

PEAK FINANCIAL MANAGEMENT, INC.

TO: PEAK CLIENTS
FROM: PRAN TIKU, PRESIDENT
KERRY LURIA, PORTFOLIO MANAGER
DATE: 09/26/2008
SUBJECT: SPECIAL PORTFOLIO UPDATE

Fear: a distressing emotion aroused by impending danger, evil, pain, etc., whether the threat is real or imagined*

When fear runs unchecked it leads to panic.

Panic: a sudden overwhelming fear, with or without cause, that produces hysterical or irrational behavior, and that often spreads quickly through a group of persons*

The market has been gripped by fear and panic over the past two weeks. When all you hear and read is "crisis," "meltdown," or "our entire economy is in danger," fear is a rational response. We have witnessed extreme market volatility, both to the downside and the upside. As of 9/25/08, the Russell 3000 Stock Index has shed 15.70% year-to-date. As of 9/12 it was down 12.76%. Three trading days later, on 9/17, it was down 19.28%. Two trading days after that, on 9/19, it was again down only 12.09%.

The market is suffering from a breakdown in our financial system. There is a crisis of confidence and an environment of mistrust. Credit markets have frozen. It is extremely difficult for even the most qualified companies and individuals to borrow money to grow their business, to buy a house or car, etc. Central banks worldwide have responded aggressively by pumping billions of dollars of liquidity into the system. The US Government is making every effort to preemptively manage the situation. The \$700 billion bailout plan is bold and most likely flawed, but necessary. Only in time will we learn the impact of the government's actions and Wall Street's restructuring, but destruction brings reconstruction and hope.

This year's double-digit losses are substantial and many investors are fearful. Reacting to fear and moving in and out of the market ultimately increases risk and decreases return. We feel our clients' portfolios are properly allocated to reflect their long-term investment goals and tolerance for risk. History has shown us that just as the market can move sharply down, it can also move sharply up. We are not altering our exposure to stocks because we do not want to participate in the downside only to miss the upside. Although difficult, we must exercise extreme patience while we wait for the market's issues to resolve themselves. The only minor change we will be making is within our bond portfolio. We will be shifting some of our bond investments to cash as a short-term reaction to the uncertainty in the credit markets. It is difficult to predict the short-term forecast for the market, but we remain optimistic for the long-term prospects of recovery and growth.

These are troubling times, but we have been through downturns in the past and have come out of them to realize extraordinary investment opportunities. With time and patience, we expect the same to hold true today. As always, please contact us if you have any questions or concerns. We thank you for your confidence and trust.