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	05/11/09	03/11/09
S&P 500 Price/Earnings Ratio	12.5	11.7
Dividend Yield of S&P 500	3.1%	3.4%
VLMAP*	125%	140%

(*Value Line Median Appreciation Potential)

	05/11/09 Value	Change Since 03/11/09	YTD Perf
Dow Jones Industrial Average	8409.85	+28%	-4.20%
Vanguard 500 Index	85.70	+37%	+3.85%
Vanguard Total Bond Index	10.11	+ 1%	+0.81%

REBOUND

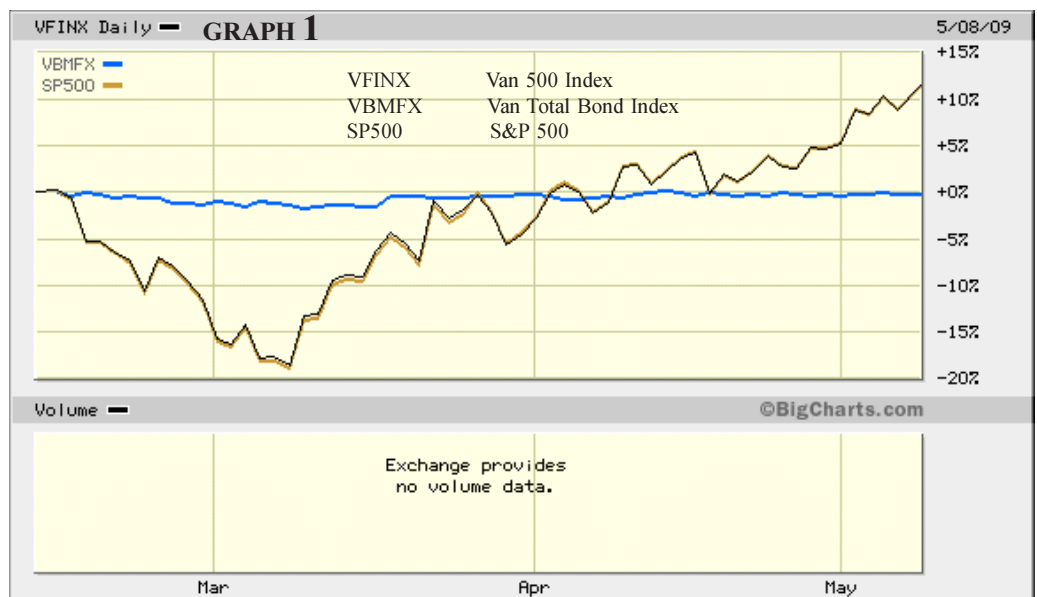
Financial markets turned and reversed themselves since the end of February. The headlong economic meltdown which we have been experiencing for more than a year has been halted at least temporarily.

GRAPH 1 shows you what has happened in the past three months. We have experienced a very strong rebound. We do not know, and cannot know, if this is a rally in the midst of a longer-term downturn, or if this is a genuine recovery. Since the results of any large-scale guess could be disastrous, I do not intend to speculate. Instead I intend to continue our long-term plan of diversification and mild contrarianism.

As you can see on **GRAPH 2**, our investment selections from last quarter are performing about as well as hoped. If this rally remains in place, our gold-backed CD will probably mature at par with no other gains, since the stampede to gold for safety seems to have halted. That's OK: as I wrote before, we don't care, since the rest of our investments are doing relatively well.

We need to keep in mind, however, that markets are characterized by three features which can alter investment behavior within a day:

1. Markets move in a sawtooth pattern. Sometimes, within a longer term downturn, the markets can move up resoundingly: this is called a "bear trap" because it lures the unsuspecting to invest. Sometimes within a larger market upturn, the market goes down, simply because the short-term traders are cashing in gains. This is normal. What we are seeing now may be the genuine correction, or it may be a bear trap. We don't know.
2. Market recoveries move a lot before anyone realizes that they are true recoveries. Because of markets' deceptive sawtooth behavior, genuine recoveries are usually recognized only in hindsight. Meanwhile this certainly is an upturn.
3. The farther you are from the beginning of a recession, the closer you are to the end. Financial markets begin to recover before people know the recession is over.



Keeping in mind that the rules have changed, here are our expectations. An “expectation” is a guess in which we are not prepared to invest much conviction.

- A. This stock market recovery might stick, and might not. But we are closer to the time when the markets will recover, and in fact, this upturn may be genuine.
- B. When a recovery takes place, smaller corporations and corporations which have relatively less debt normally lead stocks upwards. This may easily happen again.
- C. Inflation is still a genuine risk.
- D. Interest rates will move upwards when a recovery is evident. This will injure normal longer-term bond funds.

This quarter we intend to move as much as 10% of clients’ money to rebalance your accounts, to take from what is performing well to invest in what is cheap.

Lower risk clients should expect to see us move cash into bank loan funds. These are mutual funds which invest in securitized bank loans to corporations. In times of recession they are risky because corporations might default on their loans. But these investments have a floating rate, usually 90 days. As a result, they are very resistant to interest rate upturns, and in fact can actually benefit from them. Because these funds have shaky credit quality risks, we intend to invest only 3% to 5% of your money.

You may also see us invest a similarly small amount in GNMA mortgage funds. These have a higher yield but are of course invested in mortgages. To stave off credit quality issues, we

have selected only funds that hold government-guaranteed mortgages.

We may establish a position for you in an inflation-protected bond mutual fund. The good news is that these resist inflation, which normally savages bonds. The bad news is that they deliver below-market returns if inflation does not occur. So your investment will be small relative to your overall portfolio size.

Clients willing to accept moderate risk will also see us move money into Forester Value, a selection from last quarter which continues to deliver attractive risk numbers.

Since Swiss Helvetia (symbol SWZ) continues to struggle, you may see us move money from this fund to another more diversified international fund.

If you are willing to live with higher volatility, then we have some interesting plans for you in the next few weeks. In addition to all of the above, you may see us take a modest position in technology, perhaps in an ETF, to increase your exposure to smaller corporations with less debt. We may do the same in natural resources.

We are also intending to add a tiny position for you in emerging market ETF’s, to garner the potentially explosive gains which smaller foreign markets may deliver. These can bite like cobras, however, so our position will be small.

Meanwhile we are continuing to seek diversification and mild contrarianism. We plan on initiating trades by Monday, May 18 at the earliest. Please contact us if you have any concerns.

