

# Index Financial Advisors LLC

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Quarterly Market Analysis  
September 30, 2008

# Market Commentary (3Q2008)

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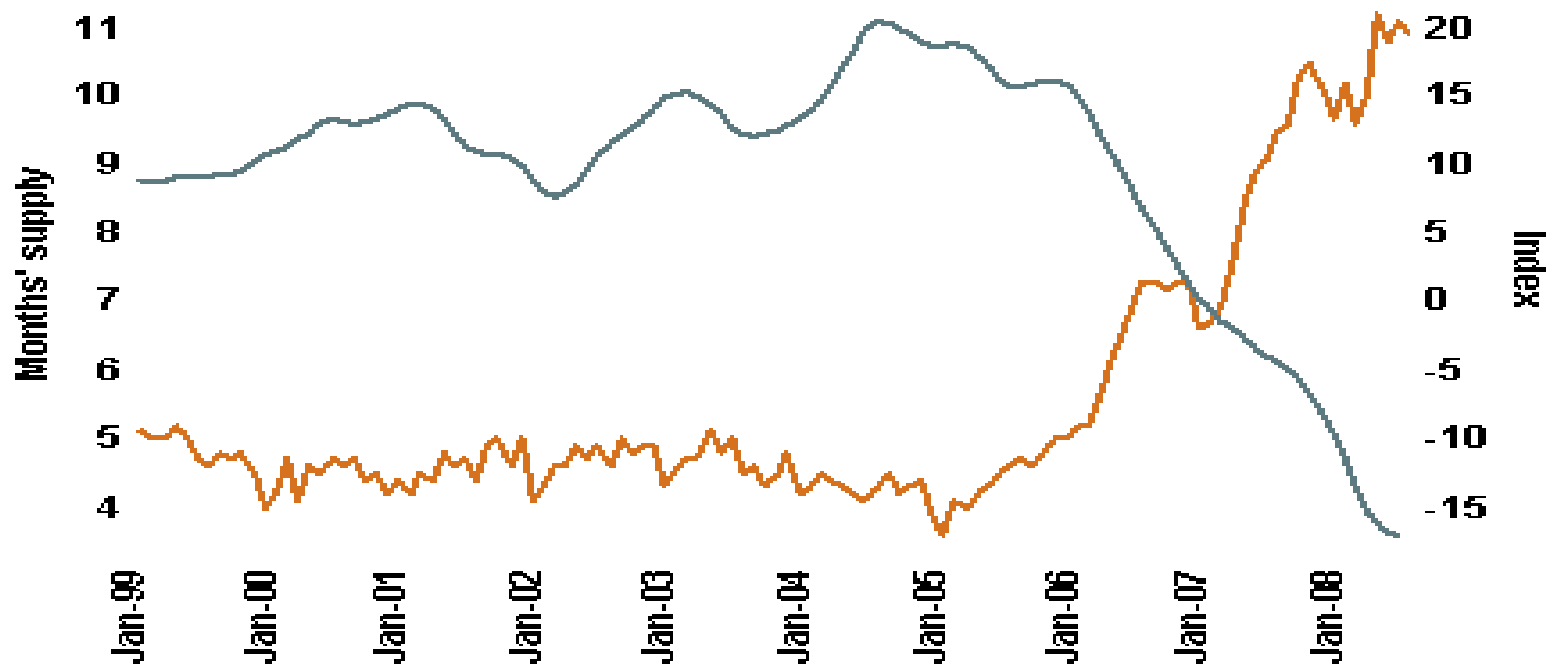
- ❑ Financial turmoil deepens in Q3, spiraling out of control
- ❑ Housing & mortgage crisis leads to bank losses, failures
- ❑ Resulting credit freeze puts brakes on economic activity
- ❑ US economic slowdown becomes global economic slowdown
- ❑ Oil & commodity prices fall on slower economic growth
- ❑ Dollar strengthens on flight to safety in Treasury bills
- ❑ Stock markets fall dramatically as fear and panic spread
- ❑ US government passes \$700B financial rescue package
- ❑ Governments worldwide take action to restore confidence
- ❑ Financial markets begin to stabilize in mid October
- ❑ Risks of financial collapse and global depression fade
- ❑ Focus now on global economic slowdown and recovery

# Housing & Mortgage Crisis Deepens

**House prices likely to fall until inventories decline**

— Existing home sales - months' supply (Left)

— S&P/Case-Shiller Home Price index - 10-cities (Right)



