

Index Financial Advisors LLC

Quarterly Market Analysis
December 31, 2008

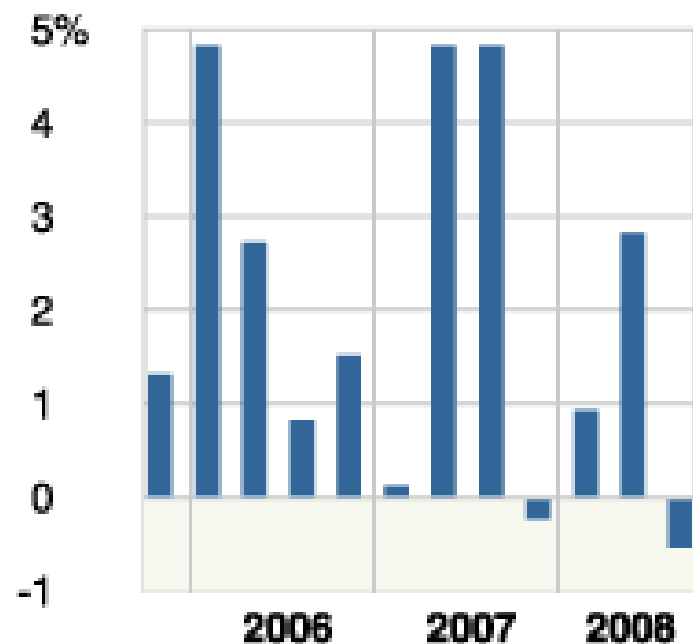
Market Commentary (4Q2008)

- ❑ Housing, mortgage & credit problems deepen in 4th quarter
- ❑ Banking crisis threatens collapse of global financial system
- ❑ Job losses mount, consumer spending drops significantly
- ❑ Mutual fund & hedge fund redemptions force liquidation
- ❑ Stock markets fall dramatically as fear and panic spread
- ❑ Federal Reserve lowers rates, aggressively adds liquidity
- ❑ Governments worldwide announce fiscal, monetary actions
- ❑ US invests \$350B of TARP funds to recapitalize banks
- ❑ US approves loans to auto makers to prevent bankruptcy
- ❑ Obama economic team proposes large fiscal stimulus
- ❑ Stock market hits potential bottom on Nov 20th
- ❑ Oil & commodity prices begin to stabilize at year end
- ❑ Stock markets recover slightly in December, early January

