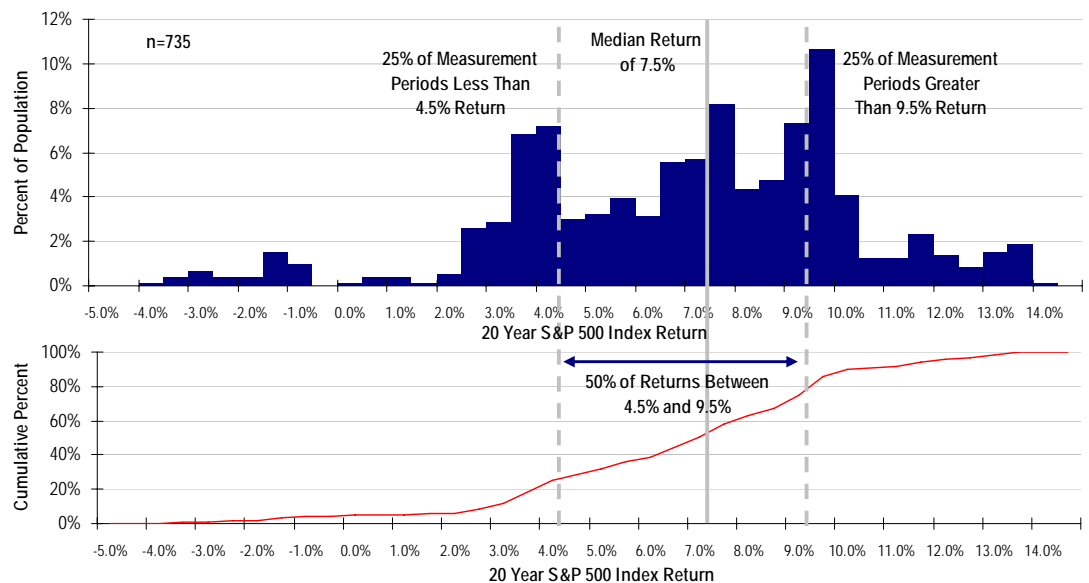
BPAM is focused on providing its clients with investments that clearly define and limit risk. The goal is to ensure that our clients are well compensated for risk and understand the risk and return parameters of their investments. The firm is committed to transparency in all of its investment strategies.

Philosophy

At BPAM, we believe that markets are efficient in the long term, but from time to time undergo periods of extreme over-valuation (bubbles) and under-valuation (panics). BPAM's goal is to protect its investors' capital from these periods of extreme over or under-valuation and provide a less volatile path to exceed market returns over market cycles.

We also carefully study asset correlations in up and down markets and work with clients to identify hidden risks and correlations that may provide a false sense of diversification.

A) Distribution of Historical Returns For Rolling 20 Year Periods Monthly 1950 - 2008



B) Actual Municipal Bonds Purchased for BPAM Clients in June 2009

Example Municipal Bond Yields					
Issuer:	Maturity	Rating	Yield ¹		
			After Tax	Pre Tax - Fed	Pre Tax - NY
New York State Water Authority	June 15, 2035	AA+	5.06%	7.78%	8.50%
San Diego Water Authority	August 1, 2024	AA-	5.05%	7.77%	-

Note (1) Pre-Tax Yields shown grossed up for federal taxes (Fed) and NY state taxes (NY) to show comparable returns

Conclusion

A sleep at night approach dictates a serious consideration of (B), the municipal bonds. There is a high probability investors at least meet, if not beat, the median return for equities with little worry.

Should be disconcerting for the equity markets, since on a marginal basis bonds beat stocks right now. Bond yields are providing serious competition for equity investors with a long term perspective. This could put a bit of a lid on the equity markets.