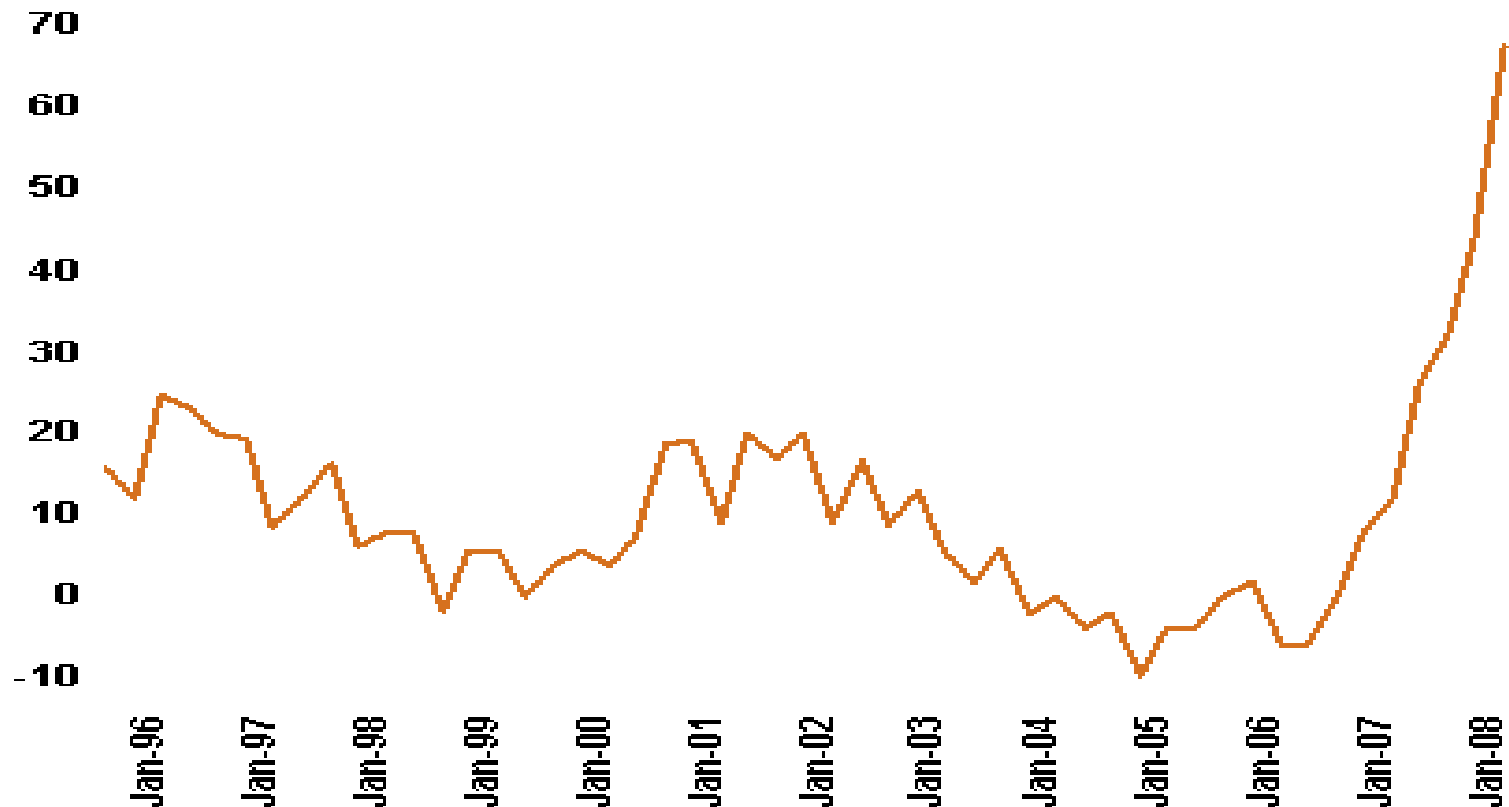
Source: FactSet, Standard & Poor's,  
Natl. Assoc. of Realtors.  
As of 26-SEP-08

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# Banks Fail & Credit Freezes Up

