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Simon Cowell ... Meet Timothy Geithner

Yesterday's debut performance by our tax-challenged Treasury Secretary went about as well as some of the initial songs performed by the pitiful souls on American Idol who end up being trashed by that Honorable Song Judge, Simon Cowell.

Upon hearing the Treasury's detail-less plan, the stock market effectively threw up, losing nearly 5%. Yesterday and Inauguration Day have now been the two worst days for the markets' performance since the Obama Administration came to power.

I don't know if that is a pattern or mere coincidence and am willing to give our Scold-in Chief the benefit of the doubt. At his press conference this week Mr. Obama sternly warned that our country's economic challenges could descend to a "catastrophe", his word choice, if the Stimulus Package were to be delayed. That didn't exactly get me thinking about the Audacity of Hope. It sounded more of like Jimmy Carter and his criticism of our country's "malaise" in the '70s rather than like FDR and his uplifting fireside chats to a Depression-era America. I think our Leader in Chief needs show some optimism, more Roosevelt and less Carter.

Anyway, this economic cycle will run its course. All cycles do. There should be serious consolidations in the financial sector with the weaker banks going the way of the 900+ weaker S&Ls that disappeared during that crisis fifteen plus years ago. Seizure of zombie banks, takeovers of the weak by the fittest and increased deposit insurance will be the ultimate path to recovery, I'll predict.

Geithner sang an entirely different tune yesterday. The Financial Stability Plan (FSP) has four broad-based goals: (1) stabilize banks with fresh capital injections, perhaps another \$100 billion; (2) buy toxic assets in a private-public arrangement with another \$100 billion which could be leveraged

with private capital as much as 5 or 10 to 1; (3) leverage consumer lending by expanding the so-called TALF Federal Reserve program, injecting as much as \$100 billion, again with a possible 10 to 1 leverage factor; and (4) help homeowners modify contractual agreements with their lenders to attempt to halt foreclosures and falling home prices.

When all is said and done, that is a potential \$2 trillion dollar commitment. As the late Illinois Senator Everett Dirksen was found of saying, "A billion here, a billion there. Pretty soon you're talking real money."

Will it all work? I'm hopeful but not persuaded. For what it's worth, Rich Bernstein, the chief investment strategist at Bank of America no less, has recommended that all shareholders avoid financial industry companies. Yesterday the S&P 500 Financials Index fell 11% on disbelief that the FSP program will prove to be the tonic all of us hope it will be.

We're just little old country money mangers here in this backwater, Wilmington Delaware, and far away from the sophistication found in Washington or New York, but I've got a question for those government bailout-savior types: How on earth do you think it makes Bank of America stock look attractive to money managers on behalf of their clients, when you (1) go nuclear on the dividend, totally wiping it out and (2) add insult to injury by diminishing the remaining value of the shares through warrants which dilute Main Street's holdings?

This is one money manager who will look in other sectors for dividend payouts for our Main street clients before he will revisit the financial sector. So, as much as it pains me to say it, for my money Mr. Bernstein is right.

Every market sell-off provides an opportunity to find a good holding; last night we found one in the defense and aerospace area. It's stable, has little volatility, pays a healthy and strong dividend and has good earnings predictability, all characteristics of the financial sector pre 2008 but not of that sector at present. We'll soon put some of our clients' money there.

Golly, I hope they figure this out sooner than later. It's getting old. And I also hope the next time Mr. Geithner sings before a national audience that Simon Cowell has his TV turned off.

Best to all.