

Update From Carlson Capital Management

Current Market Conditions

March 2008

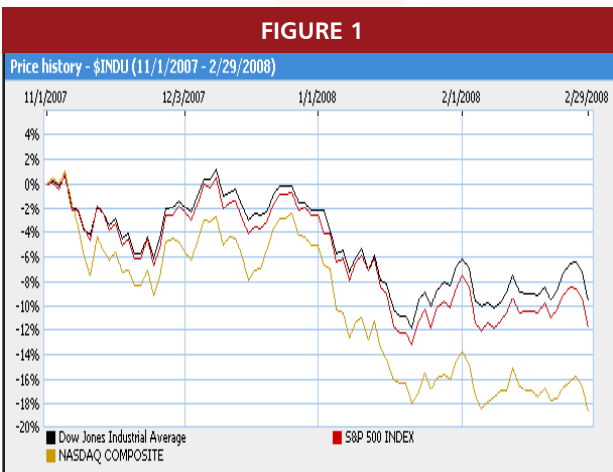
Following on the heels of turmoil in the credit and housing markets last summer and fall, the months of November 2007 through March 2008 have been challenging, to say the least. Naturally, you likely have questions and we wanted to provide this update to help bring context to the situation.

As the state of markets lately have been rather dismal, the following charts are designed to provide some additional perspective. As Figure 1 shows, the trailing four-month returns on the Dow Jones 30 Industrials, the S&P 500 and the NASDAQ are all decidedly negative.

Periods of Market Declines

Well, historical perspective is a wonderful thing. It brings clarity at times when emotion might otherwise rule. We don't have to look back very far to see other periods of the markets' decline.

Figure 2 uses the same indices, but shows the timeframe covering the first nine months of 2002. The effects of September 11 and the scandals surrounding WorldCom and Enron were dominating. This downward trend followed a similar period only a year earlier.



Any time markets go through a period like this, investor sentiment can turn negative and most of us, no matter how seasoned an investor we may be, begin to ask questions such as, "Is this sort of decline unprecedented?"

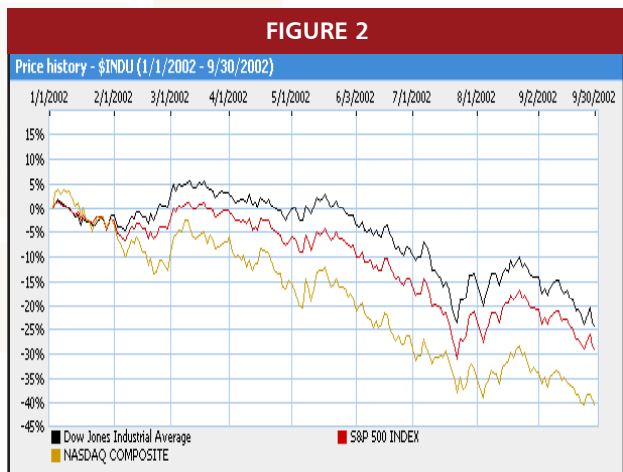
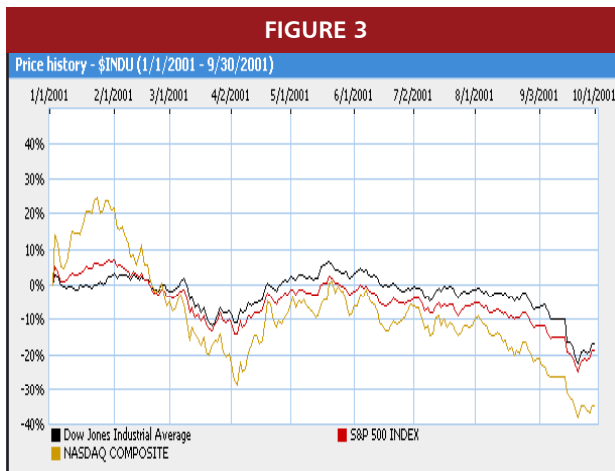
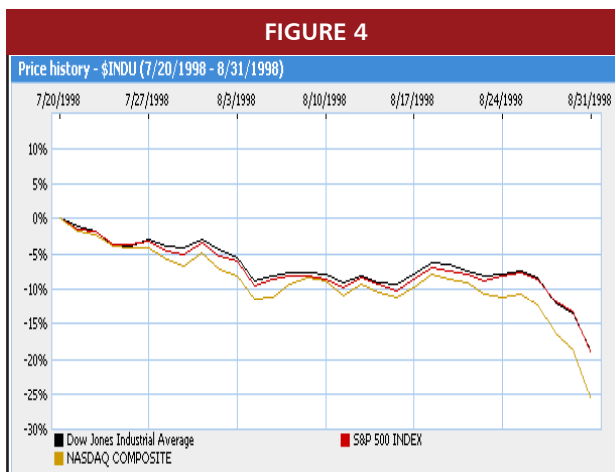


Figure 3 (next page) shows the impact of the implosion of the dot.com bubble in the first nine months of 2001. Technology and telecom companies which had performed so extremely well in the late '90's suddenly were taking a merciless

beating, and the indices again fell steeply.