**Banks increasingly unwilling to lend to consumers**

— Senior Loan Officer Survey - tightening standards on consumer loans



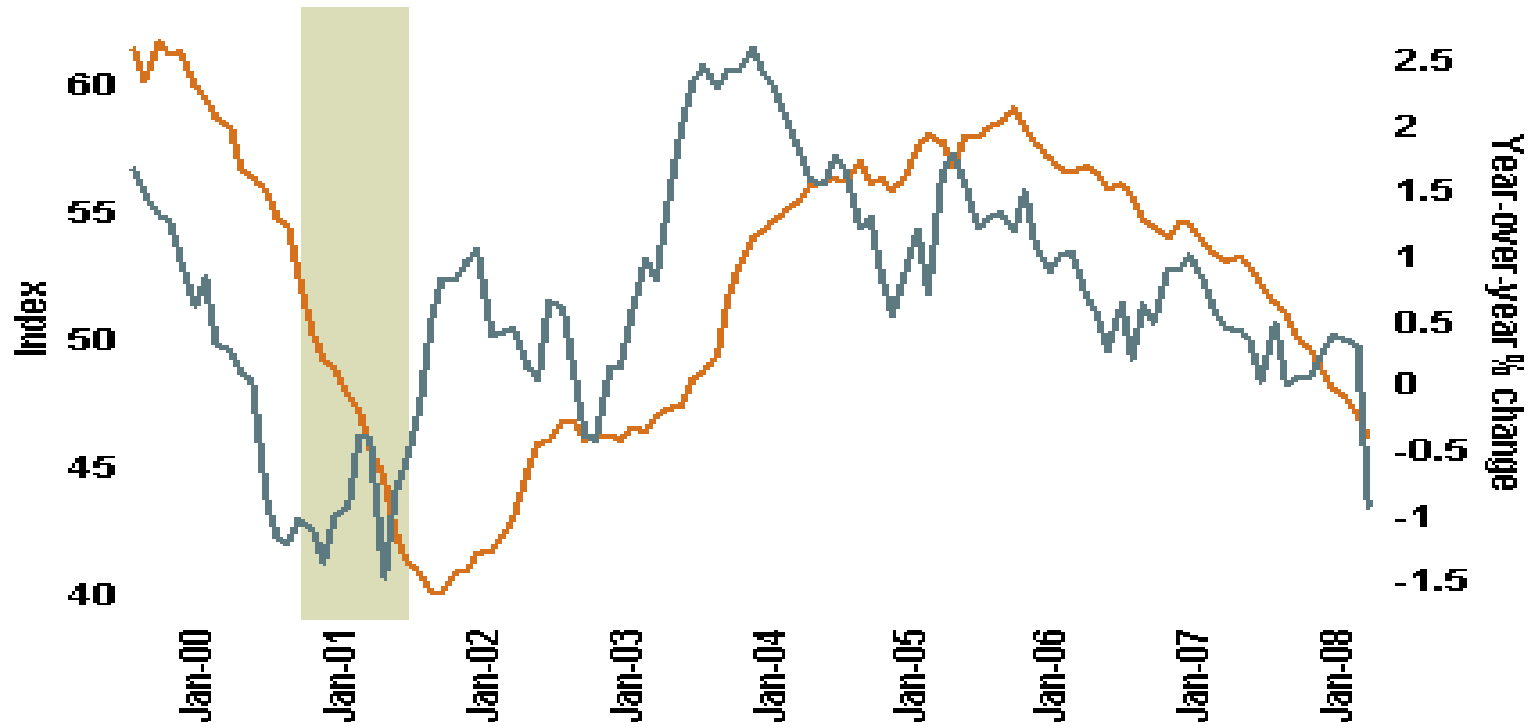
Source: FactSet As of 03-OCT-08

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# Business Sentiment, Employment Fall

## Business sentiment leading job growth lower

— (% 1YR) Employment Overall Nonfarm payroll - United States (Right)  
— ISM (NAPM) Manufacturing Survey - United States (Left)



