ACUPUNCTURE ANYONE OR MAYBE A CHIROPRACTOR OR A JACUZZI IS IN ORDER, EVEN A MASSAGE THERAPI ST

<u>The financial markets often touch on pressure points. Let me ask you:</u>

1) Did the precipitous 500pt selloff in the Dow in late February touch a nerve?...If not, did the worldwide selloff that continued for several days add tension or maybe numb you? The reporters on CNBC seemed to be having ulcers and dramatized the events to an unprecedented level of panic. (As an interesting aside, the markets have almost settled back to where we were).

2) Did the Iran conflict with British sailors and the ripple effect it had on related geopolitical posturing and international politics tighten up your stomach or cause you to bite your tongue?

3) Did paying your tax bills and estimated payments give you a headache?

We're only human and experiencing these symptoms are really quite normal. However, we do not want to have emotions override sound judgment and rational thinking in these chaotic times.

CAM has the formula for investing in these challenging and tricky times and is taking smart steps to help you navigate through the muddied waters. **CAM** is preoccupied with providing prudent advice and with harvesting strong total returns for the clients. **CAM** works to soothe the rough edges and **CAM** won't over-react to the emotional roller-coaster rides of the stock market. Protections are in place to safeguard against powerful selloffs and protracted corrections that cause long-term downside price tumbles.

<u>Investor sentiment continues to wax and wane and wax again</u>. Recent weeks have seen the U.S. financial markets strengthen on the hint of more accommodative Federal policies to

come but retreat on reports of an economic slowdown, a re-raise in oil/gasoline prices, and an escalation in geopolitical tensions.

While it is true that earnings growth for some stock companies have been leveling off and flattening, our national economy is still working at a very high rate of capacity (82.4%) and unemployment numbers (4.5%) are at an 8-year low point. Wage inflation, one of the key precursor CPI signs that **CAM** monitors, has been relatively contained as the minimum wage increases and related hourly tick-ups were able to be justified and absorbed in most payroll budgets. These costs often get passed along in the form of higher product/service costs to the consumer anyway.

Overall, the investor public is expressing mixed views and seems indecisive. Recent consumer confidence surveys demonstrate some depressed spending and a less positive outlook than at Holiday time, but some department stores like Sears and Target actually reported some strong sales verses a year ago, so consumer spending is not dead. The dampened housing market is another reason for short-term concern though. We expect this sector to contract further in the months to come before bottoming out later this year with a full rebound not likely to resurface until 2008. The recent tightening in lending standards (in view of the higher rate of mortgage defaults and lower home/property values), could remove many potential buyers from the market, thereby delaying a full-scale recovery unless we get rate relief over the next 5-6 months. **Fears of a housing collapse are unwarranted though and over-exaggerated by some of the media hounds.**

The Federal Reserve Bank seems content to leave rates alone for now, as evidenced by its recent vote to keep rates unchanged (6 meetings in a row now) and by eliminating its stated bias toward possibly raising rates in the upcoming months. In fact, the Treasury futures and yields are building in a 50 bpt. decrease by the Aug/Sept timeframe, hinting that rates will dip and give the whole market a "booster shot of liquidity" and add some positive spark to the languishing housing and lending industries. And even though many of you have commented to me over past weeks that inflation seems higher than the stated 3.0%, the CPI numbers for core inflation still have been coming in oddly around 2.8% to 3.0%...despite fairly steep increases in the costs of food, drink, health care, commodities, insurance, and energy (utilities) year-over-year. <u>A comforting footnote could be the little-known fact that Federal Chairman Bernanke is very well-</u>

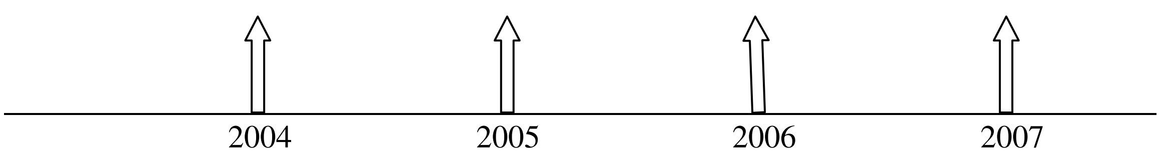
regarded in academic circles for his extensive knowledge about The Great Depression and his post-doctorate study in the fields of inflation and recession. He has studied in-depth what caused the nation's deepest recession after the '29 stock market crash and how to avoid falling victim to another "BIG D". It has been theorized that if the Fed had to choose between higher inflation and depression (recession), Bernanke would probably do everything he could to prevent the latter, preferring to let Americans live with a little more inflation (which is really a fact of life anyway). **Consequently, this underscores the need to well-diversify your investments and include commodity-driven, A rated companies in your portfolio.**

As many of you know, the selection process is key to picking winners. One of CAM's favorite picks includes the A+ rated, NYSE listed stock known as Southern Copper Corp.(ticker symbol:PCU). PCU is the world's leading producer of copper with over 46 million tons proven/probable. It also mines and refines other metals like zinc, molybdenum, platinum, silver, and precious uranium (often found near the copper veins). PCU's major facilities are located in Peru, Mexico, Columbia and in South Western USA with corporate headquarters based in Phoenix, Arizona. Share-net advanced 41% on a 30.4% increase in sales in 2006 with '07 projections conservatively set at a 35% improvement. The company pays a handsome 8.8% dividend yield and is viewed as a total return stock (appreciation and yield combine to provide a very solid result). The downside risks should not be minimized, though as metal commodity prices can be quite volatile…also, strikes or problems at the mine can occur from time to time and cause short-term corrections. **The overall slope, although peppered by periodic pullbacks, should be quite profitable and rewarding for patient long-term investors.**

A recently signed 3 year contract with China should also secure future sales revenue growth as the 65% (3-yr.) increase in milled copper-supply highlighted. When you couple in the handsome dividend (which has also grown each year for several years in a row) with the appreciation potential, the resulting return is quite powerful.

Kindly refer to graph on next page

PCU



In closing, let me say that I believe that selected "blue chip" stocks in favored sectors will move soundly higher in 2007 (especially when hefty dividends are factored in) and that the general averages will turn in more mediocre results on the +5- 9% level. Well-run, commodity-driven companies will add the inflation adjusted edge to their bottom-line earnings and is one reason we continue to favor companies like PCU.

The business scenario continues to show an enviable staying power for the most part. This is not to imply that the U.S. economy is robust and booming though. Far from it, the nation's GDP will probably register only a 2.0% to 2.6% improvement this year. **CAM** expects to solidly outperform the averages by being where the smart money belongs and by avoiding risky vehicles. **CAM** is also aware that investment objectives can and will vary, and is conscientious of these differences and various parameters that define different goals for growth and income.

As always, please feel free to contact me at your convenience with any questions or reflections you may have or want to share. I look forward to talking to you in the near future…in the meantime, be well and think "Spring".

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