Three years earlier, markets were rocked by what came to be known as “The Asian Contagion,” an abrupt downdraft that began in 1997 with the collapse of the currency in Thailand and ultimately spread around the world to dramatically affect equities markets in the late summer of 1998. Figure 4 shows its effect over a period of only about 45 days.



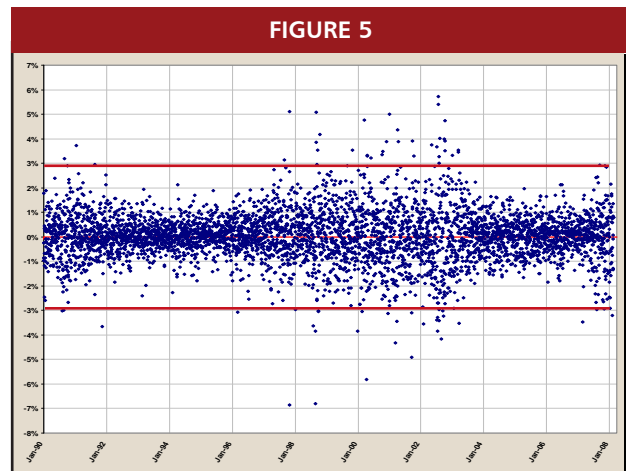
So, as uncomfortable as the present may be, from a historical perspective, the decline we are experiencing is far from unprecedented.

Volatility

A popular media topic of late is the amount of market volatility we are experiencing. The indices we’ve been discussing have had some significant ups and downs over the past few months. More downs than ups, actually. Those down days are no fun, and again, investors are left to ask if the market

is behaving in an unusual manner.

In Figure 5, each blue dot represents a single daily movement of the S&P 500 index, expressed on a percentage basis, from 1990 through mid-February 2008. The red lines represent a 6% range (3% up and down from a zero mid-point).



As you can see, over the past seventeen years, there are numerous trading days where volatility has been of similar or greater magnitude to what we have experienced recently. In fact, had this chart reached back three years earlier, the downward scale would have had to more than double to accommodate the single-day drop of “Black Monday” in October 1987.

What’s unusual about the current volatility is not that it’s exceptionally high. Instead, it’s the rather extended period of time over the past three to four years when volatility was actually less than might normally be expected. Perhaps, this may have caused some investors to forget how equity markets typically behave.

Conclusion

So, with this information as backdrop, we’re left with the question of how we should respond to the current situation. What action, if any, should we take and how should we think about what’s happening around us? We have three recommendations for your consideration:

○ **Remember the job of the media.** It’s not to give you sound investment advice. In the final

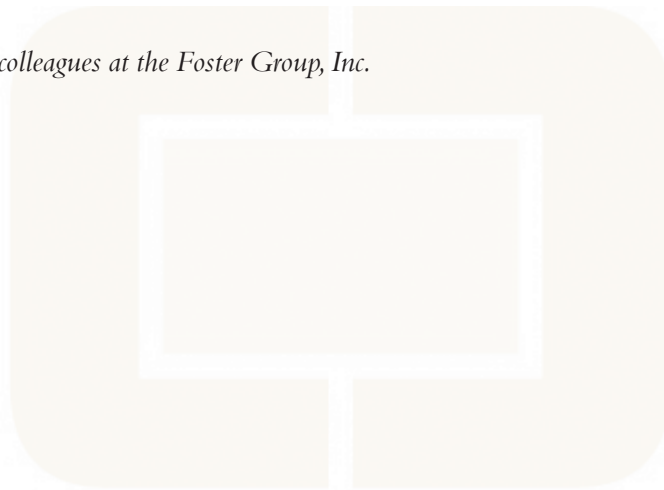
analysis, the media's job is to sell newspapers and magazines, newsletter subscriptions and advertising airtime. You don't accomplish those things by telling a consistent, positive story. You accomplish those things by telling a sensational story, with a bit of fear mixed in, so that each day readers and viewers will return to see what new information is available.

● **Stick with your Investment Policy Statement (IPS).** It was designed to manage the emotions of fear and greed. Today, we're experiencing the "fear" part of that equation. Periods of time like this, and the investment mistakes they can cause, are exactly what the IPS was designed to protect you from. Your plan was purposely developed with periods of time like this in mind.

Additionally, periods of market decline provide us the opportunity to rebalance your portfolio—potentially capturing losses for tax purposes.

● **Call with questions or concerns.** Sometimes, a bit of encouragement is not only welcome, it's necessary. If you'd like to discuss your situation in more detail, we invite you to call, e-mail or stop in to see us. We'd welcome the chance to visit with you further.

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