Recession Drives Up Unemployment

REAL GDP

Change from previous quarter at annual rate, seasonally adjusted



Source: Department of Commerce

UNEMPLOYMENT RATE

Seasonally adjusted

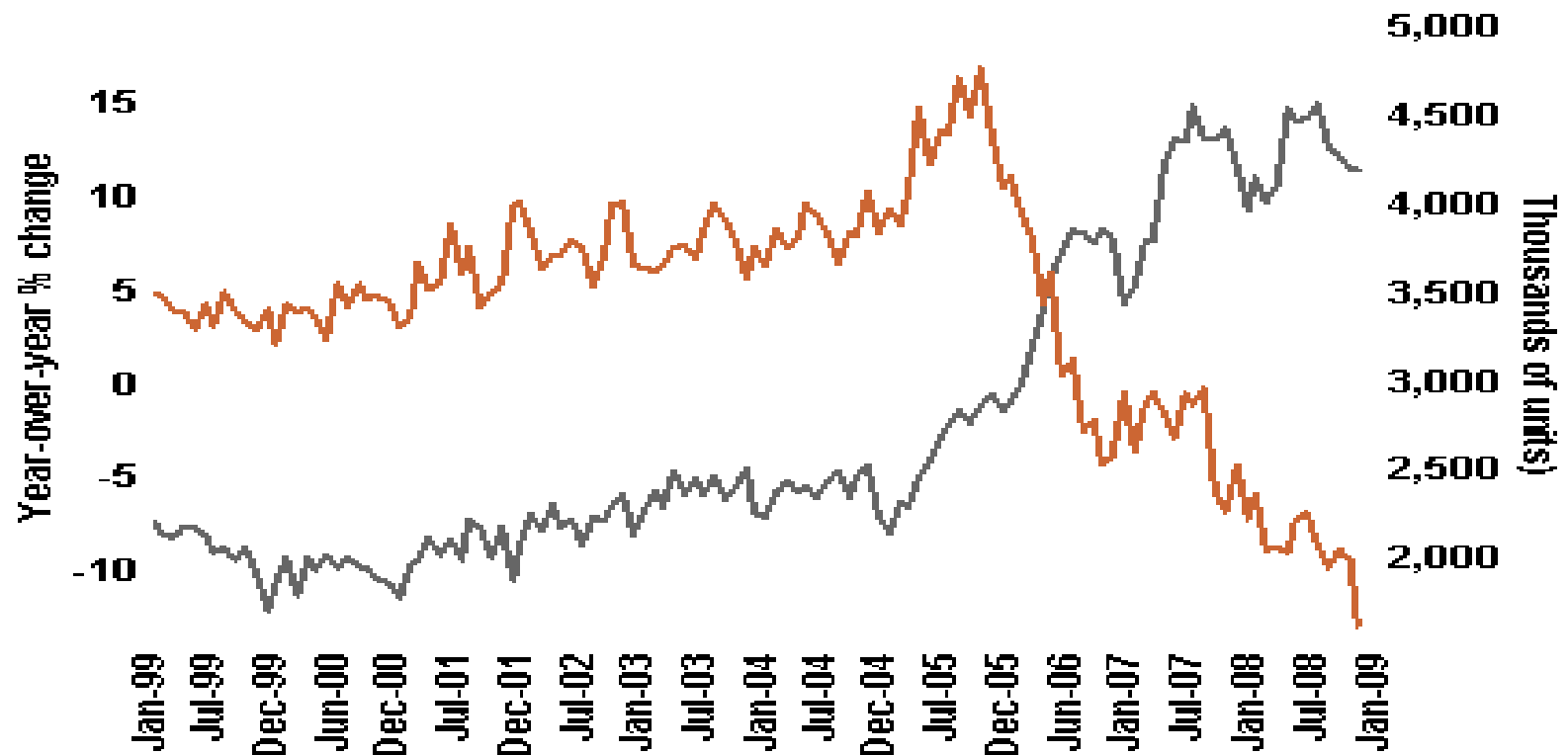


Source: Bureau of Labor Statistics

Housing Crisis Continues

Inventories still high and prices falling

- US Median Price of Existing-Homes Sold (Left)
- US Existing Single-Family Homes Available for Sale (Right)



Consumer Confidence & Spending Fall

CONSUMER CONFIDENCE

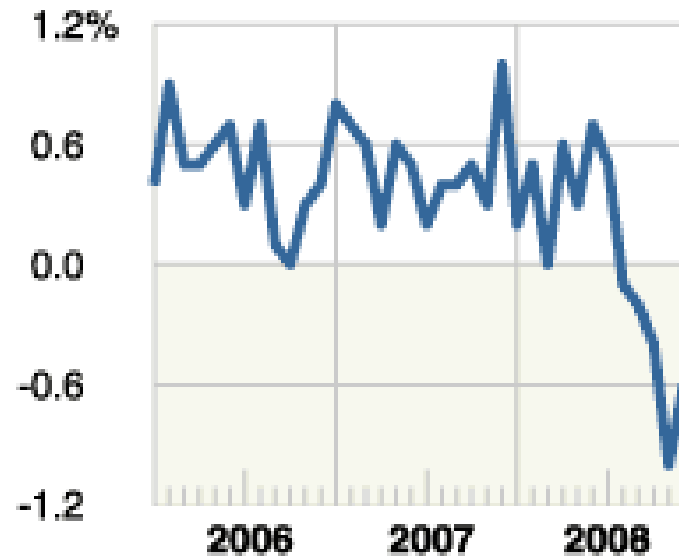
Index stood at 100 in 1985, its base year



Source: Conference Board

CONSUMER SPENDING

Personal consumption expenditures, change from previous month, seasonally adjusted