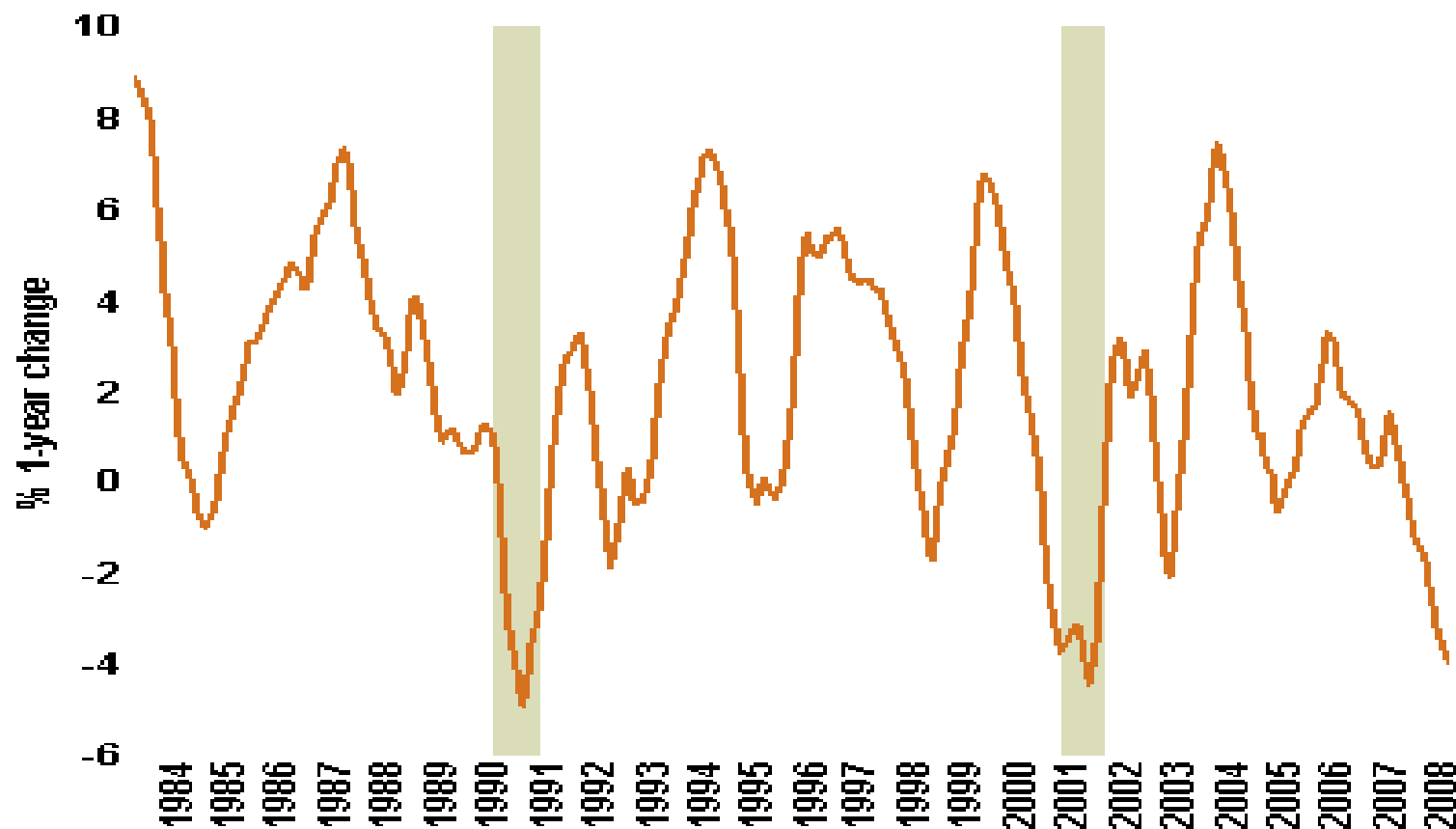
Source: FactSet, Institute for Supply Management, US Dept. of Labor. As of 03-OCT-08.

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# Economic Slowdown Becomes Global

## Global growth is slowing

— (% 1YR) Leading indicator - Major Seven Countries



Source: FactSet As of 26-SEP-08

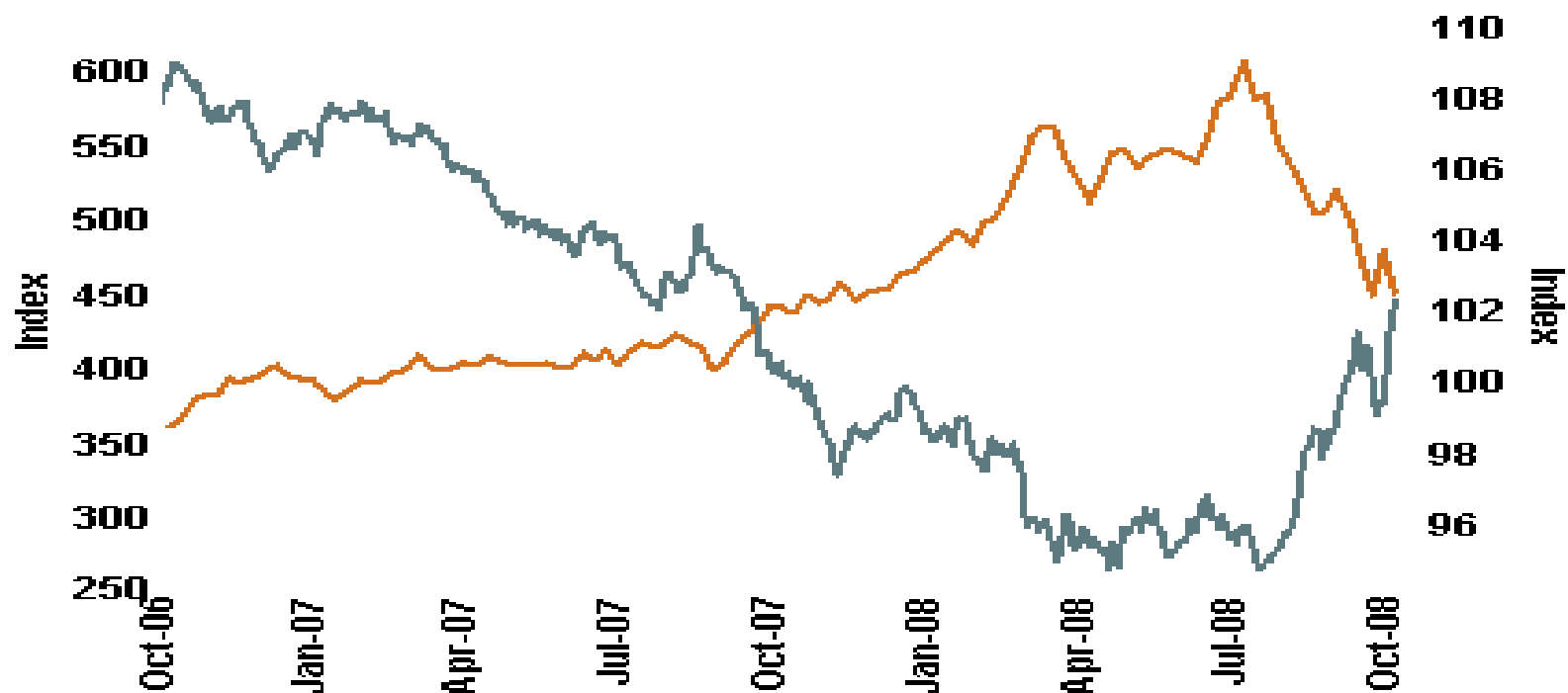
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# Dollar Strengthens, Commodities Weaken

