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THE 15-MINUTE RETIREMENT PLAN

We are a nation obsessively focused on the easy way out. Lithe young men and women look us in the eye as we watch TV ads and tell us they've lost fifty pounds through this miracle diet or that, and no exercise was required. I recently heard a radio ad promising rock-hard abs if I exercised but 12 minutes a week. The nation's newspaper, *USA Today*, carried a full page ad in its Money section in November. The ad offered a FREE REPORT entitled "The 15-Minute Retirement Plan." While it might be possible for me to lose some weight, tighten my stomach or craft a retirement plan for one of my clients, I know that I can't do it quite as easily as the young person on TV, the speaker on the radio, or the writer of that 15-minute retirement plan.

Ah! If I could just find the magic switch. Twelve minutes to 6-pack abdominals and fifteen minutes to retirement nirvana. That ought to give me enough time to see the second half of next Sunday's *60 Minutes* TV show. (After last week's events, I wonder if Roger Clemens will successfully prove the adage "the best defense is a good offense.")

I know I can't develop a flat stomach in 12 minutes and I can't develop a client's retirement plan in 15. Choosing appropriate stocks and bonds to invest for a client's hard-earned retirement assets is a matter that takes me a lot of time and care. I can assure you that Terrell Owens, the all-pro wide receiver of the Dallas Cowboys whom Eagles fans love to hate, has not sculpted his Adonis-like body in 12 minutes a week either, notwithstanding the radio pitchman's come on.

Scoring touchdown passes in the NFL is not accomplished by merely rubbing one's fingers over a rotund belly. Let's leave the touchdown passes to T.O. and ask him to leave investing for retirement to me. But a word to the wise, it takes both of us more than 15 minutes to prepare.

2007 Market Review and 2008 Observations

Let's continue with our NFL theme. Not every year is going to be a 12-win 4-loss one. The stock market's year 2007, for example, was closer to the year the Tampa Bay Buccaneers had. Coached by Jon Gruden, the so-called "child genius" of the NFL, the Buccaneers won the NFC South Division with a 9-7 record. But at the season's end they lost three of their last four games. Ultimately, they were bounced from the first round of the NFC playoffs by the New York Giants, thereby ending their season at 9 wins and 8 losses.

That's a good analogy for how our stock markets performed last year. The 2007 year started out well for the S&P 500 and NASDAQ and very well for the Dow Jones Industrials. Just as Tampa Bay started its 16-game season strongly at 8 wins and 4 losses, our markets marched into late summer with plenty of wind in their sails. But then the subprime mortgage mess spread its contagion to the credit markets on Wall Street. Banks stopped lending, mortgage companies closed and borrowers started to default. Short-term lending seized up. Then a tsunami called volatility hit. And the Buccaneers limped into the playoffs, losing their last two games. Nevertheless, the Bucs did end the year with a winning season and so did our markets. Specifically, their 2007 capital appreciation numbers look like this:

S&P 500	+3.53%
Dow Jones Industrial Average	+6.43%
NASDAQ Composite	+9.81%

It's always better to be on the plus side of any ledger than the negative one. So, in that respect 2007 was a good year. Indeed, it was the fifth year in a row that the S&P has been on the positive side, and it has gained 55.5% from '03 through '07. Compared to 2006's return of 13.6%, however, the return last year was 10% less.

So how will we do in 2008? The first half of the year should be ugly. Losses at US banks and brokerages will continue and will grow. The credit crunch and lack of liquidity will not loosen any time soon. Housing prices will continue their fall. Growth in emerging markets as well as Europe will slow. Oil will continue at record prices. China is in a bubble; it may pop.

In the second half of the year matters should moderate. Most of the bad news with respect to the banking and financial institutions will have been fully disclosed. Both Republicans and Democrats will want the economy to look good in an election year and will take regulatory action to accomplish

that goal. With the exception of housing and autos, the consumer should continue his/her steady spending. Price-to-earnings ratios will be reasonable compared to historic norms. Assuming no unforeseen external shocks to the system, which is always a dangerous assumption, the markets should climb back, ending the year on a positive note.

Indeed, strategists from ten different investment houses recently were asked for their predictions, including the spokesmen for Merrill Lynch, J.P. Morgan Chase, Citigroup and Goldman Sachs. The consensus is that the S&P will end the year up 9.2%. The most bullish projection is that of Jason Trennert of Strategas Research Partners who looks for S&P 500 growth in excess of 14%. The most pessimistic is from the strategist from Morgan Stanley and even he projects positive growth in the 3.5% range.

Looks like 2008 will end up looking like a 9-7 to 10-6 kind of year. It sure is starting out poorly however. Through the first five trading days of 2008 the S&P 500 is down 5.3%. That's the largest drop to start a new year since the 1930s. Looking at history, we see that, in comparing the five worst starts to the year over the last twenty years, in three of them the S&P 500 ended the year in positive territory, while in the other two the S&P 500 ended in negative territory. Indeed, in 1991 the S&P lost 4.6% in its first five trading days and ended the year up 26.3%. On the other hand, the S&P lost 3.4% in its first five days of 1962 and never recovered, ending the year down 11.8%.

Both the New York Giants and the Philadelphia Eagles started the most recent NFL football season with two consecutive losses. The Giants ended up in the playoffs while the Eagles stayed home. So the question all of us should ask is whether this poor start is a harbinger of bad news for the whole year, or an early bit of indigestion about which we should not be worried. Either way, buckle your seatbelts because it's going to be a volatile ride. What do I think? Well, just ask my family, I've always been a Giants fan.

It's a Big World and Especially in China

China will host the Summer Olympics. It's a vast country both in size and population. A city I've never heard of, Chongqing, lays claim to more than 30 million people, apparently making it the largest city in the world.

