



FERGUSON ASSET MANAGEMENT, INC.

Investment Counseling & Asset Management for Individuals & Institutions

Year Beginning Report and Commentary

January 2008

Your tax information is attached to this report. It includes: gains and losses, income and expenses, and all pertinent information for your tax preparer. In years past we have sent duplicate tax information to your accountant if you have asked us to do so. Sometimes they misplace the reports. If they do, we will be happy to send them another copy. They may use the information from the attached report, or we will be pleased to mail or fax them a fresh copy and answer any questions they might have. *If you have a -0- (zero) cost basis on any sale transactions in the realized gain/loss report, please give us a call.*

Our reports may vary slightly from your year-end Fidelity Report. We are required by the IRS to report transactions on the “trade” date. This is normally three business days prior to the “settlement” date. Fidelity and all other brokerage firms are required to report a trade as being effective on the “settlement” date. Confusing! The SEC and the IRS have their own domains. The IRS prevails when it comes to your tax reporting.

If your account(s) were also invested in private investments, mortgages, or other private placements, the interest or dividend income reported by Fidelity to you will not contain the income from these investments. Our income and expense statements will contain this information. We have found in the past that our statements are the default that you should include for your tax reporting.

A Brief 2006 Market Review

The domestic stock markets were on a four-month cycle last year. They were up for the first four months, then four months of sputtering declines, followed by new all-time highs for the Dow Jones Industrial averages. The following are last year’s returns for some major indexes and leading sectors as reported by *Investor’s Business Daily*.

Five Worst Januaries

Average decline was 6.8%

The following 1 year averaged	a positive 12.3% return.
The following 2 year averaged	a positive 26% return.

The worst one year return after the January debacles was a +3.2% and the best was over 18%. Four of the five declines occurred during recession or near recessions.

We are not burying our heads in the sand. Each client has different goals, tolerances, time horizons, and financials. We have a game plan for your assets, allocation, and risk exposure and risk reduction. We know of no one who has consistently been able to make successful asset reallocations prior to or after 10% moves up or down in the market. It is a seesawing vehicle that moves with the anticipatory wind.

We all know where the markets been this year. It has been a roller coaster. Will it continue to be? Yes, just like it has during the past six recessions I have witnessed. When the Dow went below 600 during one, below 800, below 2500 and below 9,000, during others, I always lost a little sleep, but only a little.

EXPANSION

In February I will be sending out a special announcement about our expansion. I wanted to keep the year end report and update separate from our internal operation and team enhancement.

If you ever have any concerns, questions, or just want to hear our voice or see our face please give us a call.

Warm regards to you all from all of us.

John Ferguson