

Dunn Warren Investment Advisors

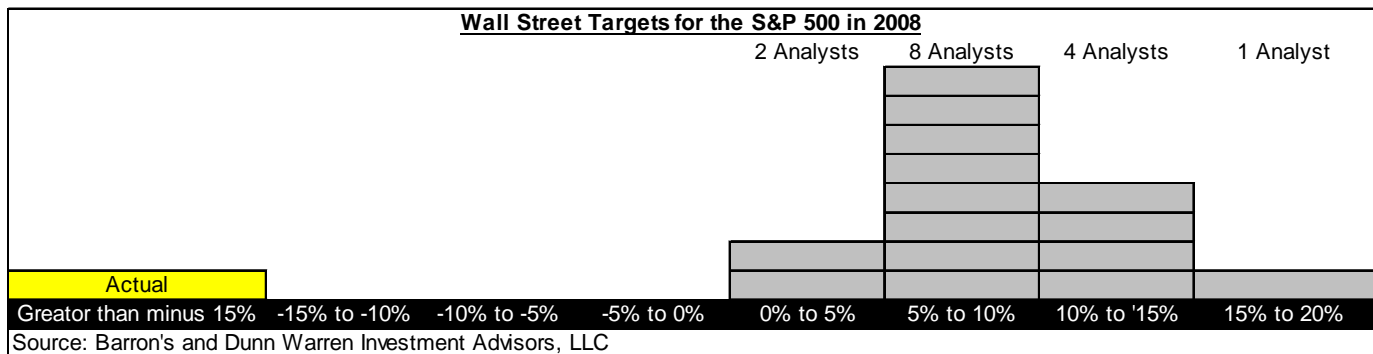
James Cornehlson, CFA
Greenwood Village, CO
Phone: 800-793-4866
Website:
www.dunnwarren.com

January 2009

The Portfolio Reporter

We at Dunn Warren are celebrating a new member of our team. Mike Carr, CMT has joined Dunn Warren as Chief Market Strategist and as a member of the Investment Committee, after just publishing his new book Smarter Investing in Any Economy: The Definitive Guide to Relative Strength Investing. Mike is a Chartered Market Technician (CMT). He is the editor of the Market Technicians Association (MTA) monthly newsletter, *Technically Speaking*, and associate editor of the MTA's scholarly publication, *Journal of Technical Analysis*. Mike's work has been published in *SFO*, *Futures*, *Technical Analysis of Stocks and Commodities*, *TRADERS*, and *Working Money*. I am looking forward to working with Mike to navigate the financial mess that our economy faces. Mike's most recent article about the January Effect can be found on Seeking Alpha at <http://seekingalpha.com/article/112267-the-january-effect-explained>.

We start the New Year as usual, by looking at the previous year's forecast by Wall-Street analysts. This year is a master example of the quandary of making forecasts. As Yogi Berra famously said, "It's tough to make predictions, especially about the **future**." And 2008 just proved him right. From Barron's Monday December 17, 2007, 15 Wall Street analysts were asked to give their projections about the price of the S&P 500 for the end of 2008. With little exception, all 15 analysts expected the S&P 500 to increase 0 to 10% to at least 1525 (the average estimate was an 8% increase and the highest estimate was a 20% increase). With the S&P down 37% at year's end, you can see how wrong they were. The one nugget of value from last year's estimate was that they were all centered (without much deviation) around a 5% to 10% return. This outcome warrants further study. If so many analysts were expecting the same results, it was much more likely for something unexpected to occur.

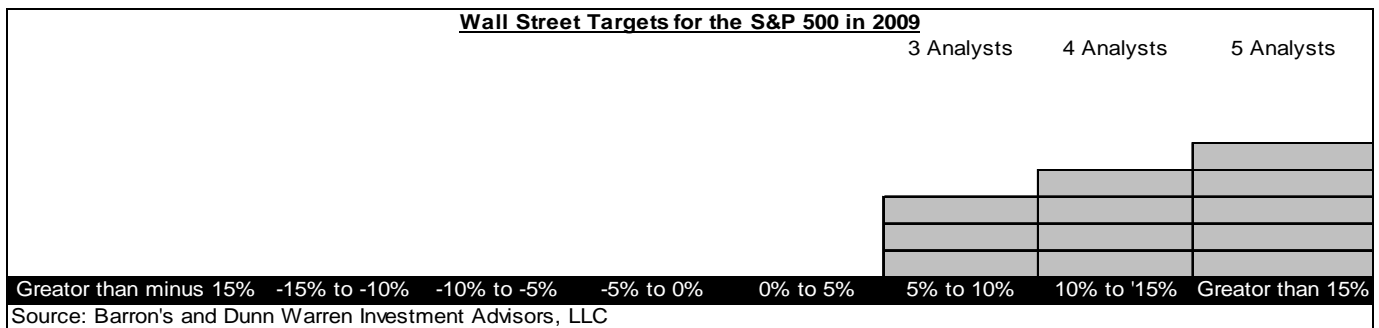


The problem with making forecasts is not that these individuals (or any individuals that make them) are not smart or capable. Without exception, they are all well-trained and educated. The flaw is that we cannot know what we don't know. In other words, it is better to expect the unexpected. Making a forecast assumes that we know what to expect. *(Continued on p.2)*

This is where Dunn Warren differs. Our process is built on recognizing that we cannot know the future. We are better off measuring how we are doing and making corrections when we are wrong. If we are disciplined about this process, we hope to be right more often than we are wrong. But we will be wrong.

We just have to recognize when we are wrong and correct it with as little impact as possible. Mike Carr had me read “Winning the Performance Game” by Clay Allen, CFA, and there was one line from the book that stood out for me: “There is a fundamental difference between predicting a Stock’s Performance and measurement of and the participation in the actual performance by that stock.” Clay Allen has expressed exactly what Dunn Warren tries to accomplish. And it is this process that distinguishes us from other investors.

Now that you know how we feel about forecasts, here is what Barron’s survey from December 22, 2008 has forecast. Barron’s surveyed 12 analysts, and all expected at least a 5% return. Three expected a 5% to 10% return, four expected a 10% to 15% return, four expected a return between 15% and 20% and one expected a return of 40%.



So what are we measuring to see if it stays in our portfolio? We have technology and small-cap. We believe that these are both nimble and can respond to any improvement in the economy as it occurs. In the meantime, we will continue to measure our investments to confirm whether they warrant our ownership.

Please feel free to pass “The Portfolio Reporter” to interested friends and family members. The opinions expressed here are based on the author’s views and should not be construed as financial advice. For more information about your investments, please contact your financial professional.

MONTHLY CONFERENCE CALL

Our next monthly conference call will occur Thursday, January 15th at 11 a.m. Mountain Time (1 p.m. EST).

Phone Number: 866-740-1260

Access Code: 4682824

To view slides on the internet during the call, go to www.readytalk.com and enter 4682824 under “Join a Meeting”.