

December 31, 2007

Dear Client,

We wish you a happy, healthy and prosperous 2008.

Looking forward to the New Year, we see vindication of our outlook and some exciting investment opportunities. As we warned in our last newsletter, inflation is becoming a concern, particularly in fast-growing developing countries such as China, India and Russia. At the same time, the falling dollar has made U.S. assets attractive to foreign buyers, and US manufactured goods and services now enjoy comparative price advantages. For these reasons, in 2008 we expect increasing foreign acquisitions of US companies and US commercial real estate, and we find ourselves focusing on investment opportunities in growing and undervalued US companies.

For the first half of 2008, we expect the domestic economy to muddle along with very slow growth at best. Tight consumer credit will limit consumer spending, and for that reason recession is a distinct possibility. However we believe that recessionary forces will be balanced to an extent by the strong performance of US exporters. While the market may exhibit similar volatility to last year, on an historic basis US equities are reasonably priced. We will continue to under-weight the US financial and retail sectors. Continuing a theme from last quarter, we will look to certain resource companies as both a growth opportunity and a hedge against inflation, although the run-up in energy should slow somewhat. We see opportunities in new technologies, with particular upside again in alternative energy, and new for 2008, high efficiency lighting products.

Oh, and one last important item. In the last year we lost only two clients, but each of these comes with a cautionary tale. One of these clients was a senior who, on advice of an insurance agent, purchased a sizable variable annuity that required him to liquidate his account with us. While annuities have their place in some portfolios, they are not for everybody. In the case of this client, he was not aware that his account here was significantly outperforming the variable annuity offered by the insurance agent. While we do offer annuity products, we had not proposed them to him because we felt they were not appropriate for his account. The other client was recently retired, with a small, non-managed account. Unbeknownst to us, this client had inherited a significant sum of money, and proceeded to invest it in speculative real estate (partly financed with variable sub-prime loans), and in another variable annuity. When he discussed this with us, it became clear that he had made a mistake, but could not undo what had been done.

While we strongly believe that it's your money, not ours, and won't try to dissuade you from making a reasonable investment elsewhere, it is really helpful to have the benefit of experienced financial advice. For that reason you should let us know on a timely basis about significant changes in your finances and financial objectives, and particularly any contemplated transaction that may have a material impact on your finances. We have extensive training and experience in wealth management issues, including tax and estate planning strategies, and financial and business advisory services. Please feel free to call - we're here to help.

Regards,

Stanley Q. Mok
Principal