

# *Campbell Capital Management*

9400 S. Dadeland Boulevard, Suite 111, Miami, FL 33156

<http://www.camcap.com>

---

Tel 305.670.3140 • Fax 305.670.3142 • Email [clay@Lasalle-St.com](mailto:clay@Lasalle-St.com)

October 11, 2007

Dear Money Management Client:

If you were looking at your portfolio statement for the first time since last quarter, it would appear not much had changed. Improved year to date returns would corroborate our diversified investment strategies and lead you to believe we've got the easiest jobs under the sun. Unfortunately, we look at the portfolios every day and our stress levels have never been higher. The housing and sub-prime debt problems we've been dutifully monitoring the past year evolved into a spectacular financial panic: the kind of panic only seen every 20 years or so, that leads to hundreds of billions in losses.

We did a good job of avoiding the companies most effected by the credit crunch, but our confidence was tested to the limit. Having spent most of our investment careers under the watchful eye of Chairman Greenspan, we've always counted on the Federal Reserve to "save the day" when financial chaos was imminent. Wall Street even had a term, called the "Greenspan Put", for describing the heroic gestures of the Federal Reserve in times of need. Wondering if the new and yet to be tested Federal Reserve Chairman Bernanke would follow in Greenspan's foot steps was a stressful waiting game. Of course everything is fine for the time being, with the 50 basis point interest rate reduction in September, but the temptation to sell everything and run for the hills was overwhelming.

The problems with the housing and credit markets are not over, but most of the bad news is out. Consumer confidence has obviously worsened and economic activity in the United States is slowing. But lower interest rates and abundant liquidity worldwide are giving investors plenty of reasons to be optimistic. Steady increases in the Baltic Dry Index, which is the price for shipping goods around the world, are a sure sign that world trade is healthy and robust. Even while the U.S. grapples with a housing bubble and credit debacles, its trading partners are running full speed ahead.

The big infrastructure building projects in China and India continue, and the demand for resources and commodities is the story of this decade. Investment themes that benefit from world growth have the wind at their back.

We remain committed to a conservative investment philosophy, which emphasizes the preservation of capital. If you have any questions or would like to discuss your portfolio, please do not hesitate to call.

Very truly yours,

Clay Campbell