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2008 Year-End Message



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*“Now this is
not the end. It
is not even the
beginning of
the end.
But it is,
perhaps, the
end of the
beginning.”*

Sir Winston Churchill
(1874-1965)

Speech in
November 1942

The End of the Beginning

In one of his most famous wartime speeches, Prime Minister Winston Churchill, after the first victory by British soldiers over a Nazi army in Egypt, told his audience that this victory was not the end, it was not even the beginning of the end, but he felt it was probably the end of the beginning.

Churchill was the ultimate optimist. Despite the long series of terrible defeats beginning with the fall of France in 1940, the invasion of Russia and the pressure of the German submarine force on the lifeline of Britain, he never wavered in his certainty of ultimate victory.

I don't know when the exact bottom of our securities markets will occur, or even if it has already occurred, but like Churchill, I am an optimist. I know these financial times will bottom out, and maybe sometime in early to mid 2009 and we will be able to rebuild capital in a concerted way once again.

Getting to where we are today, we have been playing pretty sound defense. While the broad market indexes for 2008 are down about 40%, which has been particularly painful for all of those investors who believe in index investing, none of our clients is down anywhere near that amount. On average, our accounts are down about 11% for the year, some a little more, some a little less. We can recover fully from an 11% decline with a 12.5% gain. For a 40% loss as the indexes have suffered, it requires a 66% gain just to break even.

In pursuing our defensive strategy, we have been exercising our strict sell discipline, building cash, especially for clients who are drawing current income from their accounts, and selectively employing broad market hedges to cushion the drops in the volatile market. Lately we have been carefully and cautiously going on the offensive with small purchases of companies with strong balance sheets and especially good prospects in a recovering economy that's receiving lots of Federal fiscal stimulation.

No one can forecast the timing of a market bottom accurately, so we should expect to proceed with caution, staying close to the storm shelter in case we need to retreat again. Nonetheless, I see 2009 as the year we should transition from defense back to the offense. We will be thoughtfully using our cash reserves to rebuild our equity and high quality fixed income positions which should provide the lift we need to recover from 2008 and move onward towards achieving the financial goals established by each client for us to pursue.

I want to thank all of you as clients of Eagle Wealth Management for your special trust, confidence, and support in 2008 and share with you my strong expectations for a much more profitable 2009.

Warm Regards

Jette