Dollar well off lows,  
commodities well off highs

— CRB Continuous Commodity Index (Left)

— Broad dollar index (Right)



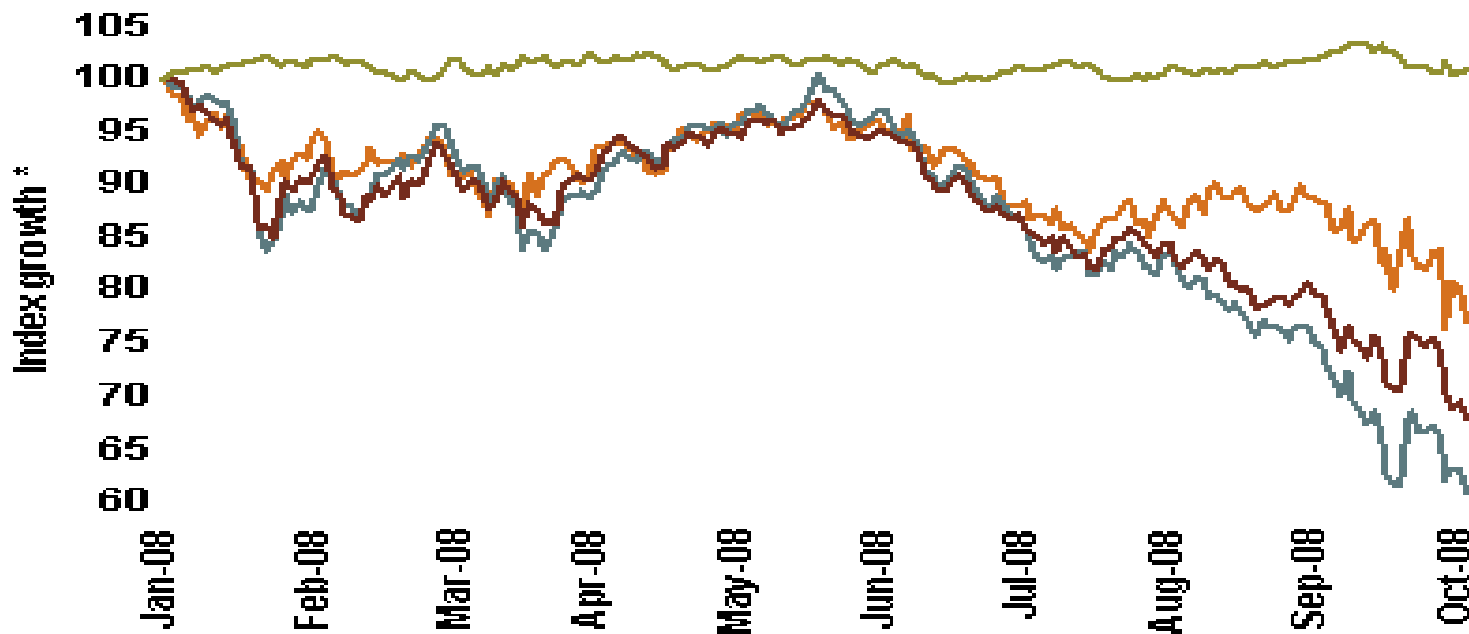
Source: FactSet, Commodity Research Bureau, Federal Reserve. As of 03-OCT-08.

