



Claremont Financial Group, Inc.
Registered Investment Adviser

Dear Valued Client,

The month is over and anyone who follows the securities markets, Washington politics, and election news will tell you that it felt like a year - or maybe two. It has to us. The stock market as measured by the S&P 500 experienced wide intra-day swings and significant day-to-day price changes as it moved between fear, panic and greed many times during the month...sometimes in the matter of a few hours. There were 23 trading days in October and:

- 16 days were down, 7 were up.
- The two largest daily gains were 11% each.
- The largest daily loss was 9%.
- The average daily change was -0.7%.
- The price range between the high and low each day averaged 6.6%.
- Half the days' ranges were between 7% and 11%.
- The smallest intra-day range was 2.3%.

Many of you are beginning to receive your monthly brokerage statements from Schwab. The volatility we have experienced this year is never comfortable and we certainly empathize with you. However, we are very pleased with our October results relative to global markets. This is due in large part to the major reallocation we affected on your account September 29th. As described in the previous alerts, we have a current equity (stock) weighting in Tactical Opportunities of 40%, up from 25%, with the rest in cash and bonds. Since we increased the equity exposure on 10/15/08 from 25% to 40%, the portfolio has increased .81% through 11/10/08. Our goal is to gradually increase the equity further to a maximum of 60% within the next 4-12 months. Please keep in mind that the Wilshire Defensive strategy will remain defensive.

For a testimonial to our strategy, please read the excerpts of an article written by esteemed columnist John Hussman, of Seekingalpha.com, a respected industry news source.

Reprint from Seeking Alpha 11/11/08

Author: John Hussman

...the distinction here is that an ongoing recession should not be evidence that keeps an investor completely out of the market (at least once that recession is well recognized). Instead, the data should remind us that even if the market experiences a great deal of volatility and sideways movement as a recession progresses, stock prices can be expected to launch into substantial gains before the recession is over,

*This echoes Warren Buffett's remark a few weeks ago - "if you wait for the robins, the spring will be over." Buffett isn't buying because he's confident that the recession has less than 6 months to go. He's buying because **he** finds stocks worth buying. Stocks can have very mixed performance over the course of a recession, but they almost always advance strongly before it ends.*

Information in a recession evolves very slowly. A lot of bad news, as well as very negative expectations, are already built into stock prices here. While we don't think that gives us a "bottom" we can count on with any certainty, we do think it gives us enough room for information to ebb and flow about whether the downturn will be worse than people think, or maybe not as bad as they expect. As that information flows day-by-day, week-by-week, month-by-month, the market could easily have a 25-35% range with a lot of sideways action, even in the context of what might turn out to be a prolonged recession.

Investors often have little success in actually buying low and selling high, because to buy low is to buy into fear and uncertainty, and to sell high is to sell into enthusiasm and confidence. Investors pay an enormous price for constant comfort. For our part, we'll continue to be aware of the risks, but also of the potential returns, and we'll take those risks that we expect to be well compensated - not in every instance, but on average...

Even though the credit markets have improved since our last writing, there is still a ways to go before they begin to function normally. The fundamentals of the global economy have also deteriorated. Our belief is that at some point in the future we will look back at the stock prices we are paying in this market environment and view them as good bargains.

Warm Regards,

Gaetan and Nick Scalzo
Claremont Financial Group