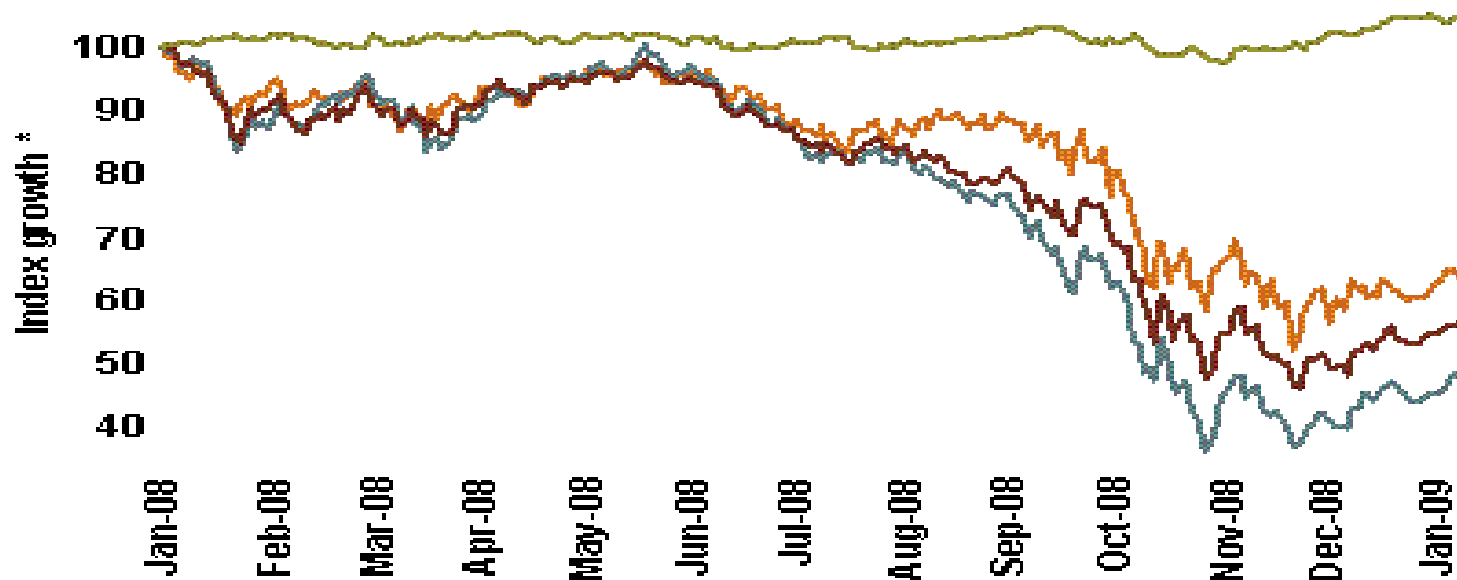


Source: Department of Commerce

Stock Prices Fall Dramatically

Stocks may have priced a deep recession, but rally depends on effective stimulus

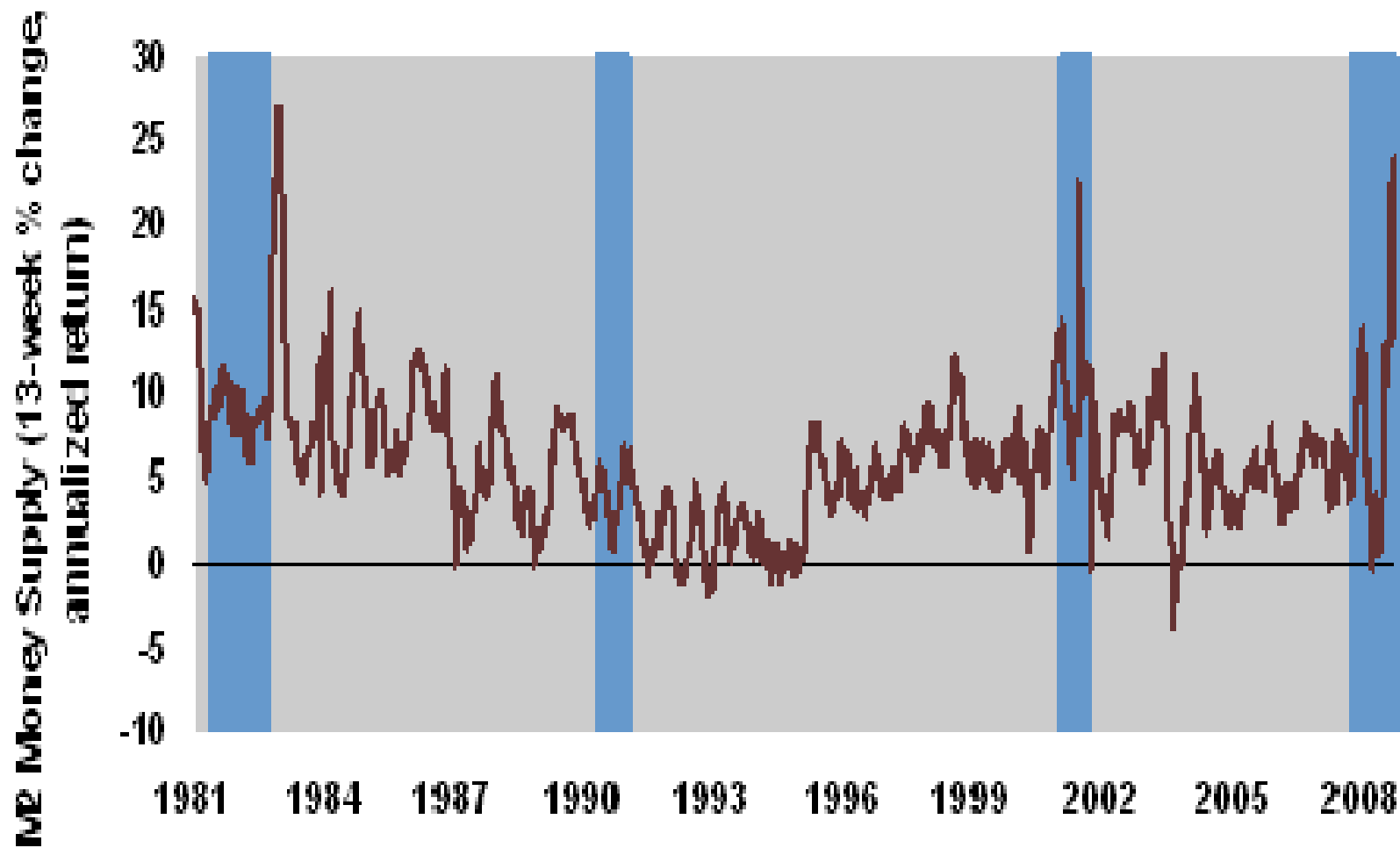
- **S&P 500 Composite Index**
- **MSCI Emerging Markets Index**
- **MSCI EAFE Index**
- **Total Bond Market Index**



