

# *Campbell Capital Management*

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Dear Money Management Client:

The first quarter of 2010 is behind us and all is well. The economy is benefiting from stimuli provided by the Federal Reserve and government spending. We are seeing stronger business investments and increasing inventories. New claims for unemployment continue to decline. Consumer purchases, which represent 70% of Gross Domestic Product, have increased for 5 straight months. If we didn't know better, it would appear a sustainable recovery was at hand.

Unfortunately, much of the government stimulus is scheduled to end by the third quarter of this year. The Federal Reserve's near zero interest rate policy is not sustainable and all the debt shed during the past two years by businesses and individuals has been more than offset by the mountains of new debt at all levels of government. The private sector debt bubble has been traded for a public sector debt bubble. And as we enter 2011, tax rates are headed higher to pay for it all.

We appreciate the fact that an ugly "great depression" type event was avoided by all the government intervention, but what about the wisdom of shedding debts so that the economy can return to sustainable growth. Most of the G-7 developed nations are suffering from too much debt, and don't even go near the bug looking for a windshield in Greece, Portugal, Spain or Ireland. Everything will be fine until the day nobody shows up at one of their government bond auctions. When they can't borrow because investors have lost confidence in their ability to pay, it's game over.

As consumers, we must eat, drink, smoke, medicate and go about living our lives each day. It's the companies providing these products, that help us get through each day, that populate our portfolios. We seek out capable managers of great products who are committed to sharing the wealth through dividends and interest. It is with these companies we will generate good returns while we endure the long and painful process of shedding public and private debts over the next several years.

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