

The Importance of Avoiding the Noise

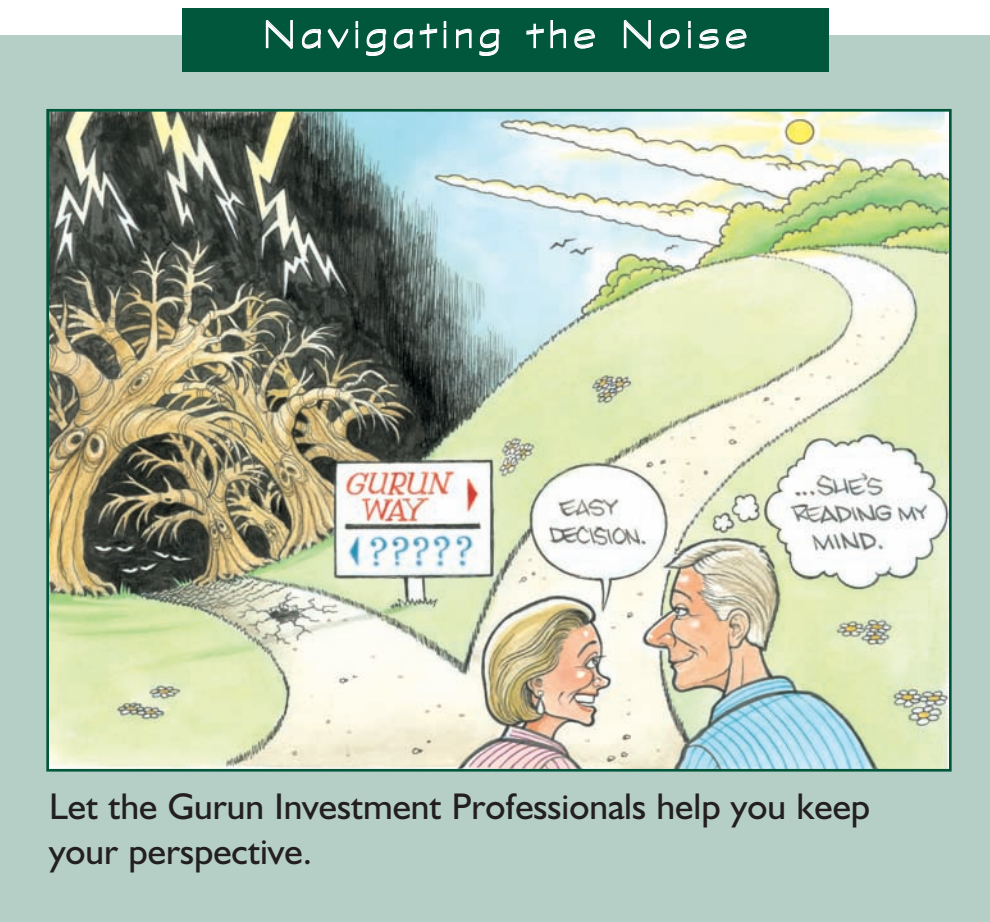
Collateralized Debt Obligations, Sub-prime and Alt-A Residential Mortgage-Backed Securities, Structured Credit Assets . . . these esoteric debt obligations continue to make headlines and push stock market volatility to new highs. In order to prevent an international credit crunch, the Federal Reserve recently lowered the Discount and Fed Funds rate and President Bush announced a number of initiatives and reforms to ease worries of a possible contagion effect from the subprime mortgage fallout.

What are the ramifications for portfolios managed by Gurun Investment Advisors? Although we can't totally immunize a portfolio, we can implement protective measures designed to minimize market volatility.

First we strive to ensure the asset allocation between common stock and fixed income obligations is suitable to achieve your long-term investment objectives. This allocation is based on:

- 1 your investment time horizon,
- 2 current income and liquidity needs
- 3 your unique risk tolerance level.

A fixed income allocation in high quality bonds provides a safe haven ("flight-to-quality") when markets become disorderly.



Let the Gurun Investment Professionals help you keep your perspective.

Second, stock holdings are diversified across different issuers and industries to avoid material losses associated with concentration in any one sector. The most glaring example is the decimation caused by large-scale bets in Technology when the "bubble burst" in the early 2000 years. One of our primary functions is to rebalance your portfolio periodically to ensure adherence to your predefined asset

allocation and maintain proper issuer and industry diversification.

Third, a majority of common stock holdings are restricted to high quality, large capitalized companies that pay a dividend and raise the dividend every year.

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This issue of the

GURUNReport

has been prepared by

Gurun Investment Advisors

to help you understand and achieve your long-term financial objectives via conservative investment management.

Gurun Investment Rule #3

Hope is not an asset class.

Executive Profile

David P. Gurun, CFA, CFP, CPA

David joined Gurun Investment Advisors, Inc. in 1994 after serving as a Senior Portfolio Manager at American Beacon Advisors—the money management arm of AMR. He received his BA from Baylor University and began his career with a national accounting firm and then joined American Airlines as an auditor. While serving as a portfolio manager at American Beacon Advisors he managed multi-billion dollar money market funds. He is a Certified Public Accountant in the State of Texas, a Certified Financial Planner and a Chartered Financial Analyst. David's primary responsibility for Gurun Investment Advisors, Inc. is focused on day-to-day management of our client's portfolios.



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Fourth, the fixed income portfolio is restricted to high investment grade issuers (generally rated "AA" or better) to ensure every dollar invested is returned when the bond matures. We do not invest in derivatives, mortgage-backed securities, collateralized debt obligations or other exotic securities.

While a portfolio with common stock

holdings will always be subject to systematic risk, we believe the aforementioned steps help mitigate any long-term damage to your investment portfolio.

Don't let the sensationalized headlines disrupt a prudent, long-term investment strategy. Turn off the T.V., grab a good book ... and "Avoid the Noise."

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GURUN Conservative Investment Management
INVESTMENT ADVISORS

GURUNSPEAK

An Investment Glossary

Systematic Risk

The risk common to all securities and; therefore, can not be eliminated through diversification. Also called non-diversifiable or market risk.

Discount Rate

The interest rate charged by the Federal Reserve for loans to eligible financial institutions. The loans are generally made on a short-term basis to meet temporary shortages of liquidity caused by internal or external disruptions.

Mortgage-Backed Securities (MBS)

An asset-backed security whose cashflows are backed by the principal and interest payments of a set of mortgage loans. Because residential mortgagors have the option to pay more than the required monthly payment or pay off the loan in its entirety, the monthly cashflow is not known in advance and presents additional risks to the MBS investor.

Federal Funds Rate

The interest rate banks charge each other for overnight loans used to satisfy the Reserve Requirements.