Their Shanghai stock exchange welcomed Petro China to its market in early November. It's China's leading oil and gas producer, with shares which have also traded on the New York and Hong Kong markets since 2000. Petro China quickly rose two-and-a-half times in value their first trading day in Shanghai, moving from an opening price of \$2.24 to \$5.90 at

the market's close. The IPO of four billion shares raised \$9 billion for Petro China, making it the world's biggest IPO for the year. The combined value of Petro China shares on the Shanghai, Hong Kong and New York exchanges now exceeds \$1 trillion. That's more than twice the value of Exxon Mobil. Its massive market value, however, has small relationship to its profitability. In the first half of 2000, for example, the company's net of \$10.9 billion was only 56% of the net income Exxon Mobil earned during the same period.

What we are really seeing is a frenzy in China for their stocks in general. One observer, Howard Gorges of South China Holdings in Hong Kong says "there's a huge amount of money in Shanghai that's willing to buy literally anything -- quality or speculative." Securities regulators in that country have looked aghast as China's households have poured more than \$2.3 trillion of their savings into company shares. Indeed, five of the ten largest companies in the world, as measured by market capitalization, are Chinese -- China Life, Petro China, China Mobil, Industrial and Commercial Bank of China, and China Petroleum and Chemical Corporation. By contrast, the U.S. has three such companies -- Exxon Mobil, General Electric and Microsoft. The other two are the Hague-based Royal Dutch Shell and Russia's Gazprom OAO.

As of November 1, 2007 the Shanghai and Shenzhen stock exchange had risen 170% for the year while Hong Kong's Hang Seng index, which is dominated by Chinese companies, had gained almost 60%. For comparison purposes, the S&P 500 was up 8.9% at the same point in time. While the Chinese numbers are breathtaking, to say the least, be reminded of the U.S. real estate bubble. Sooner or later, as sure as I am a Carolina fanatic, the air will come out of that Chinese bubble. And when it does, watch out. But for the time being if you're in, enjoy the ride!

A Little Of This and a Little of That

For the last several years it's been my privilege to make recommendations of stocks to consider buying. In order to do that, however, I've been advised that it's my responsibility to keep track each and every stock I've purchased for each and every client during the course of the year. Consequently, if you read my reports last year in this section you noticed a footnote to that effect. Because Westover prepares every meal to order, and every portfolio individually, tracking each and every stock for each and every client in over 200 accounts gets to be somewhat burdensome, to say the least. And it will only continue to grow as we add new clients. As a result, I've decided to retire my stock recommendations. I don't want to run afoul of the SEC when the regulators knock on my door.

Incidentally it's was for this same reason that we stopped tracking our Westover Portfolio at this time last year. It's just not something the SEC wants to see us do. Nevertheless, we're more than happy to tell anyone who may be interested how our returns have been for 2007, in a one-on-one setting. Indeed, I'm eager to do that. Please call me or, better yet, come visit. I don't think you'll be disappointed. For the year we increased our assets under management by approximately 17.5%, while raising our threshold to \$1,000,000.

Going forward this section of my Report will focus on some of the broader aspects of the wealth management industry. Some things will be obvious to some of my dear readers, especially the attorneys, but others may find the suggestions helpful or instructive. This quarter we deal with the use of revocable trusts as a probate savings device.

This summer a retired corporate lawyer came to see Westover for investment management services. Because I have practiced law for more years than I care to remember and because Westover prides itself on value-added wealth management advice, I asked to review his estate documents. From a legal perspective both he and his wife had excellently drafted revocable trusts. But interestingly, neither had retitled their investment accounts in the names of those trusts.

Doing a quick calculation I estimated that if we retitled the investment accounts he and his wife held so that their respective trusts were the owners that they would save five figures in probate fees. By comparison, that was more than the two years' worth of the investment management fees they were projected to pay Westover. That, ladies and gentlemen, is a real life example of why it's critically important that you see your attorney or investment advisor. Coordinate both the drafting of your revocable trusts as well as the retitling of your investment assets in such a fashion that you and your spouse will save for your heirs dollars that would otherwise be paid to the state of Delaware as a probate exaction.

Listen to the Music

Picture in your mind the Perfect Gentleman. He's in his 70's or '80's. Tall and thin, he always wears a coat and tie. He stands when ladies enter the room. He is unfailingly polite. He is perpetually optimistic. He is a raconteur extraordinaire as well as a world traveler. He enjoys horticulture and has made substantial charitable bequests with respect to his estate. That Perfect Gentleman was the winner of Westover's quiz. This gentleman, whose name shall remain anonymous, lives in the West Chester, Pennsylvania area. He regularly travels the world, and calls Bermuda his second home. He properly placed our five composers in the following chronological order:

Johann Sebastian Bach (1685-1750)
Wolfgang Amadeus Mozart (1750-1791)
Franz Schubert (1797-1828)
Johannes Brahms (1833-1897)
Gustav Mahler (1860-1911)

This quarter's quiz ties together Broadway and music. The DuPont Theater was the venue in November for a smash musical play based on the songs from the '70's and early '80's of an international musical quartet. The group's name was an acronym formed from the first letters of their four names. They've sold more than 370 million records worldwide.

Here's your quiz: (1) What was the name of the play; (2) who was the group; (3) what country were they from; and (4) in addition to the name of the play, what is the title to one more of the twenty-three songs in the play?

As always, our winner will receive a \$100 gift certificate to their restaurant of choice. But in order to play our Honor Code remains in effect. No internet searches allowed.

We wish you the very best for the year 2008 and would be delighted to assist you in your retirement planning as well as advising on probate avoidance. However, I'm afraid I can't do it in 15 minutes. For that you'll need someone else's help. I've got the toll-free number for you if you want to call that fellow in *USA Today*.

Best of luck.

January 9th, 2008