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# Stock Markets Fall Dramatically

**Stocks near lows as the financial crisis goes global**

- **S&P 500 Composite Index**
- **MSCI Emerging Markets Index**
- **MSCI EAFE Index**
- **Total Bond Market Index - United States**



\* Rebased to 12/31/2007 = 100

Source: FactSet, MSCI, Vanguard, S&P.

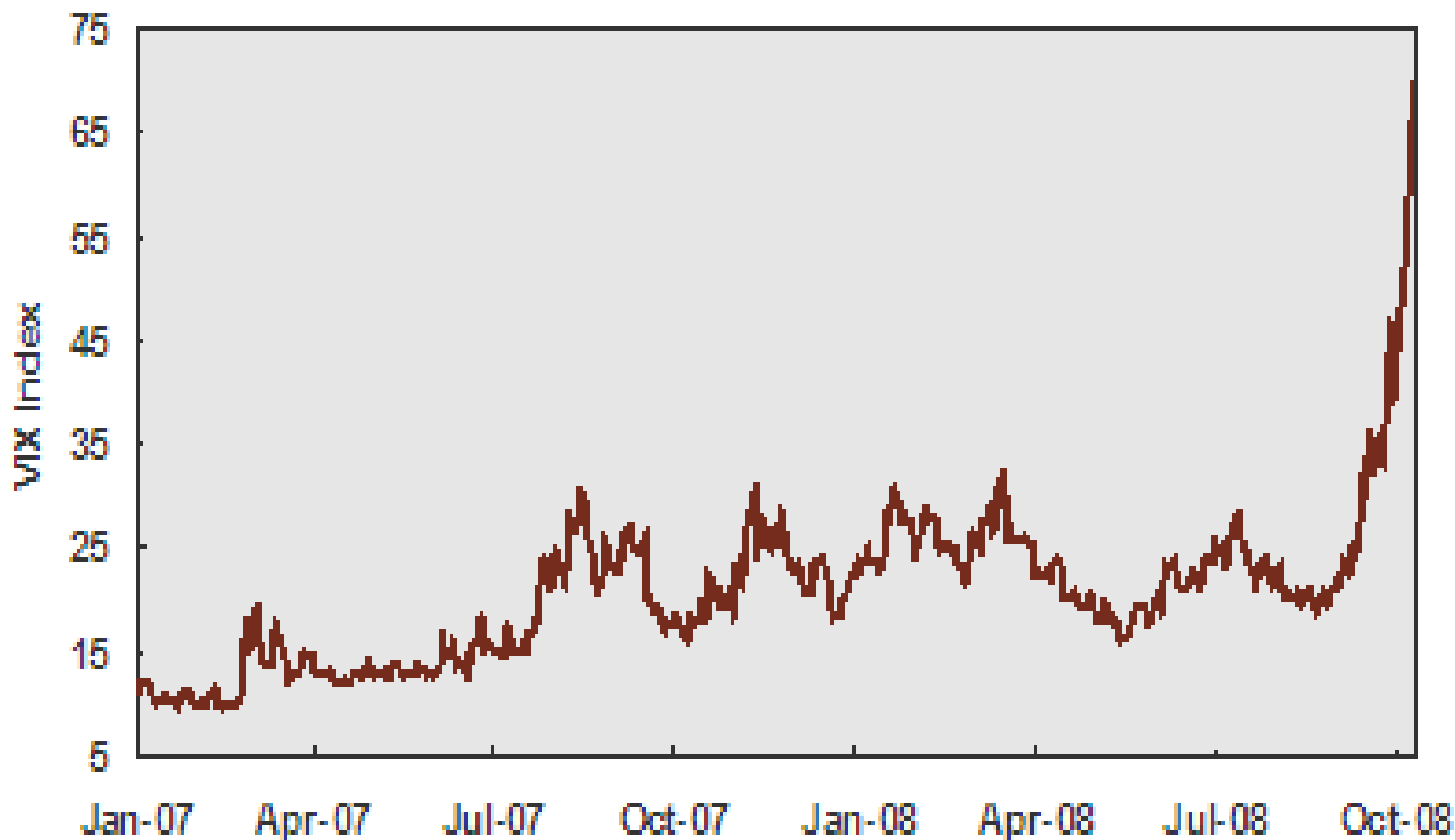
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# Market Volatility at Historic Highs

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# Massive Government Intervention

