

Texas Financial
Investment Management

May 2009



The rally that started in March continues through May, while disproving the old saying, "Sell in May and go away". All equity markets both foreign and domestic advanced in May and in fact the foreign markets did noticeably better than the US markets. The results for the US markets were still very good although lagging most foreign markets.

The results for May are as follows:

| | | | |
|------------------------------|-------|--------------|-------|
| Dow Jones Industrial Average | 4.07% | NASDAQ | 2.44% |
| S&P 500 | 5.31% | Russell 2000 | 2.88% |
| S&P Mid Cap Index | 2.56% | | |

Clearly the large caps lead the rally in May. As far as year to date, only the DOW remains below its December 31, 2008 closing level, tech heavy NASDAQ leads the way with the Russell 2000 barely positive for the year. For the month all sectors were positive with Energy, Financial Services, Technology, and Precious Metals leading the others. Commodities in general have been very strong for the first five months of this year; this trend should continue if the world economy is truly on the verge of a recovery. The market appears to anticipate the start of a recovery and the end of the recession. Although the continued strength in precious metals leads us to believe that there remains a significant amount of skepticism as to whether the worst of our economic ills are behind us.

The economy remains fragile, but the market seems optimistic that the beginnings of the recovery are showing themselves. Volatility will still be an issue on a daily basis that is attributed to the latest economic results, new government actions, and corporate earnings made public. The markets will move up or down daily based on these latest issues, but it appears at this point that the general trend is upward. We will have some retrenchment as we move up, but we do not expect to retest the March lows. We will continue to watch the market closely as the next few weeks play out, and we will be ready to move if the market illustrates any breakdown of the upward momentum.

Due to the general upward trend of the markets we reentered, we are now fully invested. As indicated last month, we first established a core holding of large cap equities and quality bonds. To this we added positions in small cap equities, technology companies, and emerging markets. We expect the small cap, technology, and emerging markets to out perform large caps therefore we have chosen to place additional emphasis on them in our asset allocation.

That's enough for now, till next time,

God Bless,

Bill Mack and Tim Bauer

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