

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 cc@camcap.com

October 13, 2009

Dear Money Management client:

Who is going to blink first? Many investors believe the stock market is expensive at these levels. Equity prices have factored in lots of good news about our government sponsored economic recovery. But who wants to sell? Not the underinvested portfolio manager who is grasping at stocks in an attempt to produce returns. Not the hedge fund manager that couldn't bear selling while the markets move higher. Not the pension fund manager who looks at 3 month US treasuries yielding .05% in total disdain. But rest assured none of them have plans to stay invested if the markets turn south and all of them are aware of the harsh economic realities.

The market's direction is always a great topic for discussion, and we field calls daily soliciting our opinion. After this year's returns, we're bound to receive more calls seeking our "expert" advice, but alas they're going to receive the same disappointing response. We have no secret formula or special insight, and we really have no idea where the broad markets are headed. Our success results from old fashioned hard work; crunching balance sheets, and reading abundantly. We enjoy finding undervalued assets in the hands of capable managers with sound finances. It's a time tested formula that keeps us focused on absolute returns while being respectful of risk.

Don't think the big macro economic picture isn't keeping us up at night. John Mauldin said it best: "Western democracies, communistic capitalists, and Japanese deflationists are concurrently engaging in what may be the largest, global financial experiment in history. Everywhere you turn governments are running enormous fiscal deficits financed by printing money. The greatest risk of these policies is that the quantitative easing will persist until the value of the currency equals the actual cost of printing the currency". During the past thirty years there have been 28 episodes of national economies experiencing hyperinflation, so this is no time to blindly trust our fearless leaders' judgment to do the "right thing". Fortunately we have many investment vehicles to protect against and even profit from what may ultimately amount to a disappointing period in American history.

All hope is not lost, but time is running short for our elected representatives to make the difficult choices and take the actions needed to rein in deficit spending. These are the exact actions that constituents will oppose.

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