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**Ben Bernanke**



**Henry M. Paulson**

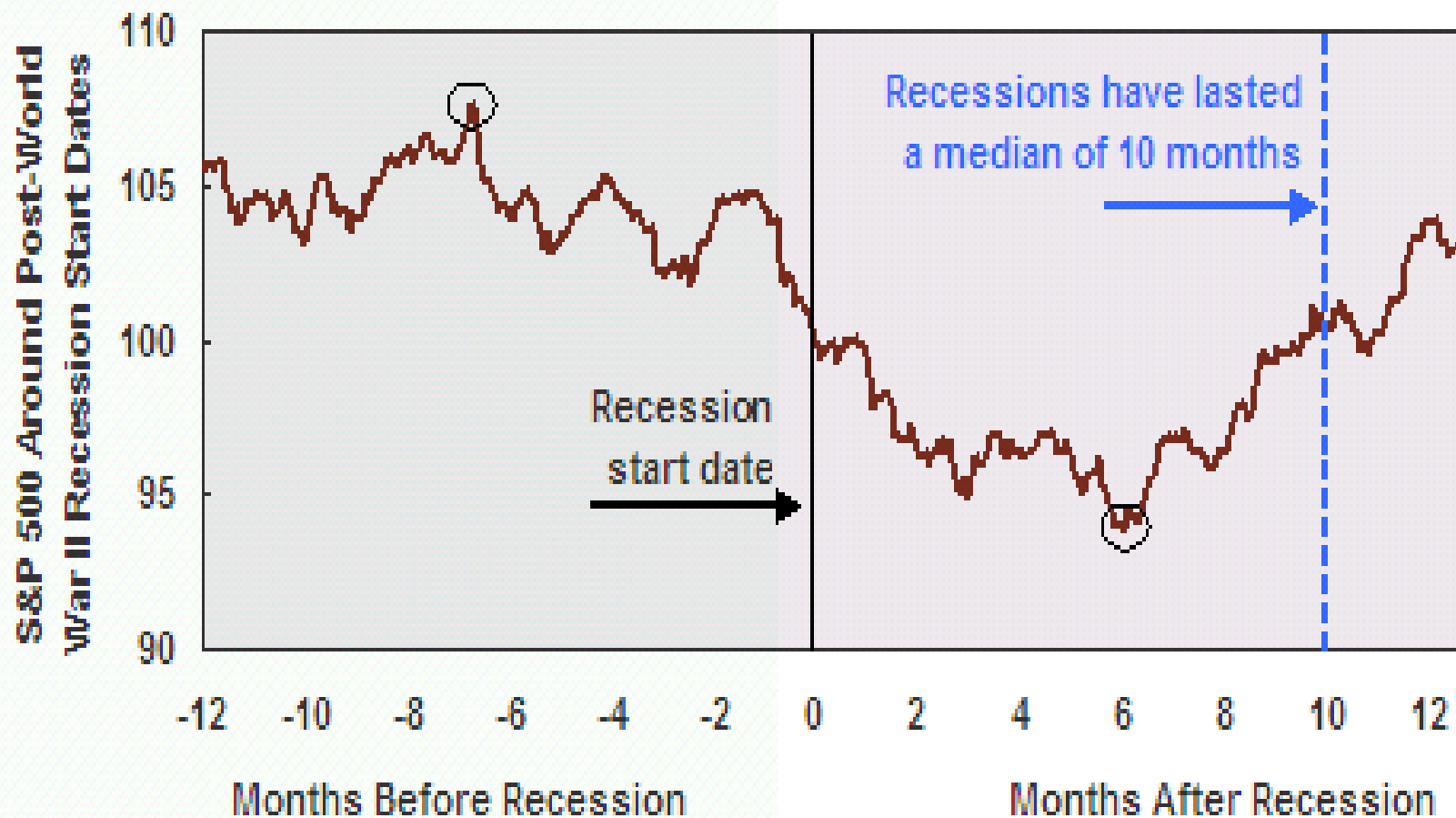
# Global Depression Now Less Likely

## Now Versus the Great Depression: No Comparison

Key Factor	Great Depression	Today
Gross domestic product growth	-27%	+1%
Industrial production	-52%	-2%
Unemployment rate high	25%	6%
Federal deficit as percentage of GDP	1.4%	4.9%
U.S. exports	-66%	+15%
Consumer Price Index	-27%	+4%
Money supply	-29%	+3%

Source: Federal Reserve, *Historical Statistics of the United States*, Bureau of Labor Statistics, Bureau of Economic Analysis, National Bureau of Economic Research.<sup>1</sup>

