The Portfolio Reporter

A Newsletter Provided by Dunn Warren Investment Advisors November 2007

A line in the sand divides those that believe we are on the verge of recession due to the housing mortgage crisis, and those that expect continued growth, albeit at a slower pace, from overall global expansion.

However, we do not invest based on our opinion of where the market is going, but rather what is the opportunity of the investments we own and/or could purchase. Therefore, what you really want to know is how your own investments are performing. We cannot address your specific portfolio in the newsletter because portfolios vary based on product, the date you started investing with us, and your risk profile. Therefore, I can only address the investments in broad terms. So with that disclaimer and the fact that past performance is no guarantee of future returns, here is what we have experienced.

The best performance turned out to be those investments in the NASDAQ composed of technology and young growth companies. This is up 45% since we invested in February 2007. The longest running investment tends to be those international investments that go back to the spring of 2006 or before. The investments in Europe have appreciated 27% since May of 2006.

The next best performing investments are large familiar companies known as blue chips or the Dow. These investments are up about 39% since August 2006, when we invested in Dow stocks because the index had declined.

Basic materials are up 24%. Basic materials represent chemical and steel companies such as Monsanto and DuPont. Specific technology sectors include telecom and the internet. These two areas are up 2% and 11%, respectively.

The youngest investment, which we picked up during the market decline in August 2007, was oil services, which is up 4%.

Some of the mistakes we have made were in consumer products and health care. Consumer products include Proctor and Gamble, Coca-Cola, and Pepsi. We held that from September 2006 until January of 2007, when we sold for a loss of about 5%. We held health care from September to December 2006. Without a loss or gain, we decided to sell this investment once Democratic candidates began entering the presidential race, changing the outlook for healthcare investment opportunities.

Some investments we have owned recently that were higher when we sold them include high-yield bonds. They were up 5% in August, but we sold them when concerns about mortgages began to spread. We also sold large-cap and mid-cap value, which were up 11% and 4% respectively. They were sold because the opportunity from the growth of earnings in technology outweighed the opportunity of these investments.

Currently, we are making a few changes to the portfolio. We have begun demoting telecom from the portfolio. This is because acquisitions in the telecom industry have slowed as a result of the difficulty of obtaining debt to finance the acquisition. We are replacing telecom by purchasing global or international investments because they continue to have the best growth prospects at the best valuations. However, this is increasingly more difficult as the prices have increased significantly recently.

While the economy has slowed, I disagree with those that say a recession is imminent. There is too much conflicting data to suggest this possibility. While a recession could occur if more economic factors decline, it is preferable to focus on those investments with reasonable prices and strong earnings growth potential.

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.

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