* Rebased to 12/31/2007 = 100

Source: FactSet, MSCI, Vanguard, S&P.
As of 08-JAN-09.

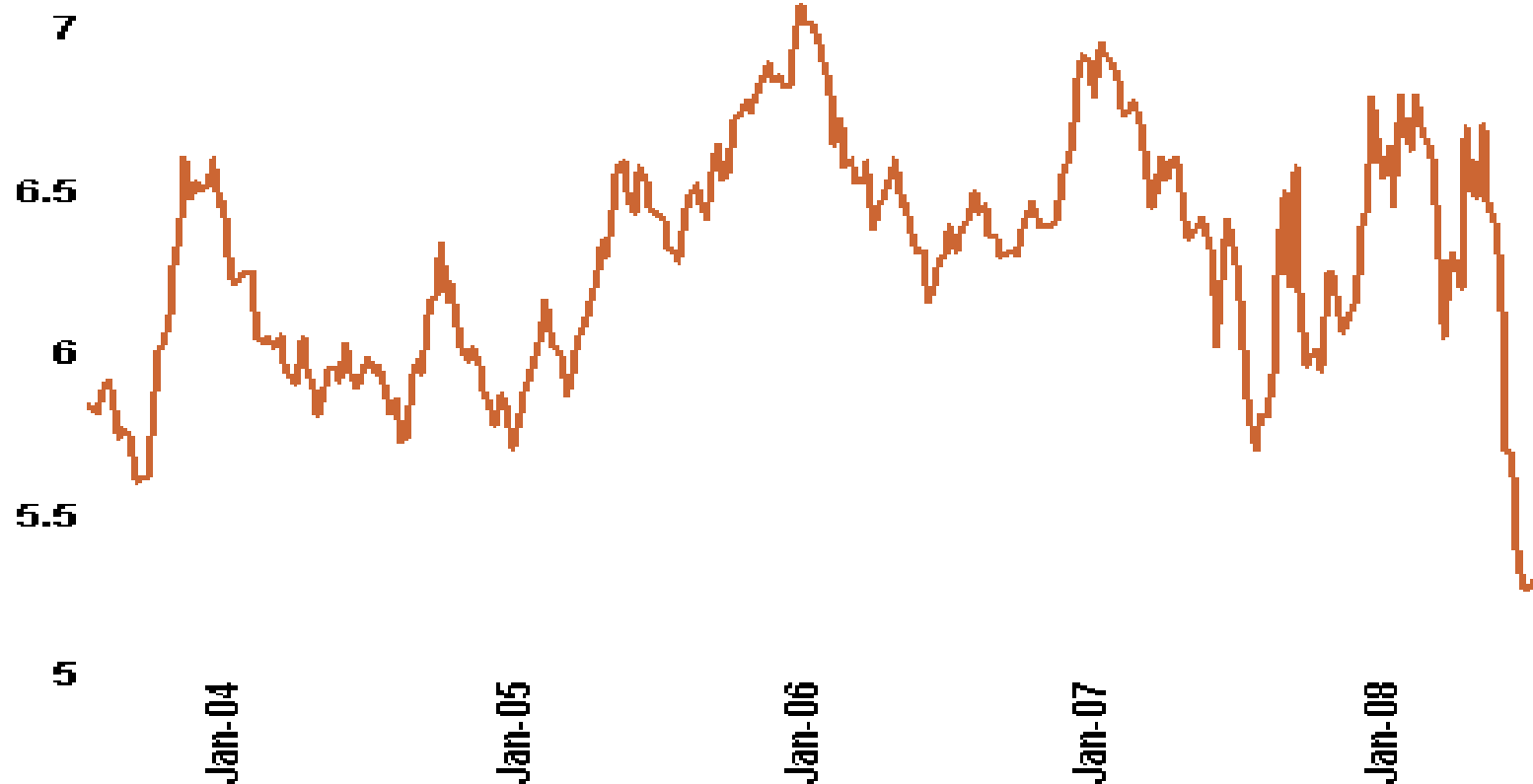
Fed Increases Money Supply & Liquidity



Mortgage Rates Begin Decreasing

Mortgage rates drop on Fed intervention

— Mortgage Lending Rates FRM 30-Year Effective Rate (MBA Sourced), Percent