# Stocks Bottom Out During Recession



# Stock Returns After Market Lows

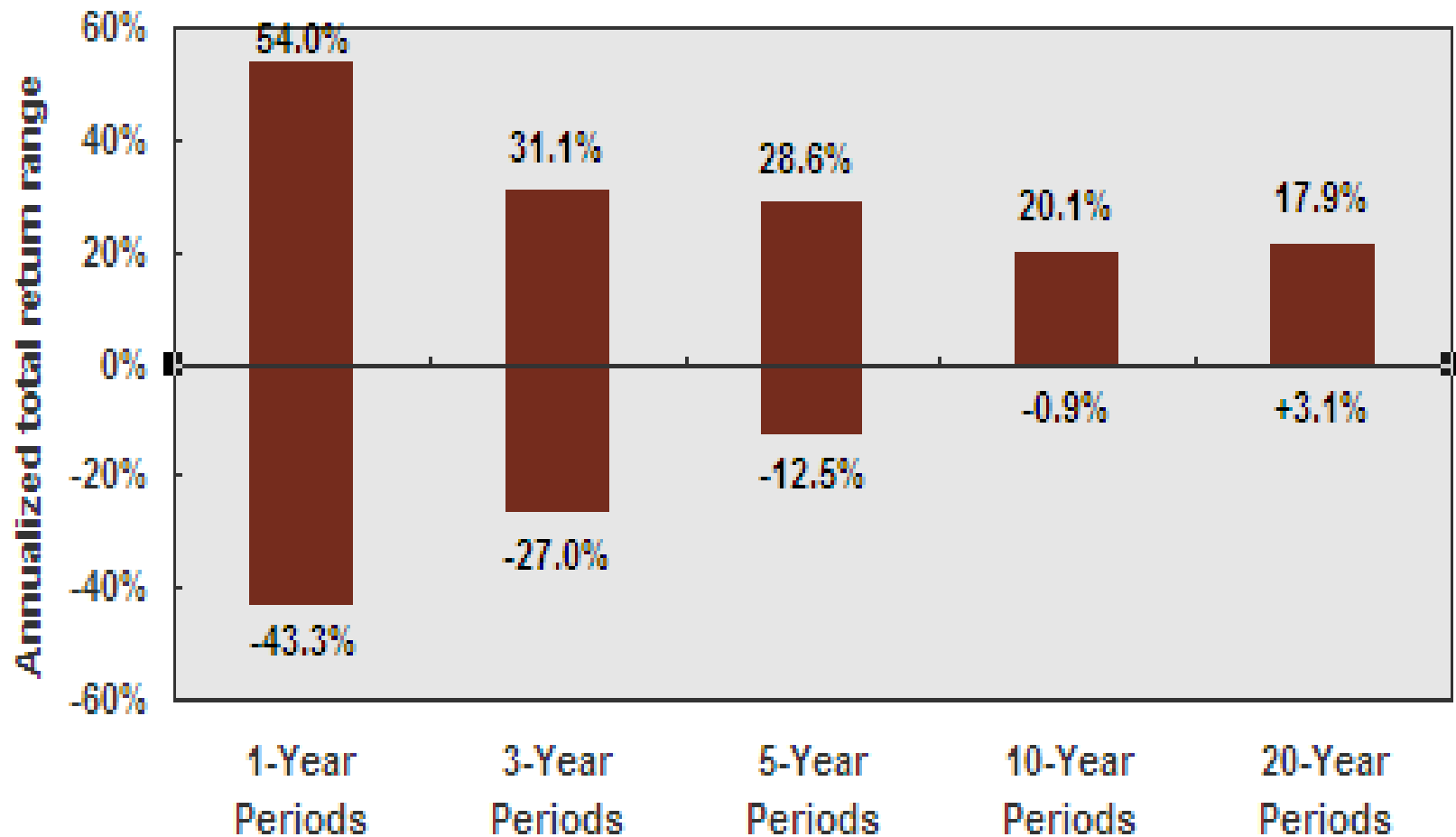
S&P 500 Percentage Gain				
S&P 500 low date in recession	3 months later	6 months later	9 months later	1 year later
05/13/49	15%	19%	27%	34%
09/14/53	10%	18%	28%	39%
10/22/57	6%	10%	19%	32%
10/25/60	16%	25%	28%	31%
05/25/70	17%	21%	39%	45%
10/03/74	14%	30%	52%	35%
03/27/80	18%	31%	39%	37%
08/12/82	38%	42%	61%	58%
10/11/90	7%	29%	29%	29%
09/21/01	18%	17%	3%	-14%
<b>Mean</b>	<b>16%</b>	<b>24%</b>	<b>32%</b>	<b>32%</b>
<b>Median</b>	<b>15%</b>	<b>23%</b>	<b>28%</b>	<b>34%</b>

Source: Ned Davis Research, Inc.

Average Annual Return Following Bear Market			
	12-month period	24-month period	36-month period
If fully invested	47%	28%	20%
1 month of cash after bear	33%	22%	17%
3 months of cash after bear	18%	16%	12%
6 months of cash after bear	11%	13%	10%

# Long Time Horizon = Less Risk

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# Market Index Returns (3Q2008)

