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Monthly Update

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Funds-of-Fund With No Clothes!

For years the large hedge fund fund-of-funds managers only considered money managers manager who could gain 1% a month with no losses. For their finding this manager they billed 2% management fee plus 20% of the 12% gain or 4.4% per year. This left the accredited investor with 7.6% net, which is usually less than S&P500 returns. Now we find out this 1% a month return is similar to the king who thought he had clothes on. His subjects said he had expensive clothes on, but the king didn't actually have any on. The N.Y. broker-dealer Bernie Madoff is accused of faking his brokerage account 1% monthly gains. Many world-wide hedge funds-of-fund, and their accredited clients, have taken huge losses. Palm Beach and the Hamptons will never be the same. Does anyone on Wall Street know Jeremiah 31:33?

Our style box HVI comparison on page 2 indicates that small stocks beat big stocks, and value beats growth. (We recently invented a new style cube in response to the industry blinders on the 4 corners of the style box. Our report is available at www.harloffcapital.com.) Our sector line up this month is precious metals first, then semiconductors, oil, and emerging markets. It looks to us that the growth in China and India has not decreased very much, and these countries remain the engine of growth. England and German markets are better than the US markets now. The U.S. dollar is crashing and gold is going up in response.

If any one has missed it, the S&P500 put in a bottom on 11-20-08 at 752.44. The U.S. monetary stimulus has never been larger and excessive money is pushing the equity markets higher at the expense of the dollar. Thank you Ben and Hank.

Because the markets can turn quickly, be ready. May the market be with you!
(December 19, 2008)