



For instance, the latest *Newsweek* magazine cover showed a long road with a title of “Road to Recession” on it, and *The Economist* came out with a headline that says “It’s rough out there,” showing an image of the man attempting to weather a massive rain storm that is beginning to hit. It is these types of images and headlines that send the masses into a frenzy, making it very difficult to begin stepping back into the market. However, one thing that we have seen is that we expect to see the most negative news at market bottoms, when our indicators are at such low levels. Where were those covers when the Dow Jones was nearly 2,000 points higher? Where were those covers when we began lowering our exposure to the market? For instance, back at the market bottom in 2002 we saw magazine covers like the one from *BusinessWeek* that said “THE ANGRY MARKET” in big, bold red letters, and the cover had a picture of a big grizzly bear growling. We utilize technical indicators to avoid



these types of headlines and news effect the way that we manage risk in your portfolio, other than to provide a contrary indicator that is. The

truth of the matter is the markets are forward looking, and by the time a recession is officially declared, most often the markets have already put in a bottom and begun looking for the next growth phase.

Typically, market conditions like this come around only once every three-four years, and they generally offer great buying opportunities in the market. For instance, there were conditions like this in October of 1998 when the market was putting in a bottom and again in October 2002.

There is no way to know how this market is going to play out in the future, or how orderly this bottom will be, but we are led to believe that offense is the right course of action here.

While we do not try and predict what the markets are going to do; we do know that trying to play offense with defensive players will not produce the type of results we are looking for. Therefore, we are putting away the defensive playbook and pulling out the offensive playbook.

This is the type of action that we will begin taking in your account in order to accumulate wealth while the market is supporting higher prices. For instance, we will be reducing the defensive positions we had on coming into the year, which will effectively increase the equity exposure in this offensive market. Also, since we had an increased level of cash during the defensive market environment we will begin employing some of this cash back into the equity markets in the places that are showing strength.

What are the markets going to do over the coming weeks? We wish we knew the answer to that, but we don't anymore have that answer than we do to the question of who is going to win the Super Bowl next season, or the Final Four this year. Going to defense in December helped us avoid many of the major potholes in the market, and set us up nicely to take advantage of a market with much greater value and much lower risk. We will be actively reviewing all client accounts to make sure that your portfolios are positioned in a wealth accumulation or offensive mode. If you have any specific concerns you would like to address, including individual strategies, we are here to discuss them with you. And, if you know of anyone who can benefit from this type of coaching in their portfolios, we always appreciate referrals.

Thank you for your business and support,

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