Source: FactSet As of 08-JAN-09

©FactSet Research Systems

Housing Now More Affordable

Housing affordability improving

— Housing Affordability Index, composite



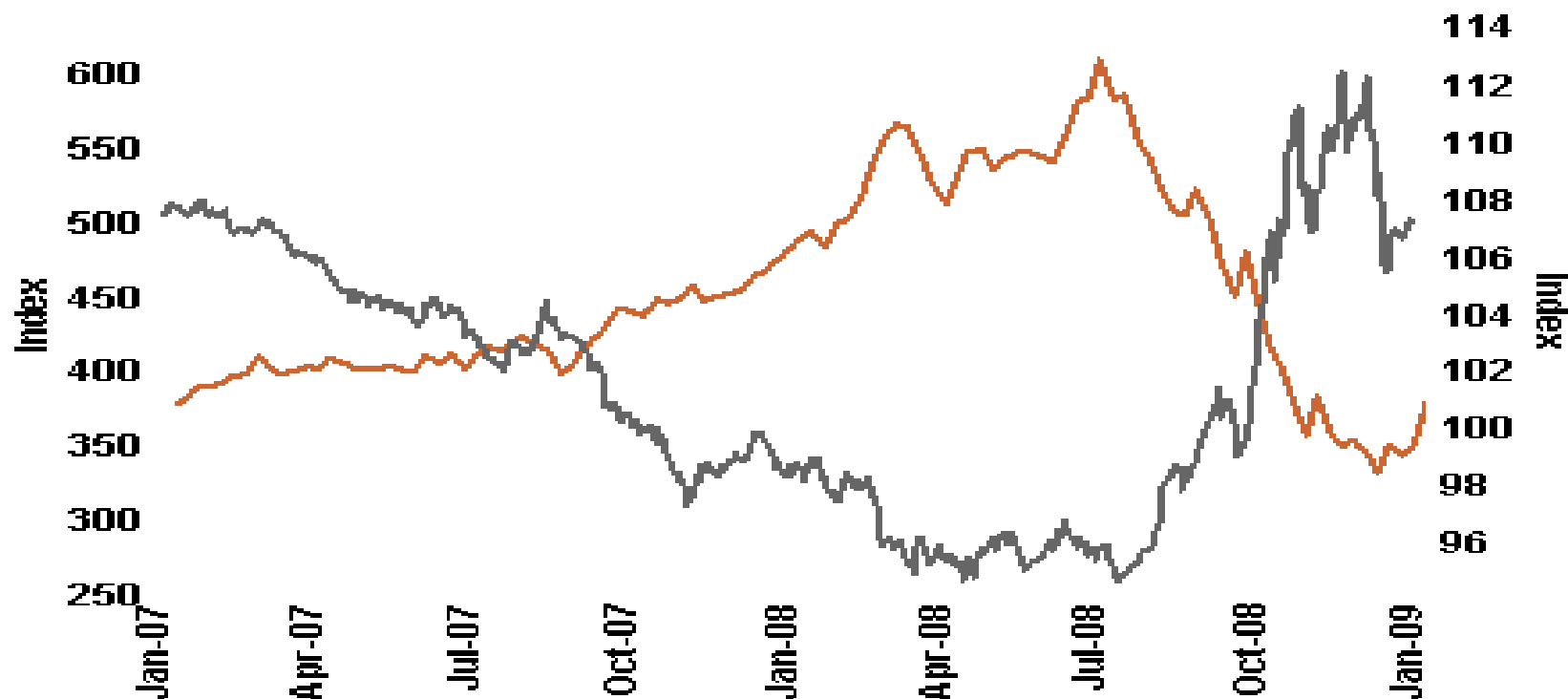
Source: FactSet, Natl. Assoc. of Realtors. As of 02-JAN-09.

