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Fourth Quarter Overview
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The Quarterly Report

Without a doubt, investors will remember 2007 as the year that the housing market collapsed and triggered a credit crunch. The earnings of just about any company that was involved in homebuilding or lending were crushed. As credit tightened and the housing market suffered, investors became more and more worried about the overall economy, triggering stock declines for many consumer goods companies. While all this was going on, U.S. exports were booming and reached an all-time high of 12.1% of GDP (as of 9/30/07). Not surprisingly, companies with significant foreign-based earnings did well including (generally) energy, technology, and materials companies. Overseas stocks also delivered great returns. Related to the overseas story was the continuation of demand for energy and raw materials commodities from China and other high-growth developing countries.

There was action in the bond market also. Investors first worried about inflation and then recession. At times they worried about both. The 10-year Treasury yield ranged from a high of 5.25% in June to a low of 3.85% in November. The best action was overseas as the dollar's drop gave U.S. investors currency gains that enhanced their returns.

For our portfolios, our three asset class plays continue to be: 1) an overweighting to large- and mega-caps that is funded from a reduction in small-caps; 2) a position in emerging-markets local currency short-term bonds that is funded from a reduction in U.S. investment-grade bonds; and, 3) commodity futures, also funded from investment-grade bonds. During the year, our fixed-income managers added considerable value versus their benchmarks.

This month brings changes in our portfolios from Harbor Capital Appreciation (HACAX) to Brandywine Blue (BLUEX). ~ see remarks at right ~

Our international equity managers also outperformed overall. However, our domestic equity managers' performance was mixed, with two of our managers (Nygren, and Davis) suffering through poor years.

Model Portfolio Changes We are eliminating Harbor Capital Appreciation (HACAX) in our portfolios in favor of Brandywine Blue (BLUEX). Our overall larger-cap growth exposure in our portfolios is unchanged. The primary reason behind our preference for BLUEX over HACAX is a higher confidence in our understanding of BLUEX's edge and in its sustainability. We also like the added manager diversification that comes from owning a fund with a very different style of growth investing.

Looking Ahead Economic risk has risen and recession is a clear possibility, though not necessarily a high probability. However, we are taking a close look at the risk exposure in our portfolios and assessing whether we should increase our defensiveness. Because our scenario analysis suggests that our portfolios can withstand a normal recession without violating 12-month risk thresholds, any

moves we make are unlikely to be dramatic. However, clients should understand that the possibility of a rough year lies ahead. They should also understand that this is not an outcome that can be predicted with high confidence. We've been surprised by positive market returns many times over the years. So we focus on doing our best to maintain adequate risk protection over a one-year time horizon based on the risk tolerance of each investor, while keeping our eye on the more important goal of long-term returns. This common sense approach has served our clients well. ~ RWT ~

<i>Portfolio Benchmarks</i>	<i>One Year</i>
Vanguard Total Bond Mkt. Fund	7.05 %
Vanguard 500 Index	5.39 %
Russell 2000 Index	-1.57 %
Vanguard Total Int'l. Fund	15.52 %

Happy New Year!

All of us at TFG hope you had the most wonderful of holidays...we know we did! We ended 2007 with our annual office Christmas party (see photos), and after the celebration we all took off for



Surrounded by our family and friends, TFG toasted (with sparkling cider, of course) to another successful year full of blessings.



Mikki, the resident hot-beverage fanatic, delights at her gift of an incredibly large—and we mean large—mug.

a little R&R, spending some precious time with our families.

Traveling to her hometown in TX, **Kirstin** reveled in her new role of “aunt” to her 15 month-old niece. Says Kirstin, “my new niece is far and away the best Christmas present I could ask for, but I really liked my new Soni-Care toothbrush, too...it works wonders with my braces.”

Meanwhile, **Mikki** headed to GA to visit with her husband’s family. “Jay and I are extremely blessed...we both have wonderful, loving in-laws, so Christmas with either family is a great time. Jay had knee surgery this year, and I had to get a new car after my old one conked out, so gift-money was a little tight...but now he can walk and I can drive—what more do we need?”

Robin’s favorite Christmas gifts flew home this year—his two oldest kids, Andrew and Courtney, joined the family in VA during their winter break from Oral Roberts University in OK. “Now that my kids are starting to leave the nest, I’ve gained a new appreciation for the many times we take for granted...in fact, my New Year’s resolution is to truly appreciate the little things...time spent with family and friends, good health, etc.”



Robin receives the first of many gift cards—not too shabby!

And finally, **Terry** drove as fast as she could to OH to see her two grandkids—4 year-old Dominik and 6 month-old Izabella—and smother them with

some long-awaited hugs and kisses. And the mad-dash paid off handsomely...as Terry cuddled him in bed one night, Dominik lovingly proclaimed that he was “snug as a bug in a rug!” Aren’t kids (and Grandmas) great?

As much as we enjoyed our break, we’re all re-energized and excited to be back in the saddle and ready to serve. May 2008 bring us all good health, prosperity, and perfect peace!

Always Accurate: Terry and Kirstin took time to label the cheese appetizers.



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