



ALT AIR | ADVISERS

2008 Spring Investment Forum
April 29, 2008

Bryan Malis, *Managing Director of Altair Advisers*, opened the conference by reviewing the headlines in the financial markets: the economy flirting with recession, the Fed continuing to ease, the dollar continuing to decline, and commodity prices soaring. As the credit crisis continued to rock the markets, equities had their worst quarter in years, while bonds and U.S. commercial real estate posted moderate returns and commodities futures were the big winners. Bryan also discussed the results of the Altair Advisers Quarterly Manager Survey. In general, our recommended managers felt that while the economy is either in or near recession, it may be short-lived with growth occurring late this year or early next year. There was some optimism among the managers as they believe that these volatile times present buying opportunities and that current valuations are reasonable. However, they shared some concerns which present challenges ahead: the recession may be prolonged, corporate profits may decline, the credit crisis may persist, and investor and consumer confidence may remain low.

Dr. Allen Sinai, *Economist with Decision Economics*, followed with his insightful comments on the state of the economy. Dr. Sinai expressed little doubt that we were in a recession and that while it may be shallow, it may last well into 2009, stating that the problems in housing and credit will take significant time to heal. He expects the Fed to pause for a while at 2% rates as it ponders how to both stimulate the economy and tame inflation. He also thought that the tax rebates will likely provide a spike in GDP during the 2nd and 3rd quarter, but that their impact will be temporary (especially given the concurrent increase in the deficit). This could create a false sense of security in the market as GDP experiences a positive (albeit short-term) benefit around mid-year. Dr. Sinai also expressed concern with the declining dollar, stating that a strong currency is critical to the long-term health of an economy.