©FactSet Research Systems

Dollar and Commodity Prices Stabilize

**Stabilization in the dollar and commodities
a sign of renewed risk-taking**

— **CRB Continuous Commodity Index (Left)**
— **Broad dollar index (Right)**



Source: FactSet, Commodity Research Bureau, Federal Reserve. As of 08-JAN-09.

©FactSet Research Systems

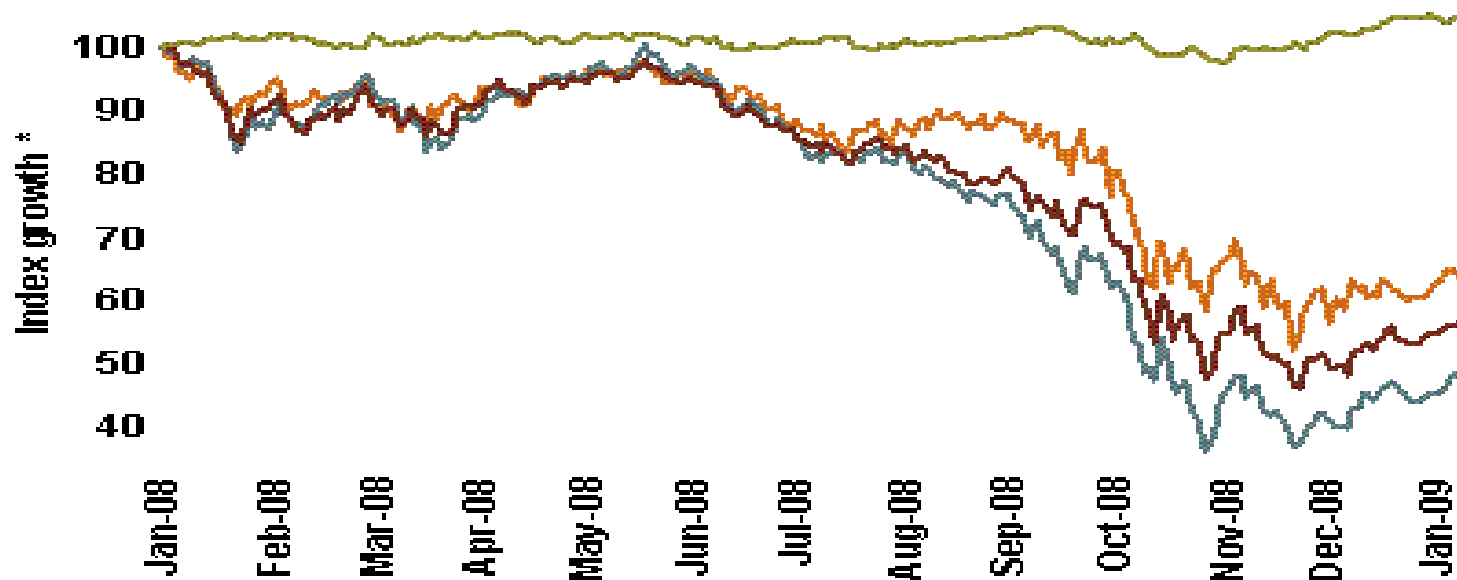
Obama Proposes Large Fiscal Stimulus



Equity Markets Hit Bottom?

Stocks may have priced a deep recession, but rally depends on effective stimulus

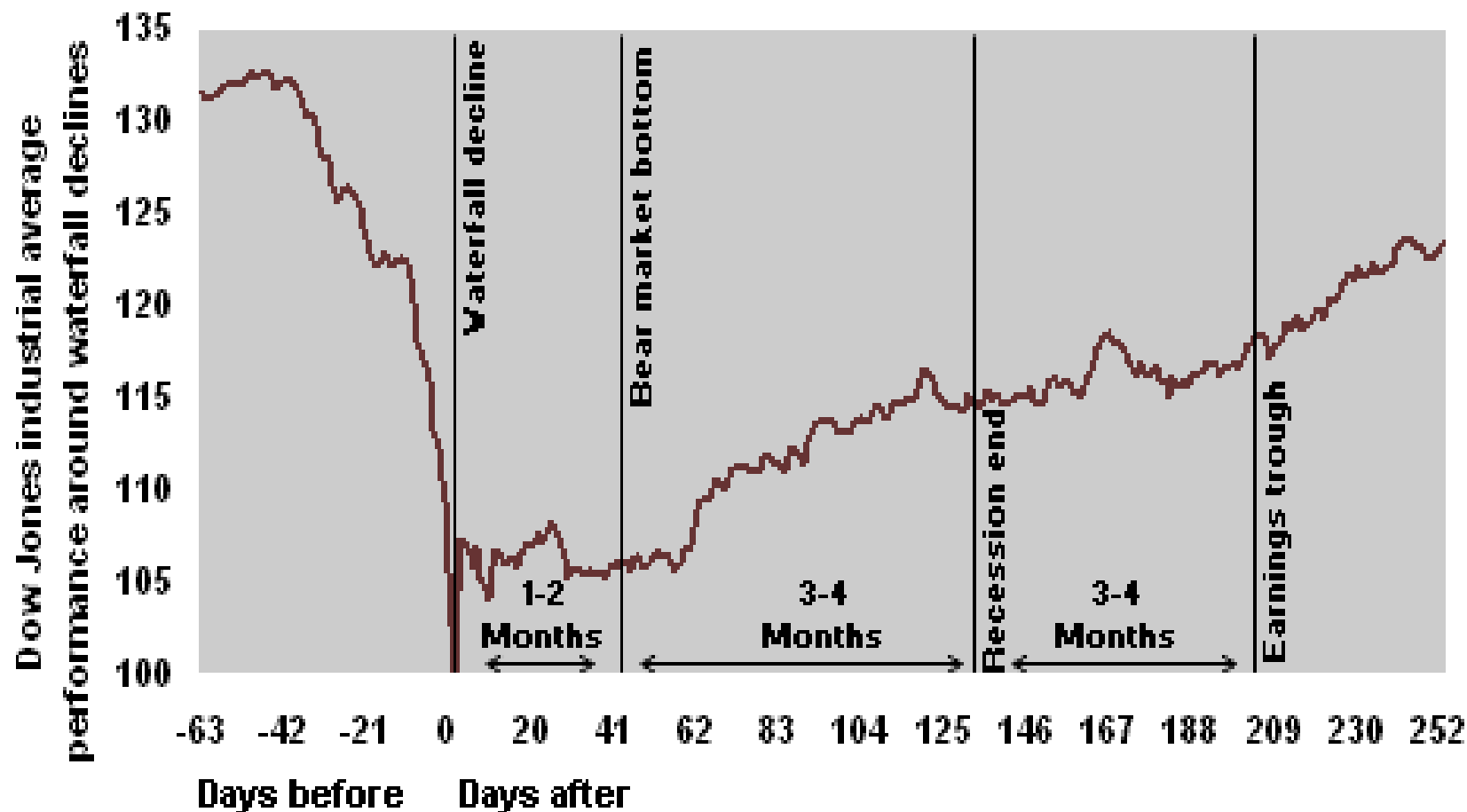
- **S&P 500 Composite Index**
- **MSCI Emerging Markets Index**
- **MSCI EAFE Index**
- **Total Bond Market Index**



* Rebased to 12/31/2007 = 100

Source: FactSet, MSCI, Vanguard, S&P.
As of 08-JAN-09.

Market History After Dramatic Fall



Market Index